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LIU CHONG HING BANK LIMITED

(Incorporated in Hong Kong with limited liability)

**Financial adviser to
Liu Chong Hing Bank Limited**

**Deloitte & Touche
Corporate Finance Ltd**
德勤企業財務顧問有限公司



**LIU CHONG HING
INVESTMENT LIMITED**

**Financial adviser to
Liu Chong Hing Investment Limited**

 **Horwath Capital Asia** 浩华融资亚洲

HORWATH CAPITAL ASIA LIMITED

JOINT ANNOUNCEMENT CONNECTED TRANSACTION

A Share and Debt Purchase Agreement was entered into on 16 March 2004 between LCH Bank and LCH Investment, pursuant to which LCH Bank agreed to sell and LCH Investment agreed to purchase, the Sale Shares together with the Shareholder's Loan, at a consideration of HK\$132 million. Such consideration will be satisfied by the internal resources of LCH Investment. LCH Investment presently holds approximately 52.63% and will acquire from LCH Bank the remaining 47.37% of the entire issued share capital of Alain and the Shareholder's Loan pursuant to the Share and Debt Purchase Agreement.

Since LCH Investment is the controlling shareholder (as defined under the Listing Rules) of LCH Bank and LCH Bank is the substantial shareholder of Alain, which is a non-wholly owned subsidiary of LCH Investment, each of LCH Bank and LCH Investment is a connected person of the other. Accordingly, the entering into and performance of the Share and Debt Purchase Agreement constitutes a connected transaction for both LCH Bank and LCH Investment under the Listing Rules.

As the consideration for the Transaction represents less than the higher of HK\$10 million or 3% of the latest published audited consolidated net tangible assets value as at 31 December 2003 of both LCH Bank and LCH Investment (equivalent to approximately HK\$178 million and HK\$174 million respectively), no approval of the respective shareholders of LCH Bank or LCH Investment is required for the Transaction. Details of the Transaction will be included in the next published annual reports and accounts of both LCH Bank and LCH Investment in accordance with rule 14.25(1) of the Listing Rules. The Share and Debt Purchase Agreement has been negotiated on an arm's length basis and the directors, including the independent non-executive directors, of both LCH Bank

and LCH Investment consider that the Transaction is on normal commercial terms, which are fair and reasonable, and in the interests of both companies and their respective shareholders as a whole.

THE SHARE AND DEBT PURCHASE AGREEMENT

- Date: 16 March 2004
- Parties: (a) Vendor – LCH Bank
(b) Purchaser – LCH Investment
- Sale and purchase: LCH Bank agreed to sell, and LCH Investment agreed to purchase, the Sale Shares together with the Shareholder's Loan.
- Interest to be acquired: LCH Investment presently holds approximately 52.63% and will acquire from LCH Bank the remaining 47.37% of the entire issued share capital of Alain and the Shareholder's Loan pursuant to the Share and Debt Purchase Agreement.
- Alain is an investment holding company, which holds a 95% equity interest in the Property Company, a sino-foreign joint venture established in the PRC. The remaining 5% equity interest in the Property Company is held by an independent PRC party not connected with the directors, chief executives or substantial shareholders of LCHB and LCHI, or their subsidiaries or respective associates (as defined under the Listing Rules). The Property Company is principally engaged in the development of, and its primary asset being, the Property. In respect of the transfer of the Sale Shares in the capital of Alain, no pre-emptive right is accorded to the PRC party and no waiver is considered necessary.
- Alain had audited and unaudited net tangible assets of approximately HK\$7,871,000 and HK\$7,546,000 as at 31 December 2002 and 31 December 2003 respectively. Since all the expenses incurred in relation to the Property were capitalised since Alain's incorporation, no profit and loss was recorded.
- Consideration: The consideration for the Transaction is HK\$132 million in cash, which was determined after arm's length negotiations between LCH Bank and LCH Investment with reference to: (i) the average of the open market values of the Property as at 31 December 2003, which are HK\$570 million and HK\$580 million, as reflected in the independent valuations of the same conducted by FPD Savills (Hong Kong) Limited and Vigers Appraisal & Consulting Ltd respectively; and (ii) the net tangible asset value of Alain. FPD Savills (Hong Kong) Limited and Vigers Appraisal & Consulting Ltd are independent third parties not connected with the directors, chief executives or substantial shareholders of LCHB and LCHI, or their subsidiaries or respective associates (as defined under the Listing Rules). Taking into account the liabilities of Alain, which mainly represent the bank loan of

approximately HK\$260 million, the consideration is lower than the valuation amounts as reflected in the abovementioned valuation reports.

