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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)

PLACING OF NEW SHARES, POSSIBLE OFFER, AND RESUMPTION OF TRADING

Placing Agent



睿智金融國際有限公司
VISION FINANCE INTERNATIONAL COMPANY LIMITED

Financial Adviser



長江證券融資(香港)有限公司
CHANGJIANG CORPORATE FINANCE (HK) LIMITED

PLACING OF NEW SHARES UNDER THE SPECIFIC MANDATE

The Company entered into the Placing Agreement with the Placing Agent on 6 November 2012 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 2,000,000,000 Placing Shares at the Placing Price. On 6 November 2012, the Placing Agent procured a Placee and this Placee on the same day confirmed to the Placing Agent to subscribe a total of 1,390,000,000 Placing Shares at the Placing Price.

The Placing Shares represent approximately 57.84% of the Company's existing issued share capital and approximately 36.65% of the Company's issued share capital as enlarged by the issue of the Placing Shares. The Placing Shares will be allotted under the Specific Mandate to be sought at the EGM.

It is expected that the net proceeds from the Placing will amount to approximately HK\$388 million. The Company intends to apply the aggregate net proceeds from the Placing towards business development of the Group into the new area and any future possible acquisitions and strategic investment which may bring in revenue when such opportunities arise and to improve the Group's financial position.

Completion of the Placing is subject to the satisfaction of certain conditions as described below, including the Stock Exchange granting listing of, and permission to deal in, the Placing Shares. If any of these conditions are not fulfilled or waived, the Placing will not proceed. **As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

* For identification purposes only

EGM

The EGM will be convened to consider and, if thought fit, approve, among other things, (i) the Placing Agreement and the transactions contemplated thereunder; and (ii) the issue and allotment of the Placing Shares under the Specific Mandate. To the best knowledge of the Directors, no Shareholders have a material interest in the transaction contemplated under the Placing Agreement. Accordingly, no Shareholders will be required to abstain from voting at the EGM in respect of the resolution(s) relating to the Placing and the Specific Mandate.

GENERAL

A circular containing, among other things, details of (i) the Placing Agreement and the transactions contemplated thereunder; (ii) the issue and allotment of the Placing Shares under the Specific Mandate; and (iii) a notice convening the EGM will be dispatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 7 November 2012 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 20 November 2012.

The Directors are pleased to announce that on 6 November 2012, the parties referred to below entered into the Placing Agreement, details of which are described below. This announcement also constitutes an announcement under Rule 3.7 of the Takeovers Code.

PLACING OF 2,000,000,000 NEW SHARES

The Placing Agreement

Date: 6 November 2012

Parties: (i) Issuer: the Company

(ii) Placing Agent: Vision Finance International Company Limited

Details of the Placing Shares:

Placing Shares: A maximum of 2,000,000,000 new Shares to be allotted and issued by the Company, equivalent to approximately 57.84% of the existing issued share capital of the Company and representing approximately 36.65% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares. The Placing Agent has conditionally agreed to place a maximum of 2,000,000,000 Placing Shares on a best effort basis.

Placing Price: The price of HK\$0.20 per Placing Share was determined after arm's length negotiations between the Company and the Placing Agent and represents: (i) a discount of approximately 31.03% to the closing price of HK\$0.29 per Share as quoted on the Stock Exchange on 6 November 2012, being the Last Trading Date; and (ii) a discount of approximately 29.08% to the average closing price of approximately HK\$0.282 per Share as quoted on the Stock Exchange for the five trading days of the Shares immediately prior to the date of the Placing Agreement.

Placees: The Placing Shares are expected to be placed by the Placing Agent to not fewer than six Placees who and whose ultimate beneficial owners should be Independent Third Parties. On 6 November 2012, the Placing Agent procured a Placee, namely Haier Electrical Appliances Second, and Haier Electrical Appliances Second on the same day confirmed to the Placing Agent to subscribe a total of 1,390,000,000 Placing Shares at the Placing Price subject to the satisfaction of conditions under the Placing Agreement as described below having become unconditional in all respects. The remaining 610,000,000 Placing Shares will be subscribed by Other Placees. Upon completion of the Placing, it is expected that save Haier Electrical Appliances Second will become a substantial shareholder of the Company holding an equity interest of approximately 25.47% in the share capital of the Company as enlarged by the allotment and issue of the Placing Shares, none of the Other Placees will become substantial shareholder (as defined under the Listing Rules).

The Placing Agent is currently seeking for Other Placees and the number of Placees is not certain. Should the total number of Placees is less than six, a separate announcement will be made to disclose the name of the Placees according to the Listing Rules.

