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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

On 28 December 2004, the Company entered into the Placing Agreement with the Placing Agent in relation to the appointment of the Placing Agent for the placing of 25,000,000 new Shares at the issue price of HK\$0.81 per Share on a best effort basis to not less than six Placees. All of the Placees and their respective ultimate beneficial owners will be independent third parties not connected and not acting in concert with the Company and its connected persons (as defined in the Listing Rules), and are not connected persons of the Company.

The Placing Shares will be issued under the general mandate granted to the Directors at the annual general meeting held on 31 August 2004.

Assuming all the Placing Shares are successfully placed by the Placing Agent, the total gross proceeds from the Placing amount to HK\$20.25 million. After deducting related expenses of approximately HK\$1 million, approximately HK\$19.25 million will be available for the Group. The Company intends to apply the net proceeds from the Placing for additional general working capital of the Company.

The Placing Shares represent approximately 15.4% of the existing issued share capital of the Company and approximately 13.4% of the issued share capital of the Company as enlarged by the issue of the Placing Shares, 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.

Trading in the Shares on the Stock Exchange has been suspended with effect from 11:19 a.m. on 23 December 2004 at the request of the Company pending the release of this announcement. An application will be 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 29 December 2004.

On 28 December 2004, the Company entered into, with the Placing Agent, the Placing Agreement in relation to the placing of 25,000,000 new Shares on a best effort basis.

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. Mr. Ho does not hold any Shares in TFSGL. Save for the aforesaid, the Placing Agent is an independent third party not connected with the Company and its connected persons (as defined in the Listing Rules), and are not connected persons of the Company. The Placing Agent will receive a placing commission of 2.5% on the gross proceeds from the Placing.

THE PLACING AGREEMENT DATED 28 DECEMBER 2004

Placees

The Placing Shares will be placed to not less than six Placees, who are individual, corporate and/or institutional investors. All the Placees 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 in the Listing Rules), and are not connected persons of the Company.

Placing Shares

Pursuant to the Placing Agreement, the Placing Agent agrees to place a total of 25,000,000 new Shares on a best effort basis, representing approximately 15.4% of the existing issued share capital of the Company.

* for identification purpose only

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 13.4% of the issued share capital of the Company as enlarged by the issue of the Placing Shares. The Company will make a further announcement in the event that the number of Placing Shares finally placed is less than 25,000,000.

The Placing Shares will be issued under the general mandate, which has not been utilized since it was granted to the Directors at the annual general meeting of the Company held on 31 August 2004. As at the date of this announcement, the maximum number of new Shares which can be issued under the general mandate is 25,770,531.

Placing price

The issue price per Placing Share is HK\$0.81, which was fixed on 23 December 2004 and represents:

- a discount of 19.0% to the price of HK\$1.00 per Share as quoted on the Stock Exchange on 23 December 2004, immediately before trading in the Shares was suspended pending the release of this announcement;
- a premium of approximately 3.9% over the closing price of HK\$0.78 per Share as quoted on the Stock Exchange on 22 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 9.5% over the average closing price of HK\$0.74 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 23 December 2004, being the date when the issue price per Placing Share was fixed;
- a premium of approximately 20.9% over the average closing price of HK\$0.67 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 22 December 2004;
- a premium of approximately 30.7% over the average closing price of HK\$0.62 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 23 December 2004; and
- a discount of approximately 20.6% to the audited net tangible assets per Share of approximately HK\$1.02 as at 31 March 2004.

Based on the above analysis, the Directors consider the issue price of HK\$0.81 per Placing Share, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Placing

Completion of the Placing is conditional upon:

- (i) the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the Placing Shares;
- (ii) 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 Placing and the issue of the Placing Shares;
- (iii) (where required) the Bermuda Monetary Authority granting its permission to the issue and allotment of the Placing Shares; and
- (iv) the obtaining of all consents from any relevant persons which are necessary or desirable in connection with the 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 condition has not been fulfilled by 31 January 2005 (or such other date as the Company and the Placing Agent may agree in writing), the Placing Agreement shall lapse and be terminated and all rights, obligations and liabilities of all parties thereunder in relation to the Placing shall cease and determine and no party shall have any claim against the other under the Placing Agreement except for antecedent breach.

Completion

Completion of the Placing is to take place on the third business day after the date upon which the condition stated in the paragraph headed "Condition of the Placing" above is 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 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.

SHAREHOLDING STRUCTURE

Reference is made to the Announcement in relation to the proposed Share Placing and Convertible Note Placing of the Company. Set out below is a table showing (i) the existing shareholding structure of the Company; (ii) the Company's shareholding structure upon completion of the Placing, (iii) the Company's

shareholding structure upon completion of the Placing and the Share Placing; (iv) the Company's shareholding structure upon completion of the Placing, the Share Placing, and full conversion of the Convertible Notes at the initial conversion price of HK\$0.42 each; and (v) the Company's shareholding structure upon completion of the Placing, the Share Placing, and full conversion of the Convertible Notes at the minimum closing price of HK\$0.30 each, assuming that (i) all the 25,000,000 Placing Shares are successfully placed by the Placing Agent; (ii) all the 150,000,000 new Shares under the Share Placing Agreement are successfully placed by the Placing Agent; (iii) Convertible Notes in an aggregate principal amount of HK\$100 million are successfully placed by the Placing Agent; and (iv) there will be no change in the existing issued share capital of the Company:

