

# EXPLANATORY STATEMENT

## Appendix

The following is the Explanatory Statement required to be sent to shareholders under the Listing Rules in connection with the proposed general mandate for repurchase of shares and also constitutes the memorandum required under section 49BA of the Companies Ordinance. References in this Appendix to “Shares” mean share(s) of all classes in the capital of the Bank and include, where the context so requires, Shares of HK\$0.50 each of the Bank:

- (i) It is proposed that up to 10 per cent of the Shares in issue, at the date of the passing of the resolution to approve the general mandate, may be repurchased. On the basis of 435,000,000 Shares in issue on 10 March 2004 (being the latest practicable date for determining such figure) and assuming no further Shares will be issued between 11 March 2004 and the date of the passing of such resolution, the directors would be authorised to repurchase up to 43,500,000 Shares.
- (ii) The directors believe that the ability to repurchase Shares is in the interests of the Bank and its shareholders. Repurchases may, depending on the circumstances, result in an increase in net assets and / or earnings per share. The directors are seeking the grant of a general mandate to repurchase Shares to give the Bank the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which such Shares are repurchased will be decided by the directors at the relevant time having regard to the circumstances then prevailing.
- (iii) It is envisaged that the funds required for any repurchase would be derived from the distributable profits of the Bank which shall be funds legally available for such purpose in accordance with the Listing Rules and the laws of Hong Kong.
- (iv) There could be a material adverse impact on the working capital or gearing position of the Bank (as compared with the position disclosed in its latest published audited accounts) in the event that the proposed share repurchases were to be carried out in full at any time during the proposed repurchase period. However, the directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Bank or the gearing levels which in the opinion of the directors are from time to time appropriate for the Bank.
- (v) There are no directors or (to the best of the knowledge of the directors, having made all reasonable enquiries) any associates (as defined in the Listing Rules) of directors of the Bank who have a present intention, in the event that the general mandate is granted by shareholders, to sell Shares to the Bank.
- (vi) The directors have undertaken to the Stock Exchange to exercise the power of the Bank to make repurchases pursuant to the general mandate in accordance with the Listing Rules and the laws of Hong Kong.

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- (vii) The directors are not aware of any consequences which would arise under the Hong Kong Code on Takeovers and Mergers (the “Code”) as a result of any repurchases under the general repurchase mandate in question other than the restriction that the controlling shareholding of Liu Chong Hing Estate Company, Limited (which currently stands at 45.11 percent of the Bank’s Shares in issue) should not rise more than 2 percentage points for a 12-month period thereafter. Neither should that of Liu Chong Hing Estate Company, Limited and those persons acting in concert within the meaning of the Code (which currently stands at 46.75 percent of the Bank’s Shares in issue). If the general repurchase mandate were to be fully exercised, the above shareholdings would exceed the limit concerned and move up to 50.12 percent and 51.94 percent respectively, thereby triggering Rule 26 of the Code in respect of mandatory offer. The directors, however, have no present intention of exercising the general repurchase mandate in such a way (if it were to be exercised at all) that would trigger any such mandatory offer.
- (viii) No repurchase has been made by the Bank of its Shares in the six months before the date of this document.
- (ix) No connected persons (as defined in the Listing Rules) of the Bank have notified it of a present intention to sell Shares to the Bank and no such persons have undertaken not to sell such Shares to the Bank in the event that the general mandate is granted by shareholders.
- (x) The highest and lowest unit prices at which the Shares had been traded on the Stock Exchange during each of the previous twelve calendar months before the date of this document are as follows:

	<b>Highest</b>	<b>Lowest</b>
	<b>HK\$</b>	<b>HK\$</b>
March 2003	7.300	6.900
April 2003	7.450	6.550
May 2003	7.450	7.050
June 2003	9.550	7.350
July 2003	10.300	8.400
August 2003	11.500	9.200
September 2003	12.700	10.900
October 2003	12.350	11.200
November 2003	12.050	11.300
December 2003	12.800	11.800
January 2004	12.900	12.050
February 2004	13.300	11.700