Upon completion of the Placing Agreement, Lung Cheong Investment and Haier Electrical Appliances Second will be presumed to be parties acting in concert under class 1 of the definition of acting in concert of the Takeovers Code. The Company received confirmation(s) from Lung Cheong Investment and Haier Electrical Appliances Second respectively confirming that Lung Cheong Investment and its concert parties on the one hand and Haier Electrical Appliances Second and its concert parties on the other hand are not parties acting in concert with each other in respect of the Company upon completion of the Placing.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Placing Agent and its ultimate beneficial owners are Independent Third Parties, independent of Lung Cheong Investment and Haier Electrical Appliances Second, any of the Directors, their respective associates and/or their respective concert parties.

The Placing Agent will in aggregate receive an underwriting commission of 2.5% of the amount raised from the Placing, representing an amount equal to the Placing Price multiplied by the number of Placing Shares successfully placed by the Placing Agent.

Other details:

Conditions Precedent: The Placing is conditional upon the fulfillment of the following conditions by not later than 31 January 2013 (or such later date as maybe agreed between the Placing Agent and the Company):

- (a) the passing of the following resolutions at the extraordinary general meeting by the Shareholders (being such Shareholders as are allowed to vote under the Listing Rules and/or the Takeovers Code) in relation to the Placing Agreement and the transactions contemplated thereunder:
 - (i) the issue and allotment under a specific mandate of 2,000,000,000 Placing Shares constituting approximately 36.65% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares; and
 - (ii) the Placing Agreement and the transactions contemplated thereunder.
- (b) the listing of, and permission to deal in, all the Placing Shares being granted by the Stock Exchange and such listing and permission not subsequently being revoked;
- (c) the granting of ruling by the Executive to the application of rebutting the presumption that Haier Electrical Appliances Second and Lung Cheong Investment are concert parties with each other in respect of the Company as a result of the Placing;
- (d) the Company have sought the Stock Exchange's view on this announcement and, if the Company finds it necessary, having obtained the Stock Exchange's approval or clearance on this announcement;
- (e) Haier Electrical Appliances Second having completed and being satisfied with the results of the due diligence exercise on, inter alia, the assets, liabilities, operation, taxation, books and records and legal aspects of the Group within one month after the date of the Placing Agreement;
- (f) there not having been, at any time before the second Business Day immediately after 5:00 p.m. (Hong Kong time) on the Business Day immediately following the date on which the Conditions Precedent are fulfilled (or such later date as the Company and the Placing Agent may agree in writing):
 - (i) any adverse change or any development reasonably likely to involve an adverse change in the condition (financial or otherwise) of the Group which is material in the context of the Placing;
 - (ii) the occurrence of any event or the existence of any circumstance which would render any of the Warranties untrue or inaccurate in any material respect; and

- (iii) the occurrence of any breach of the undertakings of the Company as set out in the Placing Agreement.

Save for conditions (a) and (b) above, all conditions can be waived by the Placing Agent. With respect to condition (c), the rebuttal application may or may not be granted. Condition (c) shall only be waived if the consent from both Lung Cheong Investment and Haier Electrical Appliances Second is obtained. Lung Cheong Investment and Haier Electrical Appliances should comply with obligation under Rule 26 of the Takeovers Code to make offer to the other Shareholders for all of their Shares should condition (c) be waived.

Termination:

The Placing is subject to termination, at any time prior to the date of Completion, by reason of (i) in the reasonable opinion of the Placing Agent there shall have been since the date of the Placing Agreement any change in national or international, financial, political or economic conditions or taxation or exchange controls which would be likely to prejudice materially the consummation of the Placing; (ii) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any matter whatsoever which may adversely affect the business or the financial or trading position or prospects of the Group as a whole; (iii) any material breach of any of the representations, warranties or undertakings contained in the Placing Agreement or any event rendering such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or (iv) any material adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agent is material in the context of the Placing.

Completion:

Completion of the Placing is expected to take place on the fifth Business Day following the satisfaction of the conditions of the Placing, or such other date as may be agreed by the Company and the Placing Agent.

Completion of the Placing is subject to the satisfaction of certain conditions described above, including the Stock Exchange granting listing of, and permission to deal in, the Placing Shares. If any of these conditions are not fulfilled or waived, the Placing will not proceed.

As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Mandate to issue the Placing Shares:

The Placing Shares will be allotted under the Specific Mandate to be sought at the EGM.

Ranking of the Placing Shares:

The Placing Shares, when issued and fully paid up, will rank pari passu in all respects with the Shares in issue at the time of allotment and issue of the Placing Shares.

