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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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2012

RESULTS

The Board of directors (the "Board") of Lung Cheong International Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (together called the "Group" and/or the "Remaining Group") for the year ended 31 March 2012 together with the comparative figures for the year ended 31 March 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	Note	**2012** *HK$'000*	2011 *HK$'000*
Turnover	*3*	**419,758**	538,036
Cost of sales		**(354,385)**	(449,199)
Gross profit		**65,373**	88,837
Other income, gains and losses, net	*4*	**1,322**	11,665
Selling and distribution expenses		**(24,499)**	(42,874)
General and administrative expenses		**(38,334)**	(160,644)
Impairment on property, plant and equipment		**–**	(80,366)
Reversal of impairment on trade receivables		**–**	614
Impairment of goodwill		**(16,740)**	–
Gain on disposal of subsidiaries		**92,049**	–
Operating profit/(loss)	*5*	**79,171**	(182,768)
Finance costs	*6*	**(2,440)**	(13,338)
Profit/(loss) before income tax		**76,731**	(196,106)
Income tax credit/(expense)	*7*	**918**	(1,398)
Profit/(loss) for the year		**77,649**	(197,504)

* *For identification purposes only*

	Note	**2012**	2011
		HK$'000	*HK$'000*
Other comprehensive income:			
Release of exchange fluctuation reserve upon disposal of subsidiaries		**(66,918)**	–
Exchange differences arising on translation of foreign operations		**(736)**	1,056
Surplus/(deficit) on revaluation of land and buildings		**17,793**	(9,341)
Income tax relating to (surplus)/deficit on revaluation of land and buildings		**(4,448)**	1,822
Other comprehensive income for the year, net of tax		**(54,309)**	(6,463)
Total comprehensive income for the year		**23,340**	(203,967)
Profit/(loss) for the year attributable to the owners of the Company		**77,649**	(197,504)
Total comprehensive income attributable to the owners of the Company		**23,340**	(203,967)
Earnings/(loss) per share attributable to the owners of the Company			
– Basic and diluted	*9*	**2.63 cents**	(6.68) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**41,198**	26,600
Goodwill		**2,500**	19,240
Deferred tax assets		**3,508**	1,694
		47,206	47,534
Current assets			
Inventories		**31,602**	28,661
Trade and other receivables, deposits and prepayments	*10*	**22,026**	41,059
Amounts due from related companies		**43,013**	–
Tax recoverable		**212**	151
Cash and cash equivalents		**7,156**	13,723
		104,009	83,594
Assets of a disposal group classified as held for sale		**–**	351,294
		104,009	434,888
Current liabilities			
Trade and other payables and accrued charges	*11*	**12,577**	16,928
Amounts due to related companies		**43,412**	–
Obligations under finance leases		**–**	3,721
Borrowings		**15,529**	18,190
Tax payable		**760**	3
		72,278	38,842
Liabilities of a disposal group classified as held for sale		**–**	391,772
		72,278	430,614
Net current assets		**31,731**	4,274
Total assets less current liabilities		**78,937**	51,808

	Note	**2012**	2011
	Note	***HK$'000***	*HK$'000*
Non-current liabilities			
Obligations under finance leases		**–**	604
Provision for long service payment		**1,611**	1,683
Loan from immediate holding company		**50,000**	50,000
Deferred tax liabilities		**6,854**	2,389
		58,465	54,676
Net assets/(liabilities)		**20,472**	(2,868)
EQUITY			
Share capital		**295,776**	295,776
Reserves		**(275,304)**	(298,644)
Total equity/(deficit)		**20,472**	(2,868)

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANISATION AND OPERATIONS

Lung Cheong International Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The address of the registered office is at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies and the principal place of business of the Company is at Lung Cheong Building, 1 Lok Yip Road, Fanling, New Territories, Hong Kong.

