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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)

PLACING OF NEW SHARES AND PLACING OF CONVERTIBLE NOTES

On 15 December 2004, the Company entered into the Share Placing Agreement with the Placing Agent in relation to the appointment of the Placing Agent for the placing of 150,000,000 new Shares at the issue price of HK\$0.4 per Share on a best effort basis to not less than six Placing Share Subscribers. The Placing Share Subscribers and their respective ultimate beneficial owners will be independent third parties not connected with the Company and its connected persons (as defined under the Listing Rules), and are not connected persons of the Company. None of the Placing Share Subscribers will become a controlling shareholder (as defined under the Listing Rules) of the Company as a result of the Share Placing, whether before or after taking into account the issue and allotment of the Conversion Shares resulting from the full conversion of the Convertible Notes.

On 15 December 2004, the Company also entered into the Convertible Note Placing Agreement with the Placing Agent in relation to the appointment of the Placing Agent for the placing of HK\$100 million 2% 3-year convertible notes at an initial conversion price of HK\$0.42 per Share on a best effort basis to not less than six Convertible Note Subscribers. The Convertible Note Subscribers and their respective ultimate beneficial owners will be independent third parties not connected with the Company and its connected persons (as defined under the Listing Rules), and are not connected persons of the Company.

The Share Placing and the Convertible Note Placing are not inter-conditional with each other.

Assuming all the Placing Shares and Convertible Notes are successfully placed by the Placing Agent, the total gross proceeds from the Share Placing and Convertible Note Placing amount to HK\$160 million. After deducting related expenses of approximately HK\$5 million, approximately HK\$155 million will be available for the Group. It is intended that approximately HK\$35 million of the net proceeds will be used for the repayment of certain short-term borrowings, approximately HK\$90 million will be reserved for the expansion of the Group's investment properties portfolio when opportunities arise and the remaining balance of approximately HK\$30 million will be used for the additional general working capital of the Company. Completion of the Share Placing and Convertible Note Placing is conditional upon the fulfillment of the conditions set out in the respective sections headed "Conditions of the Share Placing" and "Conditions of the Convertible Note Placing" below.

The Placing Shares represent approximately 116.4% of the existing issued share capital of the Company. Assuming all the Placing Shares are successfully placed by the Placing Agent and there will be no change in the issued share capital of the Company, the Placing Shares represent approximately 53.8% of the issued share capital of the Company as enlarged by the issue of the Placing Shares and approximately 29.0% of the issued share capital of the Company as enlarged by the issue of the Placing Shares and Conversion Shares (assuming all the Convertible Notes are successfully placed by the Placing Agent and conversion in full of the Convertible Notes at the Initial Conversion Price).

Assuming all the Convertible Notes are successfully placed by the Placing Agent, upon full conversion of the Convertible Notes at the Initial Conversion Price, a total of 238,095,238 new Conversion Shares will be issued, representing approximately 184.8% of the existing issued share capital of the Company (or upon full conversion of the Convertible Notes at the Minimum Closing Price, a total of 333,333,333 new Conversion Shares will be issued, representing approximately 258.7% of the existing issued share capital of the Company). Further assuming there will be no change in the issued share capital of the Company, the Conversion Shares represent approximately 64.9% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares at the Initial Conversion Price (or approximately 72.1% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares at the Minimum Closing Price) and approximately 46.1% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares at the Initial Conversion Price and the Placing Shares (or approximately 54.4% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares at the

* for identification purpose only

Minimum Closing Price and the Placing Shares), assuming that all the Placing Shares are successfully placed by the Placing Agent.

A circular containing (i) further details of the Share Placing Agreement and the Convertible Note Placing Agreement; and (ii) a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

Trading in the Shares on the Stock Exchange has been suspended with effect from 3:26 p.m. on 13 December 2004 at the request of the Company pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 16 December 2004.

On 15 December 2004, the Company entered into, with the Placing Agent, (i) the Share Placing Agreement in relation to the placing of 150,000,000 new Shares on a best effort basis, and (ii) the Convertible Note Placing Agreement in relation to the placing of HK\$100 million 2% 3-year convertible notes on a best effort basis. The Share Placing and the Convertible Note Placing are not inter-conditional with each other.

