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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)

PLACING OF NEW SHARES WITH WARRANTS ATTACHED UNDER THE SPECIFIC MANDATE 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

PLACING OF NEW SHARES WITH WARRANTS ATTACHED UNDER THE SPECIFIC MANDATE

The Company entered into the Placing Agreement with the Placing Agent on 24 April 2012 pursuant to which the Company appointed the Placing Agent as its sole and exclusive placing agent, on a best-effort basis, to procure not fewer than six Placees (who are Independent Third Parties) to subscribe for up to 500,000,000 Placing Shares at the Placing Price. In addition, the Company will issue unlisted Warrants, on the basis of one Warrant for each Placing Share issued, at the Issue Price of HK\$0.01 per Warrant. Holders of the Warrants may exercise the subscription rights attached to the Warrants, in whole or in part, at any time during the Exercise Period to subscribe for the Subscription Shares at the Subscription Price of HK\$0.15 per Subscription Share (subject to adjustment). Each Warrant carries the right to subscribe for one Subscription Share.

The Placing Shares represent 16.91% of the Company's existing issued share capital and approximately 14.46% of the Company's issued share capital as enlarged by the issue of the Placing Shares, but not the Subscription Shares. The total number of Placing Shares and Subscription Shares (if exercised in full) will be equivalent to approximately 33.81% of the existing issued share capital of the Company and also equivalent to approximately 25.27% of the issued share capital as enlarged by the Placing Shares and Subscription Shares. The Placing Shares and the Subscription Shares will be issued under the Specific Mandate to be sought at the EGM.

* For identification purposes only

It is expected that the maximum net proceeds from the Placing (excluding any exercise of the subscription rights attached to the Warrants) will amount to approximately HK\$78 million and, together with the net proceeds from the full exercise of the subscription rights attached to the Warrants, will amount to approximately HK\$153 million. The Company intends to apply the aggregate net proceeds from the Placing together with the proceeds from the issue of the Subscription Shares upon full exercise of the subscription rights attached to the Warrants towards general working capital of the Group and for future development of the Group as and when investment opportunities arise.

Completion of the Placing is subject to the satisfaction of certain conditions as described below, including the Stock Exchange granting listing of, and permission to deal in, the Placing Shares and the Subscription Shares. If any of these conditions are not fulfilled, the Placing will not proceed.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

EGM

The EGM will be convened to consider and, if thought fit, approve, among other things, (i) the Placing Agreement and the transactions contemplated thereunder; and (ii) the issue and allotment of the Placing Shares and the Subscription Shares under the Specific Mandate. To the best knowledge of the Directors, no Shareholders have a material interest in the transaction contemplated under the Placing Agreement. Accordingly, no Shareholders will be required to abstain from voting at the EGM in respect of the resolution(s) relating to the Placing and the Specific Mandate.

GENERAL

A circular containing, among other things, details of (i) the Placing Agreement and the transactions contemplated thereunder; (ii) the issue and allotment of the Placing Shares and the Subscription Shares under the Specific Mandate; and (iii) a notice convening the EGM will be dispatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 24 April 2012 pending the release of this announcement. 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 9:00 a.m. on 25 April 2012.

The Directors are pleased to announce that on 24 April 2012, the parties referred to below entered into the Placing Agreement, details of which are described below.

PLACING OF 500,000,000 NEW SHARES WITH WARRANTS ATTACHED

The Placing Agreement

Date: 24 April 2012

Parties: (i) Issuer: the Company

(ii) Placing Agent: Vision Finance International Company Limited

Details of the Placing Shares:

Placing Shares: A maximum of 500,000,000 new Shares to be allotted and issued by the Company, equivalent to approximately 16.91% of the existing issued share capital of the Company and representing approximately 14.46% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares, but not the Subscription Shares. The Placing Agent has conditionally agreed to place a maximum of 500,000,000 Placing Shares on a best effort basis.

