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LIU CHONG HING BANK LIMITED

(Incorporated in Hong Kong with limited liability)
(stock code: 1111)

**DISCLOSEABLE AND CONNECTED
TRANSACTION**

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

Deloitte.

德勤

DELOITTE & TOUCHE CORPORATE FINANCE LIMITED



LIU CHONG HING INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)
(stock code: 194)

DISCLOSEABLE TRANSACTION

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



UOB ASIA (HONG KONG) LIMITED

新加坡大華亞洲(香港)有限公司

JOINT ANNOUNCEMENT

The sale of LCH Investment's entire equity interests in LCH Insurance to LCH Bank

The respective directors of LCH Bank and LCH Investment are pleased to announce that LCH Bank and LCH Investment have entered into a conditional Sale and Purchase Agreement on 3 March 2005, pursuant to which LCH Bank has agreed to acquire the entire issued and fully paid-up share capital of LCH Insurance from LCH Investment for a total cash consideration of HK\$212 million. Such consideration will be funded from the internal resources of LCH Bank.

The terms of the Sale and Purchase Agreement were negotiated on an arm's length basis and the respective directors of LCH Bank and LCH Investment consider that the Transaction is made on normal commercial terms and in the interests of both companies and their respective shareholders as a whole.

LCH Investment is the Controlling Shareholder of LCH Bank, by virtue of its indirect equity interest of approximately 45.46 per cent. in LCH Bank. As at the date of this announcement, LCH Insurance is wholly-owned by LCH Investment. Upon Completion, LCH Insurance will become a wholly-owned subsidiary of LCH Bank.

The Transaction constitutes a discloseable and connected transaction for LCH Bank, and is therefore subject to disclosure and independent shareholders' approval requirements, under the Listing Rules. An independent board committee of LCH Bank has been established to consider the terms of the Transaction and to make a recommendation to the independent shareholders of LCH Bank. An independent financial adviser will be appointed to advise the independent board committee of LCH Bank.

The Transaction also constitutes a discloseable transaction for LCH Investment, and is therefore subject only to the disclosure requirements, under the Listing Rules. As LCH Bank is currently beneficially owned as to approximately 45.46 per cent. by LCH Investment, LCH Bank is only treated as an "associated company" but not a "subsidiary" of LCH Investment. Under Rule 14A.11 of the Listing Rules, an "associated company" of a listed issuer does not fall under the definition of a "connected person". Therefore, the entering into of the Sale and Purchase Agreement between LCH Investment and its associated company, namely LCH Bank, is not regarded as a "connected transaction" for LCH Investment under Chapter 14A of the Listing Rules.

Circulars containing details of the Transaction will be despatched to the respective shareholders of LCH Bank and LCH Investment within 21 days from the date of publication of this announcement. An EGM of LCH Bank is currently expected to be held on 26 April 2005 immediately after the adjournment of its AGM, at which LCH Investment and its Associates will abstain from voting on the resolution regarding the Transaction. Votes of LCH Bank's shareholders in relation to the Transaction will be taken by way of a poll.

I. THE SALE AND PURCHASE AGREEMENT

Date: 3 March 2005

Parties: (a) Vendor – LCH Investment

(b) Purchaser – LCH Bank

Pursuant and subject to the Sale and Purchase Agreement, LCH Investment agreed to sell, and LCH Bank agreed to purchase, 50,000,000 shares of HK\$1.00 each in the share capital of LCH Insurance, representing the entire issued and fully paid-up share capital of LCH Insurance. As at the date of this announcement, LCH Insurance is a wholly-owned subsidiary of LCH Investment. The consideration for the Transaction is HK\$212 million in cash, which will be funded from the internal resources of LCH Bank and payable in full at Completion. Upon Completion, LCH Insurance will become a wholly-owned subsidiary of LCH Bank.