PLACING AGENT

Mr. Lo Lin Shing, Simon, is the chairman and executive director of the Company. As at the date of this announcement, each of Mr. Lo and his Associates does not hold any Shares. Mr. Lo is also the deputy chairman and beneficially interested in approximately 13% of the issued share capital of Tai Fook Securities Group Limited ("TFSGL"), the holding company of the Placing Agent, the shares of which are listed on the Stock Exchange. Mr. Ho Hau Chong, Norman, the deputy chairman and independent non-executive director of the Company, is a non-executive director of TFSGL. Save for the aforesaid, the Placing Agent is an independent third party not connected with the Company and its connected persons (as defined under the Listing Rules), and is not a connected person of the Company. The Placing Agent will receive a placing commission of 2.5% on both the gross proceeds from the Share Placing and the Convertible Note Placing, the commission of which will be payable by the Company upon Share Placing Completion and Convertible Note Placing Completion respectively.

THE SHARE PLACING AGREEMENT DATED 15 DECEMBER 2004

Placing Share Subscribers

The Placing Shares will be placed to not less than six Placing Share Subscribers, who are individual, corporate and/or institutional investors. No Placing Shares will be placed to any of the Convertible Note Subscribers. All the Placing Share Subscribers and their respective ultimate beneficial owners will be independent of, not connected and not acting in concert with the Company and its connected persons (as defined under the Listing Rules), and are not connected persons of the Company. None of the Placing Share Subscribers will become a controlling shareholder (as defined under the Listing Rules) of the Company as a result of the Share Placing, whether before or after taking into account the issue and allotment of the Conversion Shares resulting from the full conversion of the Convertible Notes.

Placing Shares

Pursuant to the Share Placing Agreement, the Placing Agent agrees to place a total of 150,000,000 new Shares on a best effort basis, representing approximately 116.4% of the existing issued share capital of the Company. Assuming all the Placing Shares are successfully placed by the Placing Agent and there will be no change in the issued share capital of the Company, the Placing Shares represent approximately 53.8% of the issued share capital of the Company as enlarged by the issue of the Placing Shares and approximately 29.0% of the issued share capital of the Company as enlarged by the issue of the Placing Shares and the Conversion Shares (assuming all the Convertible Notes are successfully placed by the Placing Agent and conversion in full of the Convertible Notes at the Initial Conversion Price). The Company will make a further announcement in the event that the number of Placing Shares finally placed is less than 150,000,000.

Placing price

The issue price per Placing Share is HK\$0.40, which represents:

- a discount of approximately 13.0% to the closing price of HK\$0.46 per Share as quoted on the Stock Exchange on 10 December 2004, being the last trading day immediately before trading in the Shares was suspended pending the release of this announcement;
- a premium of approximately 5.3% over the average closing price of HK\$0.38 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 10 December 2004;
- a premium of approximately 17.6% over the average closing price of HK\$0.34 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including 10 December 2004; and
- a discount of approximately 60.8% to the audited net tangible assets per Share of approximately HK\$1.02 as at 31 March 2004.

The Directors consider the issue price of HK\$0.40 per Placing Share, which is close to the prevailing market price, is fair and reasonable.

Conditions of the Share Placing

Completion of the Share Placing is conditional upon:-

- (i) the passing of the ordinary resolution(s) by the Shareholders at the SGM approving the Share Placing and the issue and allotment of the new Shares under the Share Placing;
- (ii) the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the Placing Shares;
- (iii) the compliance of any other requirements under the Listing Rules and Takeovers Code or otherwise of the Stock Exchange and the SFC which requires compliance in relation to the Share Placing and the issue of the Placing Shares;
- (iv) (where required) the Bermuda Monetary Authority granting its permission to the issue and allotment of the Placing Shares; and
- (v) the obtaining of all consents from any relevant persons which are necessary or desirable in connection with the Share Placing (and, where such consents are given subject to conditions, such conditions are on terms as may be reasonably acceptable to the Placing Agent and the Company).

If any of the conditions has not been fulfilled by 18 February 2005 (or such other date as the Company and the Placing Agent may agree in writing), the Share Placing Agreement shall lapse and be terminated and all rights, obligations and liabilities of all parties thereunder in relation to the Share Placing shall cease and determine and no party shall have any claim against the other under the Share Placing Agreement except for antecedent breach.