	As at the date of this announcement		Upon completion of Placing but before completion of the Share Placing and any conversion of the Convertible Notes		Upon completion of Placing and Share Placing but before any conversion of the Convertible Notes		Upon completion of Placing and Share Placing and full conversion of the Convertible Notes at the initial conversion price of HK\$0.42 each		Upon completion of the Placing and the Share Placing and full conversion of the Convertible Notes at the minimum closing price of HK\$0.30 each	
	Shares	%	Shares	%	Shares	%	Shares	%	Shares	%
Lunghin Enterprise Inc. ¹	28,558,196	17.6	28,558,196	15.2	28,558,196	8.5	28,558,196	5.0	28,558,196	4.3
Chelson Limited ²	6,418,331	4.0	6,418,331	3.4	6,418,331	1.9	6,418,331	1.1	6,418,331	0.9
Public Placeses	127,209,460	78.4	127,209,460	68.0	127,209,460	37.7	127,209,460	22.1	127,209,460	19.0
Placing Share Subscribers	-	-	25,000,000	13.4	25,000,000	7.4	25,000,000	4.3	25,000,000	3.7
Convertible Note Subscribers	-	-	-	-	150,000,000	44.5	150,000,000	26.1	150,000,000	22.4
	-	-	-	-	-	-	238,095,238	41.4	333,333,333	49.7
	<u>162,185,987</u>	<u>100</u>	<u>187,185,987</u>	<u>100</u>	<u>337,185,987</u>	<u>100</u>	<u>575,281,225</u>	<u>100</u>	<u>670,519,320</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: Chelson Limited is wholly-owned by Pyrope Assets Limited which in turn is a wholly-owned subsidiary of CK Life Science Int'l (Holdings) Inc., the shares of which are listed on the Stock Exchange.

Note 3: Save for the share options which have already been granted under the Share Option Schemes as at the date of this announcement and the Convertible Notes which will be issued upon completion of the Convertible Note Placing as detailed in the Announcement, the Company does not have any other securities which are convertible into Shares.

As stated in the Announcement, 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 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 Directors consider that the recent improvement in the market sentiments provides a good opportunity for the Company to raise funds while broadening the shareholder base and the capital base of the Company. Notwithstanding the fact that the Placing is conducted within a short period of time after the entering into of the Share Placing Agreement and the Convertible Note Placing Agreement, each of the Share Placing and Convertible Note Placing is still subject to, inter alia, the approval from the Shareholders for the issue and allotment of the new Shares under the Share Placing and the new Shares to be converted under the Convertible Note Placing at the special general meeting of the Company to be held whereas the new Shares under the Placing will be issued pursuant to the general mandate granted by the Shareholders to the Directors at the annual general meeting of the Company held on 31 August 2004. After taking into account of the aforesaid, the Directors consider it is favorable for the Company to conduct the Placing and the terms of the Placing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Assuming that all the Placing Shares are successfully placed by the Placing Agent, the Company will receive gross proceeds upon completion of the Placing of approximately HK\$20.25 million. After deducting related expenses of approximately HK\$1 million, approximately HK\$19.25 million will be available for the Group.

The net proceeds raised per Placing Share will be approximately HK\$0.77 per Share. It is the intention of the Company to use the net proceeds from the Placing for additional general working capital of the Company.

GENERAL

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

Date	Event¹	Conversion Price¹ (HK\$)	Net proceeds¹ (HK\$ 'm)	Intended and actual use of net proceeds
6 May 2004	Issue of Pacific Wins Convertible Notes ²	0.45	15	The entire proceeds were used as part of the consideration for the acquisition of 50% interest in Pacific Wins Development Ltd, the principal business of which is the production, sales and distribution of western pharmaceutical products

Notes:

- information as extracted from the announcement of the Company dated 24 March 2004
- all of the Pacific Wins Convertible Notes have been fully converted as at the date of this announcement

In addition, the Company announced on 15 December 2004 that it had entered into conditional placing agreements with the Placing Agent pursuant to which the Placing Agent will place new Shares and Convertible Notes to independent third parties not connected with the Company on a best effort basis. The Share Placing and the Convertible Note Placing are subject to certain conditions and are not yet completed as at the date of this announcement. The maximum total gross proceeds from the Share Placing and the 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.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended with effect from 11:19 a.m. on 23 December 2004 at the request of the Company pending the release of this announcement. An application will be 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 29 December 2004.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 15 December 2004 in relation to the proposed Share Placing and Convertible Note Placing
“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
“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
“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, details of which are set out in the Announcement

“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 Subscriber”	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 People’s Republic of China
“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 Ltd. Pacific Wins Development Ltd 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”	the placing of the Placing Shares, on a best effort basis, by the Placing Agent pursuant to the Placing 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 Agreement”	the conditional placing agreement dated 28 December 2004 entered into between the Company and the Placing Agent in relation to the Placing, subject to the terms and conditions contained therein
“Placing Shares”	a total of 25,000,000 new Shares
“Placing Share Subscriber”	any individual, institutional or other professional investor(s) procured by the Placing Agent to purchase any of the 150,000,000 new Shares pursuant to the Placing Agent’s obligations under the Share Placing Agreement
“Placee(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 Placing Agreement
“SFC”	Securities and Futures Commission
“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”	the placing of 150,000,000 new Shares pursuant to the Share Placing Agreement, details of which are set out in the Announcement

“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
“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, 28 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.”