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LG CHINA FUND LIMITED

(Incorporated in the Cook Islands with limited liability)
(Stock Code: 00509)

ANNOUNCEMENT

Proposed Voluntary Winding-up of the Company and Withdrawal of Listing of the Shares from SEHK

Introduction

The Company is an open-ended offshore fund company incorporated on 24th June, 1992 under the laws of the Cook Islands as an international company limited by shares. The Company specialises in investing in securities listed on any stock exchange in China and in companies incorporated in, with significant assets in, or with significant earnings derived from China.

The Company was listed on the SEHK on 8th July, 1992 and is deemed to have been authorised by the Securities and Futures Commission of Hong Kong ("SFC"), pursuant to Section 104 of the Securities and Futures Ordinance on 13th January, 1995.

In recent years very few new investors have subscribed for shares in the Company ("Shares"). As at 28th April, 2006, there were 21 registered shareholders ("Shareholders") in Hong Kong and 1,192,219 Shares in issue. The directors of the Company ("Directors") consider that it is unlikely that the Company will be able to attract many new investors. The expense ratio for a Company of this size is also relatively high. The Directors are of the opinion that the continued operation would not be in the best interests of Shareholders as economy of scale cannot always be attained and operating costs are rising relative to the Company's Net Asset Value (as defined in the articles of association of the Company). The general expense ratio of the Company was around 2.55% from July to December 2005, whilst generally the expense ratio for a Company of this nature should not greatly exceed 2%.

Repurchase

In accordance with clause 25 of the Articles, the Directors have, therefore, decided to invite all Shareholders to submit a repurchase notice ("**Repurchase Notice**") in respect of their holdings in the Company. Repurchases will be executed at the repurchase price, being net asset value per Share as at the valuation point minus not more than 0.5% for duties and charges, rounded downwards to the nearest HK cent (as described in the Company's most recent offering memorandum dated 18th January, 1995, as amended from time to time). Investors may submit a Repurchase Notice and return the relevant share certificate(s) (if any) to HSBC Institutional Trust Services (Asia) Limited, the administrator's agent of the Company, on any Dealing Day, being a business day, other than Saturday, on which SEHK and banks are open for business in Hong Kong ("**Business Day**") on which the net asset value of the Company is determined.

Winding-up and EGM

In order to bring some certainty to the process of closing down the Company, and to ensure compliance with the Cook Islands laws, the Directors have resolved to convene an Extraordinary General Meeting ("**EGM**") to consider a resolution to wind-up the Company and appoint a liquidator in accordance with International Companies Act of the Cook Islands. This will ensure that the Company can be legally terminated. Any Shareholders remaining in the Company at the time when it is placed in liquidation will participate in the liquidation and share in the remaining assets of the Company, after liquidation expenses and all other liabilities have been fully paid.

After the EGM, assuming the winding-up resolution is approved, Shareholders will no longer be able to subscribe for or request repurchase of Shares as the Company will be in liquidation. The Shares will be delisted from the SEHK following the winding-up resolution being passed and the Company's deemed authorisation by the SFC pursuant to Section 104 of the Securities and Futures Ordinance will be withdrawn. Shares will not be offered for subscription and redemption following commencement of winding-up of the Company.

A circular containing details of the winding-up proposal, together with a Notice of the EGM to consider and approve such proposal, will be despatched to all Shareholders as soon as possible. Copies of the circular may also be obtained by contacting Ms. Ena Yu, Assistant Manager, Investor Services Department, HSBC Institutional Trust Services (Asia) Limited, on telephone (852) 2847 2675.

Application for the withdrawal of the listing of the Shares from the SEHK was made to the SEHK. A further announcement will be made by the Company after the EGM to confirm the results of the vote on the resolution in respect of the winding-up of the Company, and the withdrawal of listing of the Shares from the SEHK.

Estimated timetable for winding-up

In the event that a quorum is present at the EGM on 27 June 2006, the estimated timetable shall be as follows.

Last day for submitting Repurchase Notice	26 June 2006
Record Date for EGM	26 June 2006 (5.00 p.m.)
EGM	27 June 2006 (10.00 a.m.)
Publication in the South China Morning Post and the Hong Kong Economic Journal of the result of the EGM	28 June 2006
Proposed last day for dealing of Shares on the Stock Exchange	30 June 2006
Last day of lodging of share transfers	5 July 2006 (4.00 p.m.)
Withdrawal of listing of Shares	5 July 2006 (after 4.00 p.m.)

In the event that a quorum is not present at the EGM on 27 June 2006, the timetable shall be as follows.

Last day for submitting Repurchase Notice	26 June 2006
Record Date for EGM	26 June 2006 (5.00 p.m.)
EGM	27 June 2006 (10.00 a.m.)
Notice to shareholders regarding adjournment of EGM	28 June 2006
Revised last day for submitting Repurchase Notice	11 July 2006
Record Date for adjourned EGM	11 July 2006 (5.00 p.m.)
Adjourned EGM	12 July 2006 (10.00 a.m.)
Publication in the South China Morning Post and the Hong Kong Economic Journal of the result of the adjourned EGM	13 July 2006
Proposed last day for dealing of Shares on the Stock Exchange	17 July 2006
Last day of lodging of share transfers	20 July 2006 (4.00 p.m.)
Withdrawal of listing of Shares	20 July 2006 (after 4.00 p.m.)

Notes:

- (1) Share transfers must be lodged with the Company by 4.00 p.m. on 5 July 2006 or, if an adjourned EGM is required, 4.00 p.m. on 20 July 2006, so that the Company's register of Shareholders can be updated.
- (2) After 26 June 2006, Shares cannot be repurchased, unless an adjourned EGM is required, in which case Repurchase Notices will be accepted until 11 July 2006.
- (3) It is proposed that dealing of Shares on the Stock Exchange will be permitted until 30 June 2006 or, if an adjourned EGM is required, 17 July 2006.
- (4) The liquidation process will be completed between 3 to 5 months after the date of EGM or adjourned EGM (if required).

The Directors accept responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, all opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

By Order of the Board
The Earl of Cromer
Chairman

6 June 2006

As at the date of this announcement, the Board comprises 1 executive director, namely The Hon. Robert John Daniel Lloyd George (Mr. William Walter Raleigh Kerr is an alternate director to The Hon. Robert John Daniel Lloyd George), and 4 non-executive directors, namely The Rt. Hon. The Earl of Cromer, Cheng Kar-Shun, Victor Lap-Lik Chu and Dennis George Desmond Cassidy.