Conditions precedent:

Completion of the Sale and Purchase Agreement is conditional upon the following:

- (a) the conduct of a due diligence investigation covering, among other things, the business, affairs, operations, assets, financial condition, prospects and records of LCH Insurance by LCH Bank, and the results of such due diligence investigation being satisfactory to LCH Bank at its sole and absolute discretion;
- (b) satisfaction of paragraph (b) of Section 13B(2) of the Insurance Companies Ordinance (as in force as at the date of the Sale and Purchase Agreement) or such other form of prior approval (if any) as may from time to time be required to be obtained from the Insurance Authority to effect Completion and if any of such approval shall be subject to conditions, on conditions acceptable to LCH Bank;
- (c) all consents, approvals, permits, authorisations or clearances (as the case may be) that LCH Investment reasonably considers necessary pursuant to applicable laws, regulations or rules (including but not limited to the Listing Rules and the Insurance Companies Ordinance) for its execution, implementation and completion of the Sale and Purchase Agreement, having been obtained, and all such consents, approvals, permits, authorisations not having been revoked or withdrawn at any time up to and including the Conditions Fulfilment Date;
- (d) the warranties given by LCH Investment in favour of LCH Bank under the Sale and Purchase Agreement in relation to LCH Insurance remaining true and accurate in all aspects and not misleading in any aspects on the Conditions Fulfilment Date; and

- (e) all consents, approvals, permits and authorisations that LCH Bank at its absolute discretion considers necessary pursuant to applicable laws, regulations or rules (including but not limited to the Listing Rules and the Insurance Companies Ordinance and other requirements of HKMA) for its execution, implementation and completion of the Sale and Purchase Agreement having been obtained, including but not limited to the obtaining of the prior approval of the independent shareholders of LCH Bank in general meeting approving the Sale and Purchase Agreement and the Transaction, and all such consents, approvals, permits, authorisations not having been revoked or withdrawn at any time up to and including the Conditions Fulfilment Date.

In the event that the Conditions set out above have not been fulfilled/waived on or before 5:00 p.m. (Hong Kong time) on the Conditions Fulfilment Date, LCH Bank may at its option by notice to LCH Investment elect to:

- (a) waive any of the Conditions set out in (a) and (d) above and proceed to Completion;
- (b) postpone Completion to a date (being a Business Day) to be agreed by the LCH Bank and LCH Investment or failing agreement the 30th day after the Conditions Fulfilment Date; or
- (c) rescind the Sale and Purchase Agreement in which case such agreement shall be null and void and no party to the Transaction shall have any claim against the other, save and except in respect of any antecedent breach of the Sale and Purchase Agreement.

In the event that any of the Conditions is waived, an appropriate announcement will be made by both LCH Bank and LCH Investment.

Basis for determination of the consideration:

The consideration for the Transaction was determined after arm's length negotiations between LCH Bank and LCH Investment, with reference to:

- (a) the actuarially-based appraisal value of LCH Insurance (in the range of between HK\$153.1 million to HK\$196.6 million) as at 31 December 2004 using the discounted cash flow model as reflected in the report of the same conducted by Watson Wyatt Insurance Consulting Limited, an independent third party not connected with the respective directors, chief executives or substantial shareholders of LCH Bank and LCH Investment, or any of their respective subsidiaries or respective Associates;
- (b) the prospects of LCH Insurance after completion of the Transaction, including the joint efforts of LCH Bank and LCH Insurance to expand their respective client bases and create new business opportunities;

- (c) the synergy of grouping LCH Insurance within LCH Bank; and
- (d) the price/earnings multiple of approximately 8.2 times for the Transaction.

Completion:

Completion shall take place on the third Business Day after the satisfaction (or, if appropriate, the waiver) of the Conditions (or at such later date as LCH Bank and LCH Investment may agree in writing) by LCH Bank and LCH Investment. It is currently expected that Completion will take place on or before 31 July 2005.