The Company is an investment holding company and the Group are principally engaged in development, engineering, manufacturing and trading of toys, moulds and materials during the year ended 31 March 2012.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – Effective 1 April 2011

HKFRSs (Amendments)	Improvements to HKFRSs
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

HKFRS 3 (Amendments) – Business Combinations

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and no material impact has been noted for comparative periods disclosure. The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for comparative period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle [3]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets [1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities [3]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income [2]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities [4]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures [5]
HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [1]
HKFRS 9	Financial Instruments [5]
HKFRS 10	Consolidated Financial Statements [3]
HKFRS 12	Disclosure of Interest in Other Entities [3]
HKFRS 13	Fair Value Measurement [3]
HKAS 27 (as revised in 2011)	Separate Financial Instruments [3]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 July 2012
[3] Effective for annual periods beginning on or after 1 January 2013
[4] Effective for annual periods beginning on or after 1 January 2014
[5] Effective for annual periods beginning on or after 1 January 2015

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

In addition, the Hong Kong Institute of Certified Public Accountants also published a number of amendments to existing standards under its annual improvement project. These amendments are not expected to have a significant financial impact on the results of operations and financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

The Group principally engages in the development, engineering, manufacturing and trading of toys, moulds and materials. Turnover and revenue recognised during the year are as follows:

	2012	2011
	HK$'000	*HK$'000*
Sale of toys	**413,123**	532,726
Sale of moulds and materials	**6,635**	5,310
Total revenue	**419,758**	538,036

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 revenue and operations by geographical region, according to the location of customers and assets is as follows:

	Revenue *HK$'000*	**Non-current assets** *HK$'000*
For the year ended 31 March 2012		
United States of America	**246,014**	**3,309**
Europe *(Note)*	**117,886**	**–**
China	**19,150**	**–**
Australia	**12,938**	**–**
Japan	**10,306**	**–**
Hong Kong	**1,669**	**2,425**
Indonesia	**816**	**37,964**
Others	**10,979**	**–**
Total	**419,758**	**43,698**

	Revenue *HK$'000*	Non-current assets *HK$'000*
For the year ended 31 March 2011		
United States of America	311,217	19,534
Europe *(Note)*	135,915	–
China	24,653	–
Australia	14,838	–
Japan	26,451	–
Hong Kong	7,211	4,798
Indonesia	1,156	21,508
Others	16,595	–
Total	538,036	45,840

Note: The countries included in this category included mainly United Kingdom, Germany and Italy. No further analysis by countries of this category is presented because the revenue from each individual country is insignificant to the total revenue.

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

	2012	2011
	HK$'000	*HK$'000*
Electronic and plastic toys	**290,526**	315,045
Radio control/wireless product	**115,890**	197,694
Consumer electronic products	**13,342**	25,297
	419,758	538,036

(c) Information on major customers is as follows:

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2012	2011
	HK$'000	*HK$'000*
Customer A	**103,735**	100,898
Customer B	**103,263**	157,392
Customer C	**56,806**	–
Customer D	**–**	59,154

4. OTHER INCOME, GAINS AND LOSSES, NET

	2012	2011
	HK$'000	*HK$'000*
Sample income and others	**1,059**	6,410
Exchange (losses)/gains, net	**(218)**	4,993
Sales of scrap materials	**474**	–
Interest income	**7**	262
	1,322	11,665

5. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging/(crediting):

	2012	2011
	HK$'000	*HK$'000*
Cost of inventories sold	**354,385**	449,199
Amortisation of leasehold land and land use rights	**–**	1,932
Auditors' remuneration	**841**	1,467
Depreciation of property, plant and equipment	**4,007**	26,177
Loss on disposal of property, plant and equipment	**405**	33
Impairment loss for trade receivables	**446**	49
Recovery of impairment loss for trade receivables previously recognised	**–**	(663)
Employee benefits expense	**33,655**	155,602
Operating lease rentals in respect of land and buildings	**717**	2,837
Compliance and testing fee	**469**	2,229

6. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on loans from banks wholly repayable within five years	**1,527**	10,969
Interest on loan from immediate holding company	**844**	2,102
Finance charges on obligations under finance leases	**69**	267
	2,440	13,338

7. INCOME TAX CREDIT/EXPENSE

No Hong Kong profits tax has been provided as the Group sustained a loss in Hong Kong for the year (2011: Nil).

