

# EXPLANATORY STATEMENT

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## **LIU CHONG HING BANK LIMITED** *(Incorporated in Hong Kong with limited liability)*

10 March 2004

Dear Shareholders,

### **GENERAL MANDATES FOR THE REPURCHASE BY THE BANK OF ITS OWN SHARES AND ISSUE OF NEW SHARES**

1. At the annual general meeting of Liu Chong Hing Bank Limited (the “Bank”) held on 23 April 2003, ordinary resolutions were passed giving general and unconditional mandates to the directors of the Bank to exercise all powers of the Bank (i) to allot, issue and deal with, otherwise than by way of rights issue or pursuant to the exercise of options granted under the Share Option Scheme of the Bank adopted on 25 April 2002 or pursuant to any scrip dividend or similar arrangement providing for the allotment and issue of shares in lieu of the whole or part of a dividend on shares of the Bank in accordance with the Articles of Association of the Bank, Shares (as defined in the Appendix) with an aggregate nominal value not exceeding the sum of (a) 20 per cent of the aggregate nominal amount of the issued share capital of the Bank as at the date of the passing of the relevant resolution and (b) the aggregate nominal amount of the share capital of the Bank repurchased under the authority referred to under (ii); and (ii) to repurchase up to 10 per cent of the share capital of the Bank as at the date of resolution granting the general mandate, such authority relating only to repurchases made on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which Shares may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose and otherwise in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”); such mandates shall remain in effect from the date of the passing of the resolutions in question until the conclusion of the next annual general meeting or the expiration of the period within which the next annual general meeting is required by law or the Articles of Association of the Bank to be held or when revoked or varied by ordinary resolution(s) of shareholders in general meeting of the Bank, whichever occurs first (“Relevant Period”) and shall not extend beyond the Relevant Period save that the directors may during the Relevant Period make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period. No Shares have been allotted, issued, repurchased or otherwise dealt with under the mandates in question.

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2. Under the terms of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and the Listing Rules, these general mandates lapse at the conclusion of the annual general meeting for 2004 (the “2004 AGM”), unless renewed at that meeting. Resolutions will be proposed to renew these mandates and the explanatory statement (“Explanatory Statement”) required by the Listing Rules to be sent to shareholders in connection with the proposed share repurchase resolution is set out in the Appendix. The Explanatory Statement also constitutes the memorandum required under section 49BA of the Companies Ordinance.
3. Notice of the 2004 AGM is set out on pages 14 to 22 of the Bank’s Annual Report 2003, accompanied by a proxy form at the center page. Whether or not you intend to be present at the 2004 AGM, you are requested to complete the form of proxy and return it to the Bank in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding that meeting or any adjournment thereof.
4. The completion and return of a form of proxy to the Bank will not preclude you from attending and voting in person at the meeting or poll concerned and, in such event, the appointment of the proxy will be deemed to be revoked.
5. With reference to Resolutions 5, 6 and 7 set out in the Notice of the 2004 AGM, the directors wish to state that they have no immediate plans to repurchase any existing Shares or to allot and issue any new Shares pursuant to the relevant mandates.
6. Your directors believe that the general mandates are in the interests of the Bank and its shareholders and accordingly recommend you to vote in favour of all of the relevant resolutions to be proposed at the 2004 AGM.

Yours faithfully,

**Liu Lit Man**

*Executive Chairman*