

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION

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

MEMORANDUM OF UNDERSTANDING

The board (the “**Board**”) of the directors (the “**Directors**”) of the Company is pleased to announce that on 4 January 2015, the Company and Haier Group Corporation 海爾集團公司 (the “**Potential Vendor**”), a collectively-owned enterprise duly established and existing under the laws of the People’s Republic of China (the “**PRC**”), entered into the memorandum of understanding (the “**MOU**”) in respect of the possible acquisition (the “**Possible Acquisition**”) of all or part of the Potential Vendor’s beneficial interest in 51% equity interest in 青島海施水設備有限公司, a company to be established in the PRC (the “**Target Company**”) which will in turn own 100% equity interest in a company established in the PRC (the “**Operating Company**”, together with the Target Company, the “**Target Group**”).

The Operating Company is a company established in the PRC with limited liability and will be principally engaged in the business on research, wholesale, retail, installation, maintenance and after-sales service of water purification equipment and accessories. To the best of the Directors’ knowledge, information, and belief having made reasonable enquiries, the Potential Vendor and its group companies are in the process of conducting reorganisation of their water purification and related business (the “**Reorganisation**”). Upon completion of the Reorganisation, the equity interest in the Target Company will be owned as to approximately 14% by the Potential Vendor; as to approximately 37% by a company incorporated in Hong Kong and a wholly owned subsidiary of the Potential Vendor (the “**Company C**”); as to approximately 15% by another subsidiary of the Potential Vendor; and as to approximately 34% by a company incorporated under the laws of Israel (the “**Israel JV Partner**”). The Israel JV Partner may have a further right to acquire the 15% equity interest in the Target Company from the Potential Vendor’s subsidiary.

* For identification purposes only

Following the signing of the MOU, the Company is entitled to conduct due diligence review on the Target Group (the “**Due Diligence Review**”), including but not limited to the business, financial and legal aspects of the Target Group. It is also agreed that the Potential Vendor will not during the period commencing from the date of the MOU up to 3 months from the date of the MOU (the “**MOU Period**”) enter into any agreement with or participate in any discussion, arrangement or negotiation with any party other than the Company and/ or its group companies in respect of the Possible Acquisition.

The consideration, terms and conditions of the Possible Acquisition are subject to further negotiation between the parties to the MOU. The parties have agreed to proceed in good faith and use their endeavours to enter into a formal sale and purchase agreement in respect of the Possible Acquisition (the “**Formal Agreement**”) within the MOU Period.

The MOU shall be effective from the date of signing and continues until the earlier of: (i) expiry date of the MOU Period; (ii) a date mutually agreed by the parties; or (iii) the date of signing of the Formal Agreement.

Save for the terms in relation to the due diligence review, exclusivity, confidentiality, termination and governing laws contained in the MOU, the MOU is not legally binding. The final terms, including but not limited to the consideration for the Possible Acquisition, have yet to be determined and finalized.

The Possible Acquisition is subject to, among other things, further negotiations and the entering into of the Formal Agreement. The MOU may or may not lead to the entering into of any formal agreement and accordingly the Possible Acquisition may or may not proceed. There is no assurance as to whether and when the Possible Acquisition will take place. Further, the signing of the Formal Agreement may be made by a subsidiary of the Company.

REASONS FOR ENTERING INTO OF THE MOU

The Directors believe that water purification equipment and accessories is a sun-rising market in China with great prospects. The Company has just launched its business on water purifier this year and the Directors believe that it is a golden opportunity to participate further in such business areas, given the experience of both Potential Vendor and Israel JV partner in such industry. The Directors believe that the Company will be able to leverage on the expertise of Potential Vendor and the Israel JV Partner in future operation and development of the Target Group. In order to seek for more business opportunities and to maximize return to the Company and the shareholders of the Company in the long run, the Directors consider that the entering into of the MOU is in the interest of the Company and its shareholders as a whole.

GENERAL

If the Possible Acquisition materializes, it may constitute a notifiable transaction of the Company under the Listing Rules. Further announcement in respect of the Possible Acquisition will be made by the Company should any formal sale and purchase agreement be entered into as and when appropriate in accordance with the Listing Rules.

The Board wishes to emphasize that the Possible Acquisition is subject to the signing of a formal agreement in respect of the Possible Acquisition, the terms and conditions of which are yet to be agreed. As the Possible Acquisition may or may not proceed, shareholders of the Company and potential investors are urged to exercise caution when dealing in the Shares.

By order of the Board
Lung Cheong International Holdings Limited
Diao Yunfeng
Chairman and Chief Executive Officer

Hong Kong, 4 January 2015

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