The amount of income tax credit/expense in the consolidated statement of comprehensive income represents:

	2012	2011
	HK$'000	*HK$'000*
Mainland China enterprise income tax		
– current year	**–**	1,356
– over provision in prior year	**–**	(20)
Hong Kong profits tax		
– under provision in prior years	**751**	–
Deferred tax (credit)/charge	**(1,669)**	62
Income tax (credit)/expense	**(918)**	1,398

Income tax on the Group's profit/loss before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2012	2011
	HK$'000	*HK$'000*
Profit/(loss) before income tax	**76,731**	(196,106)
Tax expense/(credit) calculated at the tax rate of 16.5% (2011: 16.5%)	**12,661**	(32,357)
Effect of different tax rates in other countries	**(3,918)**	(5,025)
Income not subject to taxation	**(16,594)**	(43)
Expenses not deductible for taxation purposes	**245**	36,392
Utilisation of previously unrecognised tax losses	**(840)**	(101)
Under provision in prior years	**751**	–
Temporary difference not recognised and others	**6,777**	2,532
Income tax (credit)/expense	**(918)**	1,398

8. DIVIDENDS

The directors do not recommend any dividend in respect of the year ended 31 March 2012 (2011: Nil).

9. EARNINGS/(LOSS) PER SHARE

Basic

The calculation of basic earnings/(loss) per share is based on the profit attributable to the owners of the Company of HK$77,649,000 (2011: loss of HK$197,504,000) and the weighted average number of 2,957,758,000 (2011: 2,957,758,000) ordinary shares in issue during the year.

Diluted

The diluted earnings/(loss) per share for the years ended 31 March 2012 and 2011 are same as the basic earnings/(loss) per share as there is no potential ordinary share outstanding during the year.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**18,540**	46,690
Less: Allowance for doubtful debts	**(681)**	(8,195)
	17,859	38,495
Other receivables, deposits and prepayments	**4,167**	8,560
Less: Provision for impairment	**–**	(5,996)
	4,167	2,564
	22,026	41,059

(a) The average credit period to the Group's trade debtors is 30 to 90 days.

(b) The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

Allowance of doubtful debts on trade receivables

	2012	2011
	HK$'000	*HK$'000*
At beginning of year	**8,195**	16,063
Amounts written off for the year	**(7,960)**	–
Addition to/(reversal of) impairment loss	**446**	(614)
Classified as held for sale	**–**	(7,254)
At end of year *(note (i))*	**681**	8,195

Provision for impairment on other receivables, deposits and prepayments

	2012	2011
	HK$'000	*HK$'000*
At beginning of year	**5,996**	5,996
Amounts written off for the year	**(5,996)**	–
At end of year	**–**	5,996

Note:

(i) At 31 March 2012, the Group's trade receivables of approximately HK$681,000 (2011: HK$8,195,000) were individually determined to be impaired.

(c) At 31 March 2012, the ageing analysis of the trade receivables net of allowance for doubtful debts was as follows:

	2012	2011
	HK$'000	*HK$'000*
0-90 days	**16,840**	31,133
91-180 days	**592**	2,456
181-365 days	**115**	4,126
Over 365 days	**312**	780
	17,859	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 backgrounds may be offered longer credit terms.

(d) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired was as follows:

	2012	2011
	HK$'000	*HK$'000*
Not past due	**13,240**	31,017
Within 30 days past due	**3,646**	1,295
31 to 90 days past due	**522**	1,006
Over 90 days past due	**451**	5,177
	4,619	7,478
	17,859	38,495

(e) Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

11. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**3,791**	1,327
Other payables and accrued charges	**8,786**	15,601
	12,577	16,928

At 31 March 2012, the ageing analysis of the trade payables was as follows:

	2012	2011
	HK$'000	*HK$'000*
0-90 days	**3,787**	1,150
91-180 days	**4**	161
181-365 days	**–**	16
	3,791	1,327

12. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

On 24 April 2012, the Company entered into the Placing Agreement with the Placing Agent to procure not fewer than six Placees (who are Independent Third Parties) to subscribe for up to 500 million Placing Shares at the Placing Price of HK$0.15 per share. In addition, the Company will issue unlisted Warrants at the Subscription Price of HK$0.15 per Subscription Share, on the basis of one Warrant for each Placing Share issued, at the Issue Price of HK$0.01 per Warrant.