Completion

Share Placing Completion is to take place on the fifth business day after the date upon which the conditions stated in the section headed "Conditions of the Share Placing" above are fulfilled or such other date as the Company and the Placing Agent may agree.

Listing and ranking of Placing Shares

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares to be issued under the Share Placing Agreement. The Placing Shares, when fully paid, will rank pari passu in all respects with all the existing Shares outstanding at the date of issue of the Placing Shares.

CONVERTIBLE NOTE PLACING AGREEMENT DATED 15 DECEMBER 2004

Convertible Note Subscribers

The Convertible Notes will be placed to not less than six Convertible Note Subscribers, who are individual, corporate and/or institutional investors. No Convertible Notes will be placed to any of the Placing Share Subscribers. All the Convertible Note Subscribers and their respective ultimate beneficial owners will be independent of, not connected and not acting in concert with the Company and its connected persons (as defined under the Listing Rules), and are not connected persons of the Company.

Principal terms of the Convertible Notes

Issuer:	The Company
Aggregate principal amount:	Initially, HK\$100 million. The Company will make a further announcement in the event that the principal amount of the Convertible Notes finally placed is less than HK\$100 million
Initial Conversion Price:	HK\$0.42 per Share, subject to adjustments in certain events including, among other things, share consolidation or subdivision, capitalization issue, capital distribution, rights issue, and, if and whenever the average closing price per Share for the 20 consecutive trading days immediately preceding the date falling on the first or second anniversary of the date of issue of the Convertible Notes is lower than the then prevailing conversion price, such conversion price shall be immediately adjusted to such average closing price, provided that such average closing price shall not fall below HK\$0.30 ("Minimum Closing Price"). If such average closing price falls below the Minimum Closing Price, the conversion price shall be adjusted to HK\$0.30 per Share
Interest rate:	2% per annum, accrued and payable by the Company on a half-yearly basis in arrears
Maturity:	The third anniversary from the date of issue of the Convertible Notes
Redemption:	Unless previously converted and cancelled, the Company will redeem each Convertible Note on the maturity date at the principal amount of the outstanding Convertible Notes

Transferability:	The Convertible Notes are freely transferable but may not be transferred to a connected person of the Company without the prior written consent of the Company
Conversion period:	The holders of the Convertible Notes shall have the right to convert on any business day commencing from the day immediately following the date of issue of the Convertible Notes up to 4:00 p.m. on the date of maturity of the Convertible Notes, the whole or any part (in an amount or integral multiple of HK\$1,000,000) of the principal amount of the Convertible Notes into Shares at the then prevailing conversion price
Voting:	The holders of the Convertible Notes will not be entitled to receive notice of, attend or vote at any meeting of the Company by reason only of it being the holders of the Convertible Notes
Listing:	No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares to be issued on exercise of the conversion rights attaching to the Convertible Notes
Ranking:	The Conversion Shares to be issued upon conversion of the Convertible Notes will rank pari passu in all respects with all other existing Shares outstanding at the date of conversion of the Convertible Notes

Conversion Shares

Assuming all the Convertible Notes are successfully placed by the Placing Agent, upon full conversion of the Convertible Notes at the initial conversion price of HK\$0.42 per Share, a total of 238,095,238 new Conversion Shares will be issued, representing approximately 184.8% of the existing issued share capital of the Company (or upon full conversion of the Convertible Notes at the Minimum Closing Price, a total of 333,333,333 new Conversion Shares will be issued, representing approximately 258.7% of the existing issued share capital of the Company). Further assuming there will be no change in the issued share capital of the Company, the Conversion Shares represent approximately 64.9% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares at the Initial Conversion Price (or approximately 72.1% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares at the Minimum Closing Price) and approximately 46.1% of the issued share capital of the Company as enlarged by both the issue of the Conversion Shares at the Initial Conversion Price and the Placing Shares (or approximately 54.4% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares at the Minimum Closing Price and the Placing Shares), assuming that all the Placing Shares are successfully placed by the Placing Agent.

Conversion price

The initial conversion price of HK\$0.42 per Share represents:

- a discount of approximately 8.7% to the closing price of HK\$0.46 per Share as quoted on the Stock Exchange on 10 December 2004, being the last trading day immediately before trading in the Shares was suspended pending the release of this announcement;
- a premium of approximately 10.5% over the average closing price of HK\$0.38 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 10 December 2004;
- a premium of approximately 23.5% over the average closing price of HK\$0.34 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including 10 December 2004; and
- a discount of approximately 58.8% to the audited net tangible assets per Share of approximately HK\$1.02 as at 31 March 2004.