Placing Price: The price of HK\$0.15 per Placing Share was determined after arm's length negotiations between the Company and the Placing Agent and represents: (i) a discount of approximately 29.25% to the closing price of HK\$0.212 per Share as quoted on the Stock Exchange on 23 April 2012, being the Last Trading Date; and (ii) a discount of approximately 29.04% to the average closing price of approximately HK\$0.2114 per Share as quoted on the Stock Exchange for the five trading days of the Shares immediately prior to the date of the Placing Agreement.

Places: The Placing Shares are expected to be placed by the Placing Agent to not fewer than six institutional and/or professional investors who should be Independent Third Parties.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

The Placing Agent will in aggregate receive an underwriting commission of 2.5% of the amount raised from the Placing, representing an amount equal to the Placing Price multiplied by the number of Placing Shares successfully placed by the Placing Agent and the relevant aggregate issue price of the Warrants attached.

Details of the Warrants:

Warrants: 500,000,000 unlisted transferable warrants to be issued, on the basis of one Warrant for each Placing Share issued, at the Issue Price of HK\$0.01 per Warrant. Holders of the Warrants may exercise the subscription rights attached to the Warrants, in whole or in part, at any time during the Exercise Period to subscribe for the Subscription Shares at the Subscription Price of HK\$0.15 per Subscription Share (subject to adjustment). Each Warrant carries the right to subscribe for one Subscription Share.

The Warrants will be issued to the holders of the Warrants upon Completion in registered form and constituted by the Instrument. The Warrants will rank pari passu in all respects among themselves.

Subscription Shares:	Assuming the full exercise of the subscription rights attached to the Warrants, the 500,000,000 Subscription Shares to be issued will be equivalent to approximately 16.91% of the existing issued share capital of the Company and equivalent to approximately 14.46% of the issued share capital of the Company after the allotment and issue of the Placing Shares, and representing approximately 12.63% of the issued share capital of the Company as enlarged by the issue of the Placing Shares and the Subscription Shares, assuming there are no further changes in the issued share capital of the Company prior to such exercise.
Subscription Price:	<p>The aggregate of the Issue Price per Warrant and the Subscription Price per Subscription Share (being an aggregate of HK\$0.16) represents: (i) a discount of approximately 24.53% to the closing price of HK\$0.212 per Share as quoted on the Stock Exchange on 23 April 2012, being the Last Trading Date; and (ii) a discount of approximately 24.31% to the average closing price of approximately HK\$0.2114 per Share as quoted on the Stock Exchange for the five trading days of the Shares immediately prior to the date of the Placing Agreement.</p> <p>The Subscription Price is subject to normal adjustments in the event of share consolidation or subdivision of the Company.</p> <p>Both the Subscription Price and the aggregate of it with the Issue Price of the Warrant were determined after arm's length negotiations between the Company and the Placing Agent, and are in the interests of the Company and the Shareholders as a whole.</p>
Exercise Period:	Four years commencing from the date of issue of the Warrants.
Transferability:	The Warrants are transferable in integral multiples of 5,000,000 Warrants to any person other than a connected person (as defined in the Listing Rules). In the event of a transfer to a connected person (as defined in the Listing Rules), prior approval from the Company and the Stock Exchange should be obtained.
Rights for the holders of the Warrants:	The holders of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being the holders of the Warrants. The holders of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.
Other details:	
Conditions Precedent:	<p>The Placing is conditional upon the fulfillment of the following conditions by not later than 31 May 2012 (or such later date as may be agreed between the Placing Agent and the Company):</p> <p>(a) (if required) the Listing Committee approving the issue of the Warrants either unconditionally or subject to conditions to which neither the Company nor the Placing Agent shall reasonably object and the satisfaction of such conditions;</p>

- (b) the Listing Committee granting approval for the listing of and permission to deal in all of the Placing Shares and the Subscription Shares which fall to be allotted and issued upon the exercise of the subscription rights attached to the Warrants either unconditionally or subject to conditions to which neither the Company nor the Placing Agent shall reasonably object and the satisfaction of such conditions; and
- (c) the Shareholders approving the Placing Agreement and the allotment and issue of the Placing Shares and the Subscription Shares under the Specific Mandate at the EGM.