The net proceeds from the Placing (excluding any exercise of the subscription rights attached to the Warrants) amounted to approximately HK$77 million and the net proceeds from the full exercise of the subscription rights attached to the Warrants, will amount to approximately HK$75 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 for the purposes set out in the announcements of the Company dated 25 April 2012 and the circular of the Company dated 16 May 2012.

The Placing and the Subscription were completed on 13 June 2012 and 500 million ordinary shares and warrants were alloted and issued. The net proceeds received by the Company from the Placing are approximately HK$75 million.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 August 2012 to 28 August 2012 (both dates inclusive), during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the annual general meeting of the Company to be held on 28 August 2012, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 22 August 2012.

BUSINESS REVIEW AND PROSPECTS

Results

For the year ended 31 March 2012 ("FY11/12"), the Group's turnover decreased by 22% to approximately ("approx") HK$420 million, compared with approx HK$538 million for the year ended 31 March 2011 ("FY10/11" and/or "Corresponding Period").

Gross profit margin for FY11/12 was 16% compared to 17% in FY10/11. Overall, profit attributable to owners of the Company was approx HK$78 million, compared with a loss of approx HK$198 million in FY10/11.

The Directors do not recommend the payment of any dividend for the year ended 31 March 2012 (FY10/11: Nil).

Business Review

In April 2011 the Group completed the disposal of Lung Cheong (BVI) Holdings Limited and its subsidiaries (the "Disposal Group"). It was then released from 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. 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 over time.

The Group entered into a disposal agreement and supplemental agreement ("Disposal Agreements") on 28 January 2011 and 24 March 2011 respectively for the disposal of the entire issued capital of Lung Cheong (BVI) Holdings Limited ("LC (BVI)"); and loans owing by LC (BVI) or any other member of the Disposal Group to the Company and/or the Remaining Group for an aggregate consideration of HK$18 million in cash, subject to adjustment ("Disposal"). The purchaser is owned as to 30% by Mr. Leung Chung Ming ("Mr. CM Leung") who is the brother of Mr. Leung Lun and as to 70% by Mr. Leung, Kenneth Yuk Wai who is a son of Mr. Leung Lun, a substantial Shareholder and an executive Director. Mr. CM Leung was a substantial Shareholder and a former executive Director who resigned on 9 May 2011 in accordance with the Disposal Agreement. Details of the Disposal are further set out in the circular dated 25 March 2011. Pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Disposal was approved by the Independent Shareholders at the Company's Extraordinary General Meeting ("EGM") held on 12 April 2011.

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 totalling HK$92 million 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.

Purchases from the Disposal Group amounted to approx HK$313 million for FY11/12 in line with continuing connected transactions resolution approved by independent shareholders at the Company's EGM held on 7 July 2011. During FY11/12 and after Completion Date, The Group reimbursed the Disposal Group to the amount of approx HK$3 million in relation to costs associated with salaries for directors and employees for a specific periods previously employed by the Disposal Group, before their employment were formally transferred to the Remaining Group accordingly. The Group occupied certain areas as it registered corporate office at Lung Cheong Building, Fanling, Hong Kong owned by the Disposal Group at no charge during FY11/12. This arrangement will be reviewed during financial year 2012/2013 ("FY12/13") and once a revised arrangement is in place, it will be announced and if required, to seek approval in accordance with Listing Rules.

In addition to a challenging market environment, the Group had to compete to preserve its OEM customers without PRC manufacturing base and relying on its Indonesian production facilities. Overall, the Group's turnover recorded a decrease as certain customers opted to place orders with the Disposal Group directly or with other OEM competitors with facilities on PRC. 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 only slightly reduced.