The Minimum Closing Price of HK\$0.30 represents:

- a discount of approximately 34.8% to the closing price of HK\$0.46 per Share as quoted on the Stock Exchange on 10 December 2004, being the last trading day immediately before trading in the Shares was suspended pending the release of this announcement;
- a discount of approximately 21.1% to the average closing price of HK\$0.38 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 10 December 2004;
- a discount of approximately 11.8% to the average closing price of HK\$0.34 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including 10 December 2004; and
- a discount of approximately 70.6% to the audited net tangible assets per Share of approximately HK\$1.02 as at 31 March 2004.

The Directors consider the terms of the Convertible Notes, including (i) the initial conversion price of HK\$0.42 per Share, which is close to the prevailing market price; and (ii) the Minimum Closing Price adjustment mechanism, is fair and reasonable.

Conditions of the Convertible Note Placing

Completion of the Convertible Note Placing is conditional upon:–

- (i) the passing of the ordinary resolution(s) by the Shareholders at the SGM approving the Convertible Note Placing and the creation and issue of the Convertible Notes under the Convertible Note Placing and the issue and allotment of the Conversion Shares;
- (ii) the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the Conversion Shares;
- (iii) the compliance of any other requirements under the Listing Rules and Takeovers Code or otherwise of the Stock Exchange and the SFC which requires compliance in relation to the Convertible Note Placing, the issue of the Convertible Notes and the issue and allotment of the Conversion Shares;
- (iv) (where required) the Bermuda Monetary Authority granting its permission to the issue of the Convertible Notes and the issue and allotment of the Conversion Shares; and
- (v) the obtaining of all consents from any relevant persons which are necessary or desirable in connection with the Convertible Note Placing and the issue of the Convertible Notes (and, where such consents are given subject to conditions, such conditions are on terms as may be reasonably acceptable to the Placing Agent and the Company).

If any of the conditions has not been fulfilled by 18 February 2005 (or such other date as the parties may agree in writing), the Convertible Note Placing Agreement shall lapse and be terminated and all rights, obligations and liabilities of all parties thereunder in relation to the Convertible Note Placing shall cease and determine and no party shall have any claim against the other under the Convertible Note Placing Agreement except for antecedent breach.

SHAREHOLDING STRUCTURE

Set out below is a table showing (i) the existing shareholding structure of the Company; (ii) the Company's shareholding structure upon Share Placing Completion but before any conversion of the Convertible Notes; (iii) the Company's shareholding structure upon the Share Placing Completion and full conversion of the Convertible Notes at the initial conversion price of HK\$0.42 each; and (iv) the Company's shareholding structure upon the Share Placing Completion and full conversion of the Convertible Notes at the Minimum Closing Price, assuming that (i) all the 150,000,000 Placing Shares are successfully placed by the Placing Agent; (ii) all the Convertible Notes in an aggregate principal amount of HK\$100 million are successfully placed by the Placing Agent; and (iii) there will be no change to the existing issued share capital of the Company:

	As at the date of this announcement		Upon Share Placing Completion but before any conversion of the Convertible Notes		Upon the Share Placing Completion and full conversion of the Convertible Notes at the initial conversion price of HK\$0.42 each		Upon the Share Placing Completion and full conversion of the Convertible Notes at the Minimum Closing Price	
	Shares	%	Shares	%	Shares	%	Shares	%
Lunghin Enterprise Inc. ¹	28,558,196	22.2	28,558,196	10.2	28,558,196	5.5	28,558,196	4.7
Public	100,294,460	77.8	100,294,460	36.0	100,294,460	19.4	100,294,460	16.4
Placing Share Subscribers	–	–	150,000,000	53.8	150,000,000	29.0	150,000,000	24.5
Convertible Note Subscribers	–	–	–	–	238,095,238	46.1	333,333,333	54.4
	<u>128,852,656</u>	<u>100</u>	<u>278,852,656</u>	<u>100</u>	<u>516,947,894</u>	<u>100</u>	<u>612,185,989</u>	<u>100</u>

Note 1: Lunghin Enterprise Inc. is a company incorporated in the British Virgin Islands, whose entire issued share capital is beneficially owned by Mr. Tse Cho Tseung, who is an executive director of the Company.

