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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 UPDATE ON THE USE OF PROCEEDS FROM THE PLACINGS

References are made to the circular of the Company dated 16 May 2012 (the “**2012 Placing Circular**”) in respect of the placing of 500,000,000 new shares with warrants attached under the specific mandate (the “**2012 Placing**”) and the circular of the Company dated 26 February 2013 (the “**2013 Placing Circular**”) in respect of the placing of 2,000,000,000 new shares under the specific mandate (the “**2013 Placing**”), which together with the 2012 Placing Circular referred to as (the “**Placing Circulars**”). Unless defined otherwise, capitalized terms used herein shall have the same meanings as those defined in the Placing Circulars.

The Company set out below the update on the use of proceeds from the 2012 Placing and the 2013 Placing (the “**Placings**”).

Placing	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
The 2012 Placing	Approximately HK\$77 million	<p>(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.</p> <p>(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.</p>	<p>Approximately HK\$11 million has been applied on replacing old equipment with new equipment and construction of a new factory/warehouse building in Indonesia. The balance has been temporarily used to finance the growth in stock and account receivables of the Group’s Indonesian operations and OEM business. Therefore, funds would be diverted back to its original plan when sufficient resources or credit facilities to support the coming growth in sales inclusive of stock and account receivables are in place.</p> <p>Approximately HK\$5 million has been applied to new product development, marketing and promotion as well as new testing requirements of the OBM business with the remaining has been temporarily utilized for financing the stock and accounts receivables of Kid Galaxy’s OBM business. Funds would be diverted back to its original intended use when sufficient resources and credit facilities are in place to support the current growth in stock and account receivables as a result of sales increase.</p>

* For identification purposes only

Placing	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
		(c) Approximately HK\$15 million will be used for settling the bank borrowings of the Group.	Used as intended and the Group's bank borrowings 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 Group.

As mentioned above, the Company's use of certain proceeds from the 2012 Placing are temporary measures during the interim period and the Company will stick with its intended use of proceeds as disclosed in the 2012 Placing Circular.

Placing	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
The 2013 Placing	Approximately HK\$388 million	<p>(a) Approximately HK\$5 million will be used for the feasibility study of using the Company's current manufacturing and operation facilities or to expand and upgrade the current facilities in Indonesia (if necessary); approximately HK\$75 million will be used for carrying out the suggestion made in the feasibility study</p> <p>(b) (i) approximately HK\$5 million will be used for performing a detail strategic review of the Company's operation; (ii) approximately HK\$5 million will be used for the research and development of new lines of products and/or the related brand building or acquisitions, sales, marketing and promotion; (iii) approximately HK\$60 million will be used for the possible acquisition of new product lines;</p> <p>(c) approximately HK\$150 million will be used for possible acquisitions</p> <p>(d) approximately HK\$88 million will be used for the working capital of the Group, of which approximately HK\$50 million will be used to support the increase in stock to cope with the organic growth of the business of the Company and the balance of approximately HK\$38 million will be used for carrying out the plan as described in (a), (b) or possible acquisition in (c) above.</p>	<p>Approximately HK\$7.8 million was used to set up a company, which is principally engaged in consumer electronic products; and approximately HK\$12.7 million was used to acquire 51% share interest in a company, which is principally engaged in the research and development, marketing & distribution of baby appliances in the People's Republic of China. The Directors believe that the business segment of baby appliances can complement the Group's existing business while further expand the Group's income base and add value to the shareholders of the Company.</p> <p>Approximately HK\$8 million was paid as part of the consideration for the acquisition of Notton Limited</p>

As disclosed in the announcement of the Company dated 31 May 2013, the Company placed approximately HK\$350 million in its private banking account with a Swiss Based banking institute. As at the date of this announcement, approximately HK\$344 million has been utilized to invest in high yield bonds issued by listed issuers in the open bond market. The Company's investment in the bond market is merely a temporary cash management exercise during the interim period and the Company will stick with its intended use of proceeds as disclosed in the 2013 Placing Circular. The remaining approximately HK\$16 million is retained in the bank in cash.

The Company will continue to provide further updates on the use of the proceeds from Placings as and when appropriate.

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

Hong Kong, 10 October 2013

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