During FY11/12, the Group's major export destinations were United States of America ("US"), Europe, Australia and Japan. US continued to be the largest export destinations for the Group, accounting for approx 59% of total turnover in FY 11/12 (FY10/11: 58%). Other significant overseas markets for the Group included Europe, Australia and Japan, which accounted for approx 28% in FY11/12 (FY10/11: 26%) approx 3% in FY11/12 (FY10/11: 3%) and approx 2% in FY11/12 (FY10/11: 5%) respectively. The Group's effort into developing relationships with customers whom had strong electronic and plastic toy lines targeted at the lower-priced segment were rewarded this year. The major portion shipped were less complex, medium-to-low priced products during FY11/12, increased to approx 69% of sales (FY10/11: 59%). Shipment of radio control toys were lowered, the Group's radio control ("R/C") toy business segment accounted for approx 28% of total sales during FY11/12, lower than the approx 37% 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 consumers worldwide. However, amid the uncertain business environment, the Group's operations contributed approx HK$2 million in operating profit for FY11/12 (FY10/11: loss HK$198 million).

However, due to delayed orders caused by subdued worldwide economies, time required for transfer of products from customers' PRC and Thailand suppliers, and the ongoing debt crisis in Europe, turnover of the Group's manufacturing plants in Indonesia decreased from approx HK$81 million for the Corresponding Period to approx HK$51 million, and accounted for approx 12% (FY10/11: 15%) of Group's turnover.

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 year, 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.

As mentioned in the FY11/12 Interim Report, the Group continues to seek diversified income sources and to further reduce the Group's reliance on its primary PRC OEM income stream. The Disposal is therefore one of the Company's stated corporate strategies. Whilst the Group will enlarge the OEM business with the Company's existing customers, it will also focus on the design, development, sales and marketing of its own Kid Galaxy brand of products and gradually position the Group as an OBM operator.

Apart from continuous research and development, the Group in FY11/12 has also actively expanded its distribution channels in US 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$89 million in FY11/12, compared with approx HK$105 million for FY10/11. 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 may affect OBM margins in the years to come, plus the uncertainties potentially affecting Kid Galaxy primary market being US where it's specialty distribution channels were greatly reduced as well as weakening European economies due to the lingering Euro Debt Crisis, being Kid Galaxy's major developing market, an impairment of goodwill relating to the previous acquisition of Kid Galaxy amounting to approx HK$17 million has been provided during the year under review.

PLANS AND PROSPECTS

Management takes a cautious view of its business for FY12/13. As market fluctuations and economic uncertainties such as the concern over European sovereignty debt crisis affect product demand and the amount of customer orders, Management is concerned that the global toy industry will still face challenges in FY12/13. 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 place orders directly with the Disposal Group, with competitors with factories in Vietnam or request production to be carried out in 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 FY12/13. 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.

The Group's production base in Indonesia currently enjoys favorable advantages over PRC and most Asian countries such as plentiful supply of labour and competitive labour costs. The positive environment seems to continue and the Group looks forward to optimistic growth in our Indonesian plant. The Management remains confident of the Group's ability to seize this unique opportunity to consolidate its market position amid the exit of weaker players.

The Group continues to streamline the production efficiency of the Indonesian plant aiming to lower the overall manufacturing overhead, sourcing and administrative costs. In addition, measures will continue to be adopted to enhance productivity. These measures include replacing machines of low efficiency and high maintenance cost, streamlining workflow, revision of work practice and parameters, and exploring opportunities for utlitising idle seasonal capacity. The Group will endeavor to trim excess overheads, improve productivity and control production costs while the toy industry rides out the storm.

The Group continues its belief about the importance of investing a portion of sales in product development. Ongoing resources are being allocated to the development of innovative products to secure our strength and leadership. We continue to focus our resources and efforts in two categories of customers: growing with strategic OEM customers, providing consistent support during the time of uncertainties, and expanding the base of strategic customers, providing outlets for our continued investment into innovative product development under the Kid Galaxy brands. These plans can now be carried out effectively with the post balance date placement of shares completed.

On 24 April 2012, the Company entered into the Placing Agreement with the Placing Agent 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 million 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. It is expected the maximum gross proceeds and maximum net proceeds of approx HK$155 million and approx HK$152 million will be raised upon completion of the Placing and fully exercised of the Warrants (the "Placing").