The consideration for the Transaction will be satisfied by the internal resources of LCH Investment. No deposit was made and the entire consideration is payable at completion of the Transaction.

Completion: The Transaction completed on 16 March 2004 when beneficial title to the Sale Shares was transferred from LCH Bank to LCH Investment. There was no conditions precedent for the completion of the Transaction.

REASONS FOR THE TRANSACTION

LCH Bank is principally engaged in the provision of banking and related financial services. LCH Investment is principally engaged in property investment, property development, property management, treasury investment, banking (through its controlling interest in LCH Bank) and insurance.

Alain is an investment holding company, which holds 95% interest in the Property Company, a sino-foreign joint venture established in the PRC. The Property Company is principally engaged in the development of the Property, which will be mainly for office use. The foundation work of the Property has completed and the construction of the basement of the Property has commenced in October 2003. The construction work of the Property is expected to be completed by 2006. The Property Company holds the legal title to the Property, which is not required to be transferred under the Share and Debt Purchase Agreement.

LCH Bank's decision to sell its entire 47.37% equity interest in Alain is in line with its intention to focus on banking-related businesses. In view of the positive outlook of the property market in Shanghai, LCH Investment has decided to purchase the Sale Shares and Shareholders' Loan from LCH Bank.

The Share and Debt Purchase Agreement has been negotiated on an arm's length basis and the directors, including the independent non-executive directors, of both LCH Bank and LCH Investment consider that the Transaction is on normal commercial terms, which are fair and reasonable, and in the interests of both companies and their respective shareholders as a whole.

CONNECTED TRANSACTION

Since LCH Investment is the controlling shareholder (as defined under the Listing Rules) of LCH Bank and LCH Bank is the substantial shareholder of Alain, which is a non-wholly owned subsidiary of LCH Investment, each of LCH Bank and LCH Investment is a connected person of the other. Accordingly, the entering into and performance of the Share and Debt Purchase Agreement constitutes a connected transaction for both LCH Bank and LCH Investment under the Listing Rules.

As the consideration for the Transaction represents less than the higher of HK\$10 million or 3% of the latest published audited consolidated net tangible assets value as at 31 December 2003 of both LCH Bank and LCH Investment (equivalent to approximately HK\$178 million and HK\$174 million respectively), no approval of the respective shareholders of LCH Bank and LCH Investment is required for the Transaction. Details of the Transaction will be included in the next published annual reports and accounts of both LCH Bank and LCH Investment in accordance with rule 14.25(1) of the Listing Rules.

APPLICATION OF THE SALE PROCEEDS

LCH Bank will apply the sale proceeds of HK\$132 million of the Transaction for its working capital purposes. LCH Bank does not intend to apply such proceeds for any specific investment.

DEFINITIONS

“Alain”	Alain Limited, a company incorporated in Hong Kong the entire issued share capital of which is held as to approximately 52.63% by LCH Investment and 47.37% by LCH Bank;
“LCH Bank”	Liu Chong Hing Bank Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange;
“LCH Investment”	Liu Chong Hing Investment Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	People’s Republic of China;
“Property”	Shanghai Liu Chong Hing Financial Centre in Shanghai, the PRC;
“Property Company”	Shanghai Huang Pu Liu Chong Hing Property Development Co. Ltd., a sino-foreign joint venture established in the PRC and a 95% owned subsidiary of Alain;
“Sale Shares”	4,500 shares of nominal value of HK\$1.00 each in Alain, representing approximately 47.37% of the issued share capital of Alain;
“Share and Debt Purchase Agreement”	an agreement entered into between LCH Bank and LCH Investment on 16 March 2004 for the sale and purchase of the Sale Shares and the Shareholder’s Loan;
“Shareholder’s Loan”	the shareholder’s loan of approximately HK\$130 million advanced by LCH Bank to Alain together with interest accrued thereon;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning as defined under the Listing Rules;
“Transaction”	the transaction between LCH Bank and LCH Investment pursuant to the Share and Debt Purchase Agreement; and
“HK\$”	the lawful currency of Hong Kong.

By Order of the Board
LIU CHONG HING BANK LIMITED
Michael K.W. Yeung
Company Secretary

By Order of the Board
LIU CHONG HING INVESTMENT LIMITED
Lee Wai Hung
Executive Director and Company Secretary

Hong Kong, 16 March 2004

Please also refer to the published version of this announcement in South China Morning Post dated 17 March 2004.