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祥泰行集團有限公司*

CHEUNG TAI HONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 199)

DISCLOSEABLE TRANSACTION: DISPOSAL OF PROPERTY

The Directors announce that on 12 July, 2004, a binding provisional agreement for the sale and purchase of the Premises were entered into between the Vendor and the Purchaser.

Pursuant to the terms of the Provisional Agreement, a formal agreement between the Vendor and the Purchaser is expected to be signed on or before 16 July, 2004.

The Disposal constitutes a discloseable transaction of the Company under the Listing Rules. A circular of the Company in relation to the Provisional Agreement will be dispatched to shareholders in the Company as soon as reasonably practicable.

Provisional Agreement dated 12 July, 2004

Parties:

Vendor: Fountain Property Limited, a wholly owned subsidiary of the Company.

Purchaser: Earn City Limited. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and the ultimate beneficial owner of the Purchaser are Independent Third Parties.

Premises: Food Court on 2nd Floor, Hunghom Commercial Centre, Nos. 37-39 Ma Tau Wai Road, Kowloon, Hong Kong. The Premises is held by the group as an investment property and the Premises comprise a total of 10 units, only 2 of which are leased to lessees who are Independent Third Parties.

Consideration: The purchase price for the Premises is HK\$5,000,000 which has been determined at arm's length negotiation with reference to the independent valuation by the Independent Valuer on the Premises of HK\$8,200,000 as at 12 July, 2004. The Directors including the independent non-executive Directors consider that the terms of the transaction including the consideration are fair and reasonable and in the interests of the shareholders as a whole. The purchase price shall be paid by the Purchaser to the Vendor in the following manner:–

- (a) A non-refundable initial deposit of HK\$300,000 has been paid upon signing of the Provisional Agreement;

- (b) Upon signing of the Formal Agreement, a further non-refundable deposit of HK\$200,000 shall be paid; and
- (c) the balance of the purchase price of HK\$4,500,000 shall be paid upon completion.

Completion date: the sale and purchase pursuant to the Provisional Agreement is scheduled to be completed on 18 August, 2004 (or at such earlier date as the Purchaser may, by not less than 7 days prior notice to the Vendor, specify). There are no conditions precedent to the completion of the Disposal pursuant to the Provisional Agreement. However, the Vendor is obliged to show, give and prove good title to the Premises under the terms of the Provisional Agreement.

Reasons for and benefits of the Disposal

The Company is an investment holding company.

The principal activities of its subsidiaries are property development, trading of motorcycles and spare parts, the sales and manufacturing of “Tung Fong Hung” branded Chinese pharmaceutical and health products, as well as the production and distribution of western pharmaceutical products.

The Directors wish to take the opportunity of having located a willing buyer to dispose of the Premises, as the Group has attempted to sell the Premises for sometime. The Premises was acquired on 25 February 1997 and it is not subject to any charge or mortgage. The Premises is an investment property that is not in line with the principal activities of the Group. The Group has found it difficult to lease the Premises, which has produced a very low yield as an investment of the Group, and the remaining units have been vacant for most of the time over two years. As the Group continues to incur net monthly losses in excess of HK\$50,000 in managing the Premises, the Group would rather dispose the Premises to cut its monthly losses and reallocate those resources together with net proceeds generated from the Disposal to its principal businesses. The Board wishes to focus and better utilise its management resources on its core business, particularly given the recent acquisition of the Tung Fong Hung medicine businesses.

The net proceeds from the Provisional Agreement is proposed to be used as general working capital of the Company. The disposal of the property will generate net proceeds of approximately HK\$4.5 million for the Group.

The Purchaser is an investment holding company. The Purchaser was introduced to the Company by an estate agency.

The present book value of the Premises is HK\$8,200,000 and therefore the Disposal of the property represents a loss of HK\$3,200,000 to the Group.

Formal Agreement

Pursuant to the terms of the Provisional Agreement, a formal agreement for the Disposal is to be signed by the parties on or before 16 July, 2004.

General

The Provisional Agreement constitute a discloseable transaction of the Company under the Listing Rules. A circular of the Company in relation to the Provisional Agreement and the Disposal will be dispatched to shareholders of the Company as soon as reasonably practicable.

Definitions:-

In this announcement, the following terms have the following meanings:-

“Company”	Cheung Tai Hong Holdings Limited, a company incorporated in Bermuda with limited liability
“Directors”	the directors of the Company
“Disposal”	the proposed disposal of the Premises pursuant to the Provisional Agreement
“Formal Agreement”	the agreement to be entered pursuant to the Provisional Agreement relating to the Disposal on or before 16 July, 2004
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Independent Third Party”	any person who is not connected to any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules) and is not a connected person of the Company (as defined in the Listing Rules)
“Independent Valuer”	means Grant Sherman Appraisal Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Premises”	Food Court on 2nd Floor, Hunghom Commercial Centre, Nos. 37-39 Ma Tau Wai Road, Kowloon, Hong Kong
“Provisional Agreement”	a provisional agreement for sale and purchase dated 12 July, 2004 between the Vendor and the Purchaser, in relation to, inter alia, the disposal of the Premises

Made by the order of the Board of the Company the directors of which individually and jointly accept responsibility for the accuracy of this statement.

As at the date of this announcement, the Board comprises of Mr Tse Cho Tseung and Ms Cheung Sze Man as executive directors and Mr Wong Chi Keung, Alvin and Mr Kwok Ka Lap, Alva as independent non-executive directors.

By Order of the Board
Cheung Yuk Ming
Company Secretary

15 July, 2004 Hong Kong

(* *For identification only*)

“Please also refer to the published version of this announcement in The Standard”.