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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)**

### **FURTHER INFORMATION IN RELATION TO THE USE OF PROCEEDS FROM THE 2012 PLACING**

Reference is made to the announcements of Lung Cheong International Holdings Limited (the “**Company**”) dated 19 November 2012, 20 November 2012, 28 December 2012 and 30 January 2013 in relation to, among others, placing of new shares (the “**Announcements**”). Capitalized terms used herein shall have the same meanings as those defined in the Announcements unless otherwise stated.

The Board wishes to provide further information in relation to on the use of proceeds from the placing of 500,000,000 Shares with one warrant attached to each placing share (the “**2012 Placing**”) as mentioned in the announcement of the Company dated 25 April 2012 (the “**2012 Placing Announcement**”) and the circular of the Company dated 16 May 2012 (the “**2012 Placing Circular**”). Details of the actual use of proceeds from the 2012 Placing as at the date of this announcement are set out below.

#### **Intended use of proceeds from the 2012 Placing as mentioned in the 2012 Placing Announcement and the 2012 Placing Circular**

#### **Actual use of proceeds from the 2012 Placing as at the date of this announcement**

(a) approximately HK\$23 million will be used for the construction of new production facilities on existing vacant industrial land, upgrading and improvement of existing facilities of the Group;

Approximately HK\$5 million has been applied on replacing old equipment with new equipment and the balance has been temporarily used to finance the growth in stock and account receivables of the Indonesian operations and OEM business. The turnover of the Group’s manufacturing plant in Indonesia increased from approximately HK\$33 million for the six months ended 30 September 2011 to approximately HK\$63 million for the corresponding period ended in 2012 and accounted for approximately 43% (2011: 10%) of the Group’s turnover for the period ended 30 September 2012. Therefore, funds would be diverted back to it’s original plan when sufficient resources to support the coming growth in sales inclusive of stock and account receivables are in place.

\* For identification purposes only

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| (b) approximately HK\$15 million will be used to promote and market the Group's newly developed products, invest into research and develop more innovative electronic and high-tech consumer products; | Approximately HK\$3 million has been applied to new product development of the OBM business with the remaining has been temporarily utilized for financing the stock and accounts receivables of Kid Galaxy's OBM business. The turnover of the Group's OBM sales increased from approximately HK\$55 million for the six months ended 30 September 2011 to approximately HK\$77 million for the corresponding period ended in 2012 and accounted for approximately 52% (2011: 17%) of the Group's turnover for the period ended 30 September 2012. Therefore, funds would be diverted back to its original intended use when sufficient resources are in place to support the current growth in stock and account receivables as a result of sales increase. |
| (c) approximately HK\$15 million will be used for settling the bank borrowings of the Group; and   | Loan has been repaid.   |
| (d) approximately HK\$24 million will be used for working capital for the existing business of the Company   | Approximately HK\$20 million has been used to repay shareholder's loan and the remaining was used for working capital for the existing business of the Company. As shareholder's loan is part of the working capital of the Group, repaying shareholder's loan was still within the ambit of the definition of working capital.   |

The Company does not consider that each of the above-mentioned actual use of proceeds from the 2012 Placing to be a change in use of proceeds from those stated in the 2012 Placing Announcement and the 2012 Placing Circular as temporary allocation of proceeds were applied to finance growth which was the major intentions of the 2012 Placing in the first place. The proceeds from the 2012 Placing were applied to support urgent working capital needs during peak production and shipping months which was previously unplanned for and thus the Directors are of the view that there has been no change in use of proceeds from their intentions.

The temporarily use of proceeds as working capital of the Group to support peak season production and shipment needs will eventually be refreshed when accounts receivables are fully recovered and stock are made into finished goods, and then shipped. The Directors expect that a portion of these proceeds would be reverted back to its original use in the last quarter of financial year ended 31 March 2013 and thereafter.

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

Hong Kong, 25 February 2013

*As at the date of this announcement, the board of directors of the Company comprises two executive directors, namely Mr. Leung Lun, M.H. (Chairman and Chief Executive) and Mr. Wong, Andy Tze On; and three independent non-executive directors, namely, Mr. Ye Tian Liu, Mr. Lai Yun Hung and Dr. Ko Peter, Ping Wah.*