Application for listing:

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Placing Shares.

EFFECT ON SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 3,457,757,997 Shares in issue. The shareholding structure of the Company before and after the Placing (assuming no other change to the issued share capital of the Company) are as follows:

	As at the date of this announcement		Immediate After Placing	
	<i>Number of Shares held</i>	<i>Approximate shareholding percentage</i>	<i>Number of Shares held</i>	<i>Approximate shareholding percentage</i>
Lung Cheong Investment Limited and concert parties (<i>Note 1</i>)	1,499,082,240	43.35%	1,499,082,240	27.47%
Haier Electrical Appliances Second and concert parties	–	–	1,390,000,000	25.47%
Public Shareholders				
Other public Shareholders (<i>Note 2</i>)	1,958,675,757	56.65%	1,958,675,757	35.89%
Other Placees (<i>Note 2</i>)	–	–	610,000,000	11.17%
Total	<u>3,457,757,997</u>	<u>100.00%</u>	<u>5,457,757,997</u>	<u>100.00%</u>

Note:

1. Lung Cheong Investment Limited is the existing controlling shareholder of the Company and a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Rare Diamond Limited, a company incorporated in the British Virgin Islands which in turn is owned as to 70% by Mr. Leung Lun, an executive Director of the Company and 30% by Mr. Leung Chung Ming, who is the brother of Mr. Leung Lun.
2. Assuming all new Shares are successfully placed under the Placing.
3. As at the date of announcement, there are 500,000,000 outstanding warrants which can be, if fully exercised, convertible to 500,000,000 new Shares. The warrants were issued on the basis of one warrant for each placing share issued to the subscribers who are Independent Third Parties under the placing of 500,000,000 Shares of the Company, which was completed on 13 June 2012.

No Placee (other than Haier Electrical Appliances Second) is expected to become a substantial shareholder (as defined in the Listing Rules) as a consequence of the Placing.

As at the date of this announcement, the authorized share capital of the Company include 10,000,000,000 Shares and 40 preference shares of HK\$100,000 each, the Company has a total of 3,457,757,997 Shares in issue and 500,000,000 warrants carrying rights to subscribe for 500,000,000 Shares. Save as aforesaid, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the date hereof.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Directors are concerned that the global toy industry will continue to face challenges in the future due to the volatility of raw materials prices, ever increasing energy costs, the weakness of the US dollar against the PRC Renminbi and the fluctuation of the Indonesia Rupiah which would adversely affect the Group's financial performance. The Directors have been actively exploring all possibilities of selective mergers, acquisitions and divestments to reduce the Group's reliance on its toy business so as to seek alternate sources of revenue from new ventures to add value to shareholders.

In view of the above, the Directors consider that it is prudent for the Group to conduct the Placing to raise sufficient fund in light of the uncertainties in the world markets and the Placing will benefit the Company's long term development and broaden the Company's equity base and strengthen the financial position of the Group. Furthermore, the Placing Agent has procured Haier Electrical Appliances Second as a strategic investor of the Company. Haier Electrical Appliances Second is a wholly owned subsidiary of Haier Investment which is one of the major investment companies within Haier Group of companies. Founded in 1984, Haier Group of companies is headquartered in Qingdao, Shandong Province, the PRC and is today one of the world's leading white goods home appliance manufacturers. The products of Haier Group of companies are now sold in over 100 countries. The Directors are of the opinion that by inviting Haier Electrical Appliances Second as strategic investor, the Group can draw on the successful experience of Haier Group of companies in particular, in building up a well-known worldwide brandname and efficient manufacturing management and worldwide distribution channel, and to improve its business strategy towards the competitive toy manufacturing industry in recent years due to the uncertainties and soft demand from North American and European markets. The Directors consider the terms of the Placing Agreement which have been arrived at after arm's length negotiations between the Company and the Placing Agent are fair and reasonable and the Placing Agreement is in the interests of the Company and the Shareholders as a whole.

It is expected that the net proceeds from the Placing will amount to approximately HK\$388 million. The Company intends to apply the aggregate net proceeds from the Placing towards business development of the Group into the new area and any future possible acquisitions and strategic investment which may bring in revenue when such opportunities arise and to improve the Group's financial position.

BUSINESS OF THE COMPANY

The Group is principally engaged in the manufacturing, marketing and trading of toys.

