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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Cheung Tai Hong Holdings Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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

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DEFINITIONS

In this circular, 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 dated 16 July, 2004 entered pursuant to the Provisional Agreement relating to the Disposal
“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
“Latest Practicable Date”	4 August, 2004, the latest practicable date before the printing of this Circular for ascertaining certain information
“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
“Purchaser”	Earn City Limited, an Independent Third Party
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Shares”	Ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Vendor”	Fountain Property Limited, a wholly owned subsidiary of the Company

LETTER FROM THE CHAIRMAN



祥泰行集團有限公司^{*}
CHEUNG TAI HONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 199)

Directors:

Mr. Tse Cho Tseung (*Chairman*)
Mr. Kwok Ka Lap, Alva [#] (*Deputy Chairman*)
Ms. Cheung Sze Man (*Executive Director*)
Mr. Wong Chi Keung, Alvin [#]

Registered office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

[#] *Independent non-executive Director*

Principal office in Hong Kong:

Ground Floor, GMP Centre
12 Dai Fu Street
Tai Po Industrial Estate
Tai Po, N.T.
Hong Kong

5 August, 2004

To the Shareholders of the Company

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

DISPOSAL OF PROPERTY

INTRODUCTION

By an announcement dated 15 July, 2004, the Directors announced that on 12 July, 2004, a binding provisional agreement for the sale and purchase of the Premises was 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 was signed on 16 July, 2004. The consideration for the Disposal of the Premises is HK\$5,000,000.

The Disposal constitutes a discloseable transaction of the Company under the Listing Rules. The purpose of this circular is to provide Shareholders with further information on the Disposal and other information in compliance with the requirements of Chapter 14 of the Listing Rules.

^{*} *For identification purpose only*

LETTER FROM THE CHAIRMAN

BACKGROUND OF THE DISPOSAL OF THE PREMISES

Date of the Provisional Agreement

12 July, 2004

Parties

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

Purchaser: Earn City Limited, an Independent Third Party

The Company confirms that to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and the ultimate beneficial owner of the Purchaser are Independent Third Parties and third parties independent of the Company and connected persons of the Company.

Premises

Food Court on the 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 and payment terms

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

Formal Agreement

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

LETTER FROM THE CHAIRMAN

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 Premises will generate net proceeds of approximately HK\$4.5 million to 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 represents a loss of HK\$3,200,000 to the Group.

GENERAL

The Disposal constitutes a discloseable transaction of the Company under the Listing Rules.

LETTER FROM THE CHAIRMAN

As at the date of this Circular, the Board of the Company comprises 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.

Yours faithfully,
Tse Cho Tseung
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the following Directors of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange.

Long Position in the Shares:

Name	Capacity	Number of Shares held	Approximate Percentage of Shareholding
Mr. Tse Cho Tseung	Held by controlled corporation	28,558,196 (Note)	22.10%

Note: These shares were beneficially owned by Lunghin Enterprise Inc. ("Lunghin"), a company incorporated in the British Virgin Islands, whose entire issued share capital is beneficially owned by Mr. Tse Cho Tseung.

Save as disclosed in this Circular, as at the Latest Practicable Date, none of the Directors of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code of Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of interests in long positions and short positions kept by the Company under the provisions of Divisions 2 and 3 of Part XV of section 336 of the SFO and so far as the Directors were aware, the following

persons had a long position or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Position in the Shares:

Name	Capacity	Number of Shares/ underlyings Shares held	Approximate Percentage of Shareholding
Lunghin	Beneficial owner	28,558,196 <i>(Note 5)</i>	22.10%
Chelson Limited ("Chelson")	Beneficial owner	33,333,333 <i>(Note 1)</i>	25.86%
Pyrope Assets Limited ("Pyrope")	Interest of controlled corporations	33,333,333 <i>(Note 2)</i>	25.86%
CK Life Sciences Int'l (Holdings) Inc. ("CKLS")	Interest of controlled corporations	33,333,333 <i>(Note 2)</i>	25.86%
Gold Rainbow Int'l Limited ("Gold Rainbow")	Interest of controlled corporations	33,333,333 <i>(Note 2)</i>	25.86%
Gotak Limited ("Gotak")	Interest of controlled corporations	33,333,333 <i>(Note 2)</i>	25.86%
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporations	33,333,333 <i>(Note 2)</i>	25.86%
Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1")	Trustee	33,333,333 <i>(Note 3)</i>	25.86%
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1")	Trustee & beneficiary of a trust	33,333,333 <i>(Note 3)</i>	25.86%
Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2")	Trustee & beneficiary of a trust	33,333,333 <i>(Note 3)</i>	25.86%
Li Ka-Shing ("Mr. Li")	Founder of discretionary trusts & interest of controlled corporations	33,333,333 <i>(Note 4)</i>	25.86%

Notes:

1. Pursuant to a sale and purchase agreement dated 19 March, 2004, Chelson disposed of its shareholding of an associated company in consideration, inter alia, for a convertible note rendering Chelson the right to convert for 33,333,333 shares of the Company.
2. Chelson is wholly-owned by Pyrope which in turn is a wholly-owned subsidiary of CKLS; Gold Rainbow controls one-third or more of the voting power at the general meetings of CKLS and is wholly-owned by Gotak which in turn is a wholly-owned subsidiary of CKH, each of CKLS, Gold Rainbow, Gotak and CKH is deemed to be interested in the same number of Shares which Chelson is deemed to be interested under the SFO.
3. TUT1 as trustee of the UT1 and companies controlled by TUT1 as trustee of the UT1 hold more than one-third of the issued share capital of CKH. TDT1 as trustee of DT1 and TDT2 as trustee of DT2 hold all issued and outstanding units in UT1 but are not entitled to any interest or share in any particular property comprising the trust assets of UT1. Under the SFO, each of TUT1 as trustee of UT1, TDT1 as trustee of DT1 and TDT2 as trustee of DT2 is deemed to be interested in the same number of Shares which CKH is deemed to be interested as disclosed in Note 2 above.
4. As Mr. Li owns one-third of the issued share capital of Li Ka-Shing Unity Holdings Limited which in turn holds the entire issued share capital of TUT1, TDT1 and TDT2, Mr. Li is therefore, under the SFO, deemed to be interested in the same number of Shares in which CKH is deemed to be interested as mentioned above.
5. Mr. Tse Cho Cheung, a Director of the Company, is also a director of Lunghin.

Save as disclosed in this Circular, the Directors are not aware of any other persons as at the Latest Practicable Date, who (i) was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group; (ii) had any long position or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; and (iii) held any option in respect of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, there were no existing or proposed service contracts between any of the Directors and any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

7. GENERAL

- (a) The registered office of the Company is situate at Clarendon House, Church Street, Hamilton HM 11, Bermuda. The principal office in Hong Kong of the Company is Ground Floor, GMP Centre, 12 Dai Fu Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong.
- (b) The share registrars of the Company is Secretaries Limited, situated at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (c) The secretary of the Company is Mr. Cheung Yuk Ming, a fellow member of The Hong Kong Society of Accountants and The Association of Chartered Certified Accountants.
- (d) The qualified accountant of the Company is Ms. Cheung Lin Shun, Julia, a fellow member of The Hong Kong Society of Accountants, The Association of Chartered Certified Accountants and The Chartered Institute of Management Accountants.
- (e) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.