II. INFORMATION ON LCH INSURANCE

As at the date of this announcement, LCH Insurance is a private company duly incorporated under the laws of Hong Kong having an authorised share capital of HK\$50,000,000 divided into 50,000,000 ordinary shares of HK\$1.00 each, all of which have been issued, are fully paid-up and are beneficially owned by LCH Investment. LCH Insurance is principally engaged in the business of underwriting insurance policies on fire, marine, theft, accident, motor car, workers' compensation, contractors' all risks, and shipment for import and export cargoes. It is also an agent for life insurance and staff retirement provident fund insurance. LCH Insurance is registered under the Insurance Companies Ordinance as an authorised insurer. The Adjusted Audited Net Asset Value of LCH Insurance as at 31 December 2004 amounted to approximately HK\$95.9 million. For the year ended 31 December 2004, the audited net profit before and after taxation of LCH Insurance amounted to approximately HK\$30.8 million and HK\$25.9 million respectively. For the year ended 31 December 2003, the audited net profit before and after taxation of LCH Insurance amounted to approximately HK\$29.4 million and HK\$23.2 million respectively.

III. REASONS FOR THE TRANSACTION

LCH Investment is the Controlling Shareholder of LCH Bank, by virtue of its equity interest of approximately 45.46 per cent. of LCH Bank. LCH Investment is principally engaged in property investment, property development, property management, treasury investment, banking (through its investment in LCH Bank), insurance, trading and manufacturing, whereas LCH Bank is principally engaged in the provision of banking and related financial services.

The purpose of the Transaction is to improve the operation efficiency of both LCH Bank and LCH Investment, and further provide a clear delineation of businesses between the two companies, such that the financial service-related businesses (including banking and insurance) will be centralised under LCH Bank. The grouping of LCH Insurance within LCH Bank will also expand the financial services provided by LCH Bank by encompassing insurance services under the banking group and create synergies for their existing businesses, improve efficiencies, and reduce operation and administration costs for both LCH Bank and LCH Insurance. In view of the synergies of the businesses and client bases of LCH Bank and LCH Insurance, the respective directors of LCH Investment and LCH Bank believe that the Transaction will benefit both LCH Bank and LCH Insurance in terms of shareholders' value, business development and corporate image.

The net proceeds of approximately HK\$211 million receivable by LCH Investment under the Transaction will be applied as to approximately HK\$128 million for repayment of existing bank borrowings and as to approximately HK\$83 million for development of LCH Investment's property projects. Based on the consideration for the Transaction and the Adjusted Audited Net Asset Value of LCH Insurance as at 31 December 2004 (assuming that such net asset value will remain unchanged as at the date of Completion), it is expected that LCH Investment will make an exceptional gain of approximately HK\$63.3 million (subject to final audit) as a result of the disposal of LCH Insurance. The respective directors of LCH Investment and LCH Bank consider that the Transaction is made on normal commercial terms and is in the interests of both companies and their respective shareholders as a whole.

IV. GENERAL

The Transaction constitutes a discloseable and connected transaction for LCH Bank, and is therefore subject to disclosure and shareholders' approval requirements, under the Listing Rules. The Transaction also constitutes a discloseable transaction for LCH Investment, and is therefore subject only to the disclosure requirements under the Listing Rules. As LCH Bank is currently beneficially owned as to approximately 45.46 per cent. by LCH Investment, LCH Bank is only treated as an "associated company" but not a "subsidiary" of LCH Investment. Under Rule 14A.11 of the Listing Rules, an "associated company" of a listed issuer does not fall under the definition of a "connected person". Therefore, the entering into of the Sale and Purchase Agreement between LCH Investment and its associated company, namely LCH Bank, is not regarded as a "connected transaction" for LCH Investment under Chapter 14A of the Listing Rules.

An independent board committee for LCH Bank has been established to consider the terms of the Transaction and to make a recommendation to the independent shareholders of LCH Bank. An independent financial adviser will be appointed to advise the independent board committee of LCH Bank.

Circulars containing details of the Transaction will be despatched to the respective shareholders of LCH Bank and LCH Investment within 21 days from the date of publication of this announcement. An EGM of LCH Bank is expected to be held on 26 April 2005, immediately after the adjournment of its AGM, at which LCH Investment and its Associates will abstain from voting on the resolution regarding the Transaction. Votes of LCH Bank's shareholders in relation to the Transaction will be taken by way of a poll.