CASH COMPANY

Upon completion of the Placing, the assets of the Company may consist wholly or substantially of cash or short-dated securities. Under Rule 14.82 of the Listing Rules, the Company may not be regarded as suitable for listing and trading in Shares may be suspended. Should this happen, under Rule 14.84 the Company may apply to the Stock Exchange to lift the suspension once it has a business suitable for listing. In that case, the Stock Exchange will treat the application for lifting of the suspension as if it were an application for listing from a new applicant.

FUND RAISING DURING THE PAST TWELVE MONTHS

Saved as disclosed below, the Company has not conducted any equity fund raising activity during the past twelve (12) months immediately preceding the date of this announcement:

Date of announcement:	25 April 2012 (“2012 Announcement”)
Event:	Placing of 500,000,000 shares at a price of HK\$0.15 per share (with one warrant with exercise price of HK\$0.15 per warrant)
Net proceeds raised:	approximately HK\$ 78 million (with all warrants exercised approximately HK\$153 million)

Intended use of proceeds as mentioned in the 2012 Announcement and/or the circular of the Company dated 16 May 2012

Actual use of proceeds 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 with new equipment and the balance used to finance the growth in stock and account receivables of the Indonesian operations and OEM business,
(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 been applied to new product development of the OBM business with the remaining utilized for financing the stock and accounts receivables of Kid Galaxy’s OBM business
(c) approximately HK\$15 million will be used for settling the bank borrowings of the Group; and	Loan not yet due for repayment but amount applied into the operations
(d) approximately HK\$24 million will be used for working capital for the existing business of the Company	Approximately HK\$20 million used to repay shareholder’s loan

EGM

The EGM will be convened to consider and, if thought fit, approve, among other things, (i) the Placing Agreement and the transactions contemplated thereunder; and (ii) the issue and allotment of the Placing Shares under the Specific Mandate. To the best knowledge of the Directors, none of the Shareholders have a material interest in the transactions contemplated under the Placing Agreement. Accordingly, no Shareholder will be required to abstain from voting at the EGM in respect of the resolution(s) relating to the Placing and the Specific Mandate.

GENERAL INFORMATION

A circular containing, among other things, details of (i) the Placing Agreement and the transactions contemplated thereunder; (ii) the issue and allotment of the Placing Shares under the Specific Mandate; and (iii) a notice convening the EGM will be dispatched to the Shareholders as soon as practicable.

The associates of the Company (including persons having interests of more than 5% in the Company) are hereby reminded to disclose their dealings in any securities of the Company under Rule 22 of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

Responsibilities of stockbrokers, banks and other intermediaries

“Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than HK\$1 million.

This dispensation does not alter the obligations of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that cooperation.”

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 7 November 2012 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 20 November 2012.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Board”	the board of Directors
“Business Day”	any day (not being a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are open for business
“Company”	Lung Cheong International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Placing in accordance with the terms and conditions of the Placing Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve, among others, (i) the Placing Agreement and the transactions contemplated thereunder; and (ii) the issue and allotment of the Placing Shares under the Specific Mandate
“Group”	the Company and its subsidiaries
“Haier Electrical Appliances Second”	Haier Electrical Appliances Second Holdings (BVI) Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Haier Investment
“Haier Investment”	青島海爾投資發展有限公司 (Qingdao Haier Investment and Development Co., Ltd.*) , a limited liability company established in the PRC, an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and connected persons (as defined under the Listing Rules) of the Company
“Last Trading Date”	6 November 2012, being the last day on which the Shares were traded on the Stock Exchange prior to the date of the Placing Agreement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lung Cheong Investment”	Lung Cheong Investment Limited, being the substantial shareholder of the Company as at the date of the Placing Agreement

“OBM”	Original Band Manufacturing
“OEM”	Original Equipment Manufacturing
“Other Places”	Places other than Haier Electrical Appliances Second
“Placee(s)”	any person or entity whom the Placing Agent has procured to subscribe for the Placing Shares
“Placing”	the placing of the Placing Shares to the Placee(s) pursuant to the Placing Agreement
“Placing Agent”	Vision Finance International Company Limited, a company licensed to conduct Type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement dated 6 November 2012 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	the price of HK\$0.20 per Placing Share
“Placing Shares”	up to a maximum of 2,000,000,000 new Shares to be allotted and issued pursuant to the Placing Agreement
“PRC”	the People’s Republic of China
“Shares(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the issue share capital of the Company
“Shareholder(s)”	holder(s) of the Shares(s)
“Specific Mandate”	the specific mandate for the issue of the Placing Shares to be granted to the Directors by the Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent.

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

Hong Kong, 19 November 2012

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.

The directors of the Company jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in the document, the omission of which would make any statement in this announcement misleading.