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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)

UPDATE ON THE USE OF PROCEEDS

This announcement is made by Lung Cheong International Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules of Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 19 November 2012, 20 November 2012, 28 December 2012 and 2 April 2013 (collectively the “**Announcements**”) and the circular of the Company dated 26 February 2013 (the “**Circular**”), in relation to, among other things, placing of new shares. Capitalized terms used herein shall have the same meanings as those defined in the Announcements and the circular unless otherwise stated.

As disclosed in the Circular, the net proceeds from Placing, in the sum of approximately HK\$388 million, will be used for the business development of the Group in the new area and any future possible acquisitions and strategic investments which may bring in revenue when such opportunities arise and to improve the Group’s financial position. Of the said proceeds from the Placing, (a) approximately HK\$5 million for conducting feasibility study of using the Company’s current manufacturing and operation facilities; (b) approximately HK\$75 million for carrying out the suggestions made in the feasibility study, including construction of new production facilities, upgrading existing facilities and construct another new factory in Indonesia, re-engineering the manufacturing process and upgrading current facilities; (c) approximately HK\$5 million for performing strategic review of the Company’s operation and approximately HK\$60 million for possible acquisition of new product lines in high technology industry and related sales; (d) approximately HK\$150 million for possible acquisitions; and (e) approximately HK\$88 million for working capital of the Group.

* *For identification purposes only*

While the feasibility study and strategic review mentioned above yet to be completed and the acquisition targets seeking are ongoing for the time being, the Company has placed approximately HK\$350 million in its private banking account with a Swiss based banking institute, of which approximately HK\$320 million has been utilized to invest in high-yield bonds issued by nineteen listed companies (which consist of property development corporations in the PRC, chain retail group in the PRC, one public utility company in the PRC and one conglomerate company in the PRC) in the open bond market and the remaining approximately HK\$68 million is retained in the bank in cash.

Taking into account the facts that (i) the bonds will provide steady interest income to the Group as compared to other kinds of investments; and (ii) each individual bond can be sold in the market due to the liquidity of the bond when the Company intends to realize the same for acquisition or expansion and construction of new production plants or facilities after completion of the feasibility study according to the Company's plan in the use of proceeds from Placing, the Company considers that applying part of the proceeds in investing in high-yield bonds in the open market for the time being will facilitate efficient use of the financial resources of the Company and is fair and reasonable and in the interests of the Company and its shareholders as a whole. The Company at the same time notes that if any of the bonds cannot be sold in the market due to the then prevailing market condition, thin liquidity of individual bond or whatever reason(s), the Company may suffer loss if the Company has to redeem the bond before it becomes mature. Management would take utmost care in monitoring these investments.

According to the recent statement of the Company's private bank account where the proceeds of Placing are deposited, the Company recorded a foreign exchange gain and an unrealized mark to market gain from its investment in the bonds. These gains from the Group's investments in the above-mentioned bonds may be considered material compared to the Group's financial position for the year ended 31 March 2013, currently being audited and will be published on or before 30 June 2013.

The Company will continue to provide periodic updates on the use of the proceeds from Placing.

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

Hong Kong, 31 May 2013

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