Note 2: Save for the Pacific Wins Convertible Notes and share options which have already been granted under the Share Option Schemes as at the date of this announcement, the Company does not have any other securities which are convertible into Shares.

The Company and the Directors will take appropriate steps to ensure that there will be sufficient public float for the Shares immediately following conversion of the Convertible Notes at any time during the term of the Convertible Notes.

REASONS FOR THE SHARE PLACING AND CONVERTIBLE NOTE PLACING AND USE OF PROCEEDS

The Company is an investment holding company and the subsidiaries of which are principally engaged in (i) property development and investment; (ii) trading of motor cycles and spare parts; and (iii) the sale and manufacture of “Tung Fong Hung” branded Chinese pharmaceutical and health products, as well as the production and distribution of western pharmaceutical products.

The local economic environment has been improving and the property market in Hong Kong has significantly recovered during the year. According to the monthly figures released by the Land Registry, the number of agreements for sale and purchase of building units (including both the residential and non-residential buildings) for the eleven months up to November 2004 was 112,960, which was 43.8% higher than the figure in the same period last year. Generally, there is an optimistic expectation on the property market in Hong Kong, in particular, there will be solid demand for premium office space and residential units over the medium to long term. As at 31 March 2004, the Group has investment properties amounting to approximately HK\$8.2 million which are situated in Hong Kong and held under medium term leases. As stated in the Company’s annual report for the year ended 31 March 2004, the Board was of the view that the property market is recovering which will bring better return to the Group and the Group is opened for other investment opportunities. In view of this valuable opportunity and after taking into account that the Group possesses extensive experience in property business, the Board decides to further expand the Group’s investment properties portfolio in high quality residential and commercial buildings and the Board considers the Share Placing and Convertible Note Placing as effective ways of raising necessary funds for such an expansion plan. The Board is now exploring suitable investment opportunities in Hong Kong and other areas that the Board may think fit. As at the date of this announcement, the Board has not formulated any specific plan and has not identified any particular property to invest in.

Assuming all the Placing Shares and Convertible Notes are successfully placed by the Placing Agent, the total gross proceeds from the Share Placing and Convertible Note Placing amount to HK\$160 million. After deducting related expenses of approximately HK\$5 million, approximately HK\$155 million will be available for the Group. It is intended that approximately HK\$35 million of the net proceeds will be used for the repayment of certain short-term borrowings, approximately HK\$90 million will be reserved for the expansion of the Group’s investment properties portfolio when opportunities arise and the remaining balance of approximately HK\$30 million will be used for the additional general working capital of the Company.

ADJUSTMENTS OF THE CONVERSION PRICE OF PACIFIC WINS CONVERTIBLE NOTES AND SUBSCRIPTION PRICE OF THE SHARE OPTIONS

According to the subscription agreement of the Pacific Wins Convertible Notes and the rules of the Share Option Schemes, as a result of the Share Placing and Convertible Note Placing, adjustments may need to be made to the conversion price of the Pacific Wins Convertible Notes (“Pacific Wins Conversion Price”) and the subscription price of the Share Options (“Subscription Price”). Upon both the Share Placing Completion and Convertible Note Placing Completion, the Company will notify the holder(s) of the Pacific Wins Convertible Notes and the Share Options respectively in relation to any adjustment to the Pacific Wins Conversion Price and the Subscription Price. As at the date of this announcement, the principal amount of the Pacific Wins Convertible Notes outstanding was HK\$15 million, representing an entitlement of approximately 33,333,333 Shares upon full conversion. The number of Shares to be issued under the Share Options granted as at the date of this announcement was 27,300.