Termination:

The Placing is subject to termination, at any time prior to the date of Completion, by reason of (i) in the reasonable opinion of the Placing Agent there shall have been since the date of the Placing Agreement any change in national or international, financial, political or economic conditions or taxation or exchange controls which would be likely to prejudice materially the consummation of the Placing; (ii) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any matter whatsoever which may adversely affect the business or the financial or trading position or prospects of the Group as a whole; (iii) any material breach of any of the representations, warranties or undertakings contained in the Placing Agreement or any event rendering such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or (iv) any material 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.

Completion:

Completion of the Placing is expected to take place on the fifth Business Day following the satisfaction of the conditions of the Placing, or such other date as may be agreed by the Company and the Placing Agent.

Mandate to issue the Placing Shares and the Subscription Shares:

The Placing Shares and the Subscription Shares will be allotted and issued under the Specific Mandate to be sought at the EGM.

Ranking of the Placing Shares and the Subscription Shares:

The Placing Shares and the Subscription Shares (as the case may be), when issued and fully paid up, will rank pari passu in all respects with the Shares in issue at the time of allotment and issue of the Placing Shares and the Subscription Shares (as the case may be).

Application for listing:

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Placing Shares and the Subscription Shares which fall to be allotted and issued upon exercise of the subscription rights attached to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

EFFECT ON SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 2,957,757,997 Shares in issue. The shareholding structure of the Company before and after the Placing, and the full exercise of the subscription rights attached to the Warrants (assuming no other change to the issued share capital of the Company) are as follows:

	As at the date of this announcement		Immediate after the Placing		Assuming full exercise of the subscription rights attaching to the Warrants	
	Approximate Number of Shares held	shareholding percentage	Approximate Number of Shares held	shareholding percentage	Approximate Number of Shares held	shareholding percentage
Lung Cheong Investment Limited	1,499,082,240 <i>(Note 1)</i>	50.68%	1,499,082,240 <i>(Note 1)</i>	43.35%	1,499,082,240 <i>(Note 1)</i>	37.88%
Public Shareholders						
Other public Shareholders	1,458,675,757	49.32%	1,458,675,757	42.19%	1,458,675,757	36.86%
Placees	–	–	500,000,000 <i>(Note 2)</i>	14.46%	500,000,000 <i>(Note 2)</i>	12.63%
Holder(s) of Warrant(s)	–	–	–	–	500,000,000	12.63%
Total	<u>2,957,757,997</u>	<u>100.00%</u>	<u>3,457,757,997</u>	<u>100.00%</u>	<u>3,957,757,997</u>	<u>100.00%</u>

Note:

1. Lung Cheong Investment Limited is the existing controlling shareholder of the Company and a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Rare Diamond Limited, a company incorporated in the British Virgin Islands which in turn is owned as to 70% by Mr. Leung Lun, an executive Director of the Company and 30% by Mr. Leung Chung Ming, who is the brother of Mr. Leung Lun.
2. Assuming all of the 500,000,000 new Shares are successfully placed under the Placing.

No Placee is expected to become a substantial shareholder (as defined in the Listing Rules) as a consequence of the Placing.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Directors consider that the Placing would be a good opportunity to raise capital for the Company in that it will not have a significant immediate dilution effect on the shareholding of the existing Shareholders and net proceeds of approximately HK\$78 million will be raised immediately upon completion of the Placing. In light of the recent uncertainties in the world markets, the Directors consider that it is prudent for the Group to conduct the Placing to raise sufficient fund for general working capital and expansion of business as and when such opportunities arise and to improve the Group's financial position. The Placing would also provide the Group an excellent opportunity to raise further substantial funds in the event the holder(s) of the Warrants exercises his subscription rights attached to the Warrants at any time during the Exercise Period. If and when the subscription rights attached to the Warrants are exercised in full, further funds of approximately HK\$75 million will be raised.

In view of the above, the Directors consider that the issue of the unlisted Warrants is an appropriate method of raising additional capital for the Company in the circumstances and that the terms of the Placing Agreement which have been arrived at after arm's length negotiations between the Company and the Placing Agent are fair and reasonable and the Placing Agreement is in the interests of the Company and the Shareholders as a whole.