Deloitte & Touche Corporate Finance Limited and UOB Asia (Hong Kong) Limited have been appointed as the financial advisers to LCH Bank and LCH Investment respectively in respect of the Transaction.

V. DEFINITIONS

“AGM”	the annual general meeting of LCH Bank expected to be convened at 11:00 a.m. on 26 April 2005;
“Adjusted Audited Net Asset Value”	the audited net asset value as at 31 December 2004 adjusted for the realisation of LCH Insurance's investments in listed securities and the payment of dividend by LCH Insurance to LCH Investment in February 2005;
“Associate(s)”	shall have the meaning as ascribed to it in the Listing Rules;
“Business Day”	a day (excluding Saturdays) on which banks are generally open for business in Hong Kong;
“Completion”	completion of the Sale and Purchase Agreement in accordance with its terms;
“Conditions”	the conditions precedent to Completion;
“Conditions Fulfilment Date”	the date on which the Conditions are fulfilled (or waived, if appropriate) but in any event no later than 31 July 2005 or such later date as LCH Bank and LCH Investment may agree in writing;
“Controlling Shareholder”	shall have the meaning as ascribed to it in the Listing Rules;

“EGM”	an extraordinary general meeting of LCH Bank to consider, and if thought fit, approve the Transaction;
“HKMA”	the Hong Kong Monetary Authority;
“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;
“Insurance Companies Ordinance”	the Insurance Companies Ordinance, Chapter 41, Laws of Hong Kong;
“LCH Bank”	Liu Chong Hing Bank Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange;
“LCH Insurance”	Liu Chong Hing Insurance Company Limited, a company incorporated in Hong Kong with limited liability;
“LCH Investment”	Liu Chong Hing Investment Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Sale and Purchase Agreement”	a conditional agreement dated 3 March 2005 entered into between LCH Bank and LCH Investment in relation to the Transaction;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Transaction”	the acquisition of the entire issued and fully paid-up share capital of LCH Insurance by LCH Bank from LCH Investment.

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 & Company Secretary

Hong Kong, 14 March 2005

As at the date of this announcement, the executive directors of LCH Bank are Mr. Liu Lit Man (executive chairman), Mr. Liu Lit Mo (vice chairman), Mr. Liu Lit Chi (managing director & chief executive officer), Mr. Don Tit Shing Liu (executive director & deputy chief executive officer), Mr. Wilfred Chun Ning Liu, Mr. Lau Wai Man, Mr. Frank Shui Sang Jin and Mr. Kevin Wai Hung Chu; the non-executive directors are Dr. Robin Yau Hing Chan, Mr. Liu Guoyuan, Mr. Timothy George Freshwater, Mr. Toshiaki Arai, Mr. Andrew Liu, Mr. Sun Jiakang, Mr. Dominic Bing Hoi Lam, Mr. Christopher Kwun Shing Liu and Mr. Alfred Cheuk Yu Chow; and the independent non-executive directors are Mr. Peter Alan Lee Vine, Mr. Wanchai Chiranakhorn and Mr. Cheng Yuk Wo.

As at the date of this announcement, the executive directors of LCH Investment are Mr. Liu Lit Man (chairman), Mr. Liu Lit Mo (managing director), Mr. Liu Lit Chi, Mr. Winston Kam Fai Liu, Mr. Lee Wai Hung; the non-executive directors are Dr. Liu Lit Chung, Mr. Andrew Liu, Mr. Wilfred Chun Ning Liu, Mr. Christopher Kwun Shing Liu (alternate director to Dr. Liu Lit Chung); and the independent non-executive directors are Dr. Leo Tung Hai Lee, Mr. Peter Alan Lee Vine, Mr. Peter Ping Kin Ng, Mr. Moses Mo Chi Cheng, and Mr. Tong Tsin Ka.

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