The net proceeds from the Placing (excluding any exercise of the subscription rights attached to the Warrants) amounted to approx HK$77 million and the net proceeds from the full exercise of the subscription rights attached to the Warrants, amounted to approx HK$75 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 for the purposes set out in the Company's announcement of the Company dated 25 April 2012 and the circular of the Company dated 16 May 2012.

Pursuant to the Listing Rules, the Placing was approved by the Independent Shareholders at the Company's EGM held on 31 May 2012. All conditions precedent of the Placing as set out in the Placing Agreement have been fulfilled and the completion of the Placing took place on 13 June 2012. 500 million Placing Shares with an aggregate of 500 million unlisted Warrants attached have been successfully placed by the Placing Agent to not fewer than six Placees at the Placing Price of HK$0.15 per Placing Share and Issue Price of HK$0.01 per Warrant in accordance with the terms and conditions of the Placing Agreement.

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. 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.

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

For the year ended 31 March 2012, the Group's turnover decreased by approx 22% to approx HK$420 million, compared with approx HK$538 million in the corresponding year. Gross profit margin slightly decreased to approx 16% compared to previous corresponding year's 17% while net profit of the Group was approx HK$78 million for the year ended 31 March 2012. For the year ended 31 March 2012, with the Group's major export destinations being US, Europe, Australia and Japan, and these markets remain competitive and challenging. However, amid this uncertain business environment, the Group's overall financial position for the year ended 31 March 2012 remained stable.

As at 31 March 2012, the Group's total borrowings including shareholders loan of HK$50 million amounted to about HK$66 million with about HK$16 million repayable on demand or within one year and about HK$50 million repayable after one year. All borrowings denominated in Hong Kong dollars and US dollar and bore interest at floating rates. The Group recorded total current assets of approx HK$104 million and total current liabilities of approx HK$72 million. The current ratio of the Group, calculated by dividing the total current assets by total current liabilities was 144%. The Group recorded an increase in shareholders' funds from a negative equity of approx HK$3 million as at 31 March 2011 to a net asset position of approx HK$20 million as at 31 March 2012. The increase was mainly resulting from profit from operations and revaluation of properties. Bearing unforeseen circumstance, upon completion of the Placing, shareholders' fund would show an enlarged net asset position in next reporting period.

EMPLOYEES

As at 31 March 2012, the Group had total approx 1,247 employees and contract workers of the workforce were based in Hong Kong headquarter, Macau office, PRC liaison office, the Indonesian factory and the US sales office. The number of employees of the Group varies from time to time depending on production needs and they are remunerated based on industry practices.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

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 year under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the period under review.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices as set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Listing Rules and the Company has complied with the code provisions set out in the CG Code save for the deviation from code provision A.2.1.

Upon resignation of Mr. Leung Chung Ming on 9 May 2011, Mr. Leung Lun, Chairman of the Company, takes up the role of the Chief Executive of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive in the same person provides the Company with strong and consistent leadership enabling the Company to operate efficiently. The Board considers that such an arrangement will not impair the balance of power and authority between the Board and the management of the Company.

A detailed Corporate Governance Report setting out the Group's framework of governance and explanation about how the provisions of the CG Code have been applied will be included in the Company's Annual Report 2011/2012.

RELATED PARTY TRANSACTIONS

During the year, the Group had transactions and balances 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 related parties companies during the year, and balances with them at the end of reporting period, are as follows:

(a) During the year, the Group entered into the following material transactions with related companies:

Related party relationship	**Type of transaction**	**Transaction amount**	
		2012	2011
		HK$'000	*HK$'000*
Company controlled by a director's close family members	Sales	**88**	–
Companies controlled by a director's close family members	Purchase	**312,967**	–

(b) The loan from immediate holding company is unsecured and interest bearing at HIBOR. At 31 March 2012, 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 1 April 2013.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive directors, namely Mr. Ye Tian Liu, Mr. Wong Lam, *O.B.E., J.P.*, and Mr. Lai Yun Hung.

The principal activities of the Audit Committee of the Company include the review and supervision of the Group's financial reporting process and internal controls. The Company's annual result for the year ended 31 March 2012 have been reviewed by the Audit Committee.

PUBLICATION OF RESULTS ANNOUNCEMENT

This 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

28 June 2012

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