The net proceeds from the Placing (excluding any exercise of the subscription rights attached to the Warrants) will amount to approximately HK\$78 million and, together with the net proceeds from the full exercise of the subscription rights attached to the Warrants, will amount to approximately HK\$153 million. The Company intends to apply the aggregate net proceeds from the Placing, together with the proceeds from the issue of the Subscription Shares upon full exercise of the subscription rights attached to the Warrants towards general working capital of the Group and for future development of the Group as and when business opportunities arise.

BUSINESS OF THE COMPANY

The Group is principally engaged in the manufacturing, marketing and trading of toys.

FUND RAISING DURING THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activity during the past twelve (12) months immediately preceding the date of this announcement.

EGM

The EGM will be convened to consider and, if thought fit, approve, among other things, (i) the Placing Agreement and the transactions contemplated thereunder; and (ii) the issue and allotment of the Placing Shares and Subscription Shares under the Specific Mandate. To the best knowledge of the Directors, none of the Shareholders have a material interest in the transactions contemplated under the Placing Agreement. Accordingly, no Shareholder will be required to abstain from voting at the EGM in respect of the resolution(s) relating to the Placing and the Specific Mandate.

GENERAL

A circular containing, among other things, details of (i) the Placing Agreement and the transactions contemplated thereunder; (ii) the issue and allotment of the Placing Shares and the Subscription Shares under the Specific Mandate; and (iii) a notice convening the EGM will be dispatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 24 April 2012 pending the release of this announcement. 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 9:00 a.m. on 25 April 2012.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Board”	the board of Directors
“Business Day”	any day (not being a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are open for business
“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
“Completion”	completion of the Placing in accordance with the terms and conditions of the Placing Agreement
“Director(s)”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve, among others, (i) the Placing Agreement and the transactions contemplated thereunder; and (ii) the issue and allotment of the Placing Shares and Subscription Shares under the Specific Mandate
“Exercise Period”	a period of four years commencing from the date of the issue of the Warrants
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and connected persons (as defined under the Listing Rules) of the Company
“Instrument”	the instrument to be executed by the Company by way of a deed poll constituting the Warrants upon Completion
“Issue Price”	HK\$0.01 per unit of Warrant to be issued pursuant to the Placing Agreement
“Last Trading Date”	23 April 2012, being the last day on which the Shares were traded on the Stock Exchange prior to the date of the Placing Agreement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any person or entity whom the Placing Agent has procured to subscribe for the Placing Shares (with Warrants attached)
“Placing”	the placing of the Placing Shares (with Warrants attached) to the Placee(s) pursuant to the Placing Agreement
“Placing Agent”	Vision Finance International Company Limited, a company licensed to conduct Type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement dated 24 April 2012 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	the price of HK\$0.15 per Placing Share
“Placing Shares”	up to a maximum of 500,000,000 new Shares to be allotted and issued pursuant to the Placing Agreement
“Shares”	ordinary share(s) of nominal value of HK\$0.10 each in the issue share capital of the Company
“Shareholder(s)”	holder(s) of the Shares(s)
“Specific Mandate”	the specific mandate for the issue of the Placing Shares and the Subscription Shares to be granted to the Directors by the Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription Price”	the subscription price of HK\$0.15 per Subscription Share at which holders of the Warrants may subscribe for the Subscription Shares
“Subscription Shares”	new Shares which may fall to be allotted and issued upon the exercise of the subscription rights attached to the Warrants
“Warrants”	up to an aggregate of 500,000,000 unlisted transferable warrants to be issued by the Company, on the basis of one Warrant for each Placing Share issued, at the Issue Price per Warrant, in registered form, each with subscription rights entitling the holder thereof to subscribe for one Subscription Share at the Subscription Price (subject to adjustment) at any time during the Exercise Period, subject to the terms and conditions set out in the Instrument
“%”	per cent.

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

Hong Kong, 25 April 2012

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