The board of directors (the "Directors") of Lung Cheong International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2003 together with comparative figures for the corresponding period of last year as follows:

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK0.75 cents (2002: HK0.25 cents) per share in respect of the six months ended 30th September 2003 to shareholders whose names appear on the Register of Members of the Company at the close of business on 2nd January 2004. The interim dividend will be paid on or before 15th January 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 5th January 2004 to 8th January 2004 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer of shares, accompanied by the relevant share certificates, must be lodged with the Hong Kong branch of the Company's share registrars, Abacus Share Registrars Limited on or before 4:00 p.m. on 2nd January 2004 (address at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong).

RESULTS, BUSINESS REVIEW AND PROSPECTS

Results

The first half of the Group's financial year 2003/04 recorded a consolidated turnover of HK$375.1 million, representing an increase of approximately 5% as compared to the last corresponding period. Gross profit improved by 24.0% to HK$108.3 million over the same period in 2002/03. Operating profit for the period was HK$36.7 million, an increase of 14.1% from the same period in the last year.

Profit attributable to shareholders grew 6.1% to HK$25.4 million for the period under review, compared to HK$23.9 million in the previous corresponding period. Basic earnings per share was HK6.13 cents compared to HK5.61 cents per share in the same period last year.

Business review

During the early part of the financial period, the world's economies were marred by the aftermath of the Iraqi war, followed by the outbreak of the Severe Acute Respiratory Syndrome ("SARS"). These strained situation interrupted normal product development and approval process, thus order placement schedule was unavoidably delayed. These activities were postponed to the second quarter of the financial year, resulting in extreme delivery schedule towards end of the interim period.

Despite the tough operating conditions, the Group was able to gear its production facilities in anticipation of the tight ordering pattern. Standard Tooling and Products Co. Ltd ("STP") ability to design innovative ODM products and effectively engineering OEM products contributed strongly towards the first half result. Precision designed and produced moulds from STP ensured smooth production process ahead.

The Group's vertically integrated manufacturing facilities enabled it to efficiently produce standardized components, thus reducing the costs of production. The shortened shipment request by customers also put a strain on the Group's warehousing capabilities but with the support of its reliable suppliers, deliveries were well managed to meet tight delivery schedules.

The radio control and wireless toys segment performed extremely well in the first half of the Group's financial year 2003/04. The success of the Group's ODM "sea", "land" and "air" range of radio control toys played a vital part in contributing to this interim period performance. This tremendous achievement was a fruitful success of our continuous effort in strengthening STP's value added engineering and development capabilities. This product segment accounted for more than half the Group's revenue for the period under review.

Prospects

With the Middle East situations showing gradual improvement, SARS well under control and strengthening consumer confidence, both the order book and shipment for the remainder of the year look encouraging.

Management believes that the demand for radio control, electronic and plastic toys will continue to grow steadily for the rest of this financial year. Although the OEM toy segment will remain competitive for the rest of the year, given our strong design and engineering capabilities, coupled with efficient manufacturing facilities, the much improved gross profit margin are likely to be maintained.

The Group's OBM business had only contributed lightly in the first half. Kid Galaxy ("KG"), with its ever expanding Bendos range, coupled with major North American sport licenses and the foundation set by KG Racers, are expected to perform strongly in the second half. KG will continue to expand its product brands and penetrate into new selling channels in North America, Europe and Asia.

Sales on Mainland China are to generate revenue for the second half. The Group's licensed toys are expected to perform in particular "Hikarian" which commenced its second wave of telecasting on Mainland television stations in October 2003.

Bearing any unforeseen circumstances, Management are confident that the Group will be able to maintain momentum and build on the first half result for the financial year ending 31st March 2004.

LIQUIDITY AND CAPITAL RESOURCES

As at 30th September 2003, net current assets of the Group was approximately HK$159 million (31st March 2003: HK$187 million). The long-term borrowings to shareholders' funds was 19.1% (31st March 2003: 38.9%). The current assets comprised inventories of approximately HK$224 million and trade receivables of HK$233 million, and bank balances and cash of approximately HK$80 million. The balances of the inventories and trade receivables as at that date are in line with the seasonal factor of the Group's business operations. As at the same date, the Group had total assets of HK$850 million which were financed by current liabilities of approximately HK$398 million, long-term liabilities of approximately HK$76 million and shareholders' funds of HK$376 million. The Group has no significant exposure to foreign exchange fluctuation.