GENERAL

The following sets out the capital raising activity of the Company for the 12 months immediately before the date of this announcement:

Date	Event ¹	Conversion Price ¹ (HK\$)	Net proceeds ¹ (HK\$' million)	Intended and actual use of net proceeds
6 May 2004	Issue of Pacific Wins Convertible Notes	0.45 ²	15	The entire proceeds were used as part of the consideration for the acquisition of 50% interest in Pacific Wins Development Limited, the principal business of which is the production, sales and distribution of western pharmaceutical products

Notes:

1. information as extracted from the announcement of the Company dated 24 March 2004
2. represents the conversion price before any adjustments which may be made in relation to the Share Placing and Convertible Note Placing

A circular containing (i) further details of the Share Placing Agreement and Convertible Note Placing Agreement; and (ii) a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

UNUSUAL PRICE MOVEMENT

Further to the announcement issued by the Company dated 10 December 2004, the Board has noted the recent increase in the price of the Shares and wish to state that, save for the Share Placing and the Convertible Note Placing, it is not aware of any reasons for such increase.

Save as disclosed above, the Directors confirm that there are no negotiations or agreements relating to intended acquisitions or realizations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended with effect from 3:26 p.m. on 13 December 2004 at the request of the Company pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 16 December 2004.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	board of Directors
“Company”	Cheung Tai Hong Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Conversion Shares”	new Shares which would fall to be issued by the Company upon conversion of the principal amount of the Convertible Notes at the then prevailing conversion price
“Convertible Notes”	the HK\$100 million 2% 3-year convertible notes proposed to be issued by the Company pursuant to the Convertible Note Placing Agreement, which entitles the holder thereof to convert into Shares at an initial conversion price of HK\$0.42 per Share, subject to adjustments
“Convertible Note Placing Agreement”	the conditional convertible note placing agreement dated 15 December 2004 entered into between the Company and the Placing Agent in relation to the Convertible Note Placing, subject to the terms and conditions contained therein
“Convertible Note Placing Completion”	completion of the Convertible Note Placing
“Convertible Note Placing”	the placing of the Convertible Notes, on a best effort basis, by the Placing Agent pursuant to the Convertible Note Placing Agreement
“Convertible Note Subscriber(s)”	any individual, institutional or other professional investor(s) procured by the Placing Agent to purchase any of the Convertible Notes pursuant to the Placing Agent’s obligations under the Convertible Note Placing Agreement
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Conversion Price”	HK\$0.42 per Share (subject to adjustments)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Pacific Wins Agreement”	the sale and purchase agreement dated 19 March 2004 entered into by the Company in relation to the acquisition of 50% equity interest in Pacific Wins Development Limited. Pacific Wins Development Limited and its subsidiaries are principally engaged in the production, sales and distribution of western pharmaceutical products

“Pacific Wins Convertible Notes”	the HK\$15 million 2% convertible notes due 2006 issued by the Company on 6 May 2004 pursuant to the Pacific Wins Agreement
“Placing Agent”	Tai Fook Securities Company Limited, a licensed corporation to carry on regulated activities 1,3 and 4 for the purpose of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Shares”	a total of 150,000,000 new Shares
“Placing Share Subscriber(s)”	any individual, institutional or other professional investor(s) procured by the Placing Agent to purchase any of the Placing Shares pursuant to the Placing Agent’s obligations under the Share Placing Agreement
“PRC”	the People’s Republic of China
“SFC”	Securities and Futures Commission
“SGM”	a special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Share Placing and the Convertible Note Placing
“Share(s)”	fully paid ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Placing Agreement”	the conditional share placing agreement dated 15 December 2004 entered into between the Company and the Placing Agent in relation to the Share Placing, subject to the terms and conditions contained therein
“Share Placing Completion”	completion of the Share Placing
“Share Placing”	the placing of the Placing Shares, on a best effort basis, by the Placing Agent pursuant to the Share Placing Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Share Options”	share options granted under the Share Option Schemes
“Share Option Schemes”	the share option schemes adopted and approved by the Company on 28 February 1994 (as subsequently terminated on 26 August 2002) and 26 August 2002 respectively
“Takeovers Code”	Code on Takeovers and Mergers

By Order of the Board of
Cheung Tai Hong Holdings Limited
Cheung Yuk Ming
Company Secretary

Hong Kong, 15 December 2004

As at the date of announcement, the Board comprises Mr. Lo Lin Shing, Simon (Chairman), Mr. Tse Cho Tseung and Ms. Cheung Sze Man as executive Directors, Mr. Ho Hau Chong, Norman (Deputy Chairman), Mr. Wong Chi Keung, Alvin, Mr. Kwok Ka Lap, Alva and Mr. Zhang Shichen as independent non-executive Directors.

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