

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities in the Company.*



*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 199)**

**ISSUE OF CONVERTIBLE NOTES  
AND PLACING OF SHARES  
CONNECTED TRANSACTIONS  
AND  
RESUMPTION OF TRADING**



**HANNY HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 275)**

**MAJOR TRANSACTION  
SUBSCRIPTION OF  
CONVERTIBLE NOTES  
AND  
RESUMPTION OF TRADING**

On 27th April, 2006, CTH entered into the Note Subscription Agreements in relation to the subscription by 17 Subscribers of the 1% convertible notes of CTH in an aggregate principal amount of HK\$1,000 million. Hanny, Stark Funds, ITC and the 11 Other Note Subscribers have conditionally agreed to subscribe for the Notes with principal amount of HK\$270 million, HK\$123 million, HK\$30 million and HK\$577 million by cash respectively.

On 27th April, 2006, CTH also entered into the Placing Agreement with the Placing Agent in relation to the placing of 833,332,000 Placing Shares, on a best efforts basis, by the Placing Agent to the Placees, being individual investors, corporate, institutional or other professional investors who are Independent Third Parties, at a price of HK\$0.60 per Placing Share, to raise approximately HK\$500 million (before expenses).

Hanny is a substantial shareholder of CTH holding approximately 20.71% of the total issued CTH Shares as at the date of the Hanny Note Subscription Agreement and therefore a connected person of CTH pursuant to the Listing Rules. Accordingly, the issue of the Hanny Notes by CTH to Hanny and/or its subsidiaries under the Hanny Note Subscription Agreement constitutes a connected transaction for CTH pursuant to the Listing Rules.

Stark Funds, which are managed by the same investment manager, together hold an aggregate of approximately 17.26% of the total issued CTH Shares as at the date of the Stark Note Subscription Agreements. Therefore, they together are regarded as a substantial shareholder and a connected person of CTH pursuant to the Listing Rules. Accordingly, the issue of the Stark Notes by CTH to the Stark Funds under the Stark Note Subscription Agreements constitute connected transactions for CTH pursuant to the Listing Rules.

The Note Subscription Agreements are subject to the approval of the independent CTH Shareholders at a general meeting of CTH on which voting will be taken by poll. Loyal Concept, Stark Funds and their respective associates will abstain from voting on the relevant resolutions at the general meeting of CTH in relation to the Note Subscription Agreements.

An independent board committee will be constituted by CTH to advise the independent CTH Shareholders, and an independent financial adviser will be appointed by CTH to advise the independent board committee of CTH and the independent CTH Shareholders as regards the terms of the Hanny Note Subscription Agreement, the Stark Note Subscription Agreements, the Hanny Notes and the Stark Notes.

The Hanny Note Subscription under the Hanny Note Subscription Agreement constitutes a major transaction for Hanny pursuant to the Listing Rules. Accordingly, the Hanny Note Subscription and the transactions contemplated under the Hanny Note Subscription Agreement are subject to the approval of the Hanny Shareholders at a general meeting of Hanny. As ITC, a substantial shareholder of Hanny, is one of the Note Subscribers, ITC is considered to have interests in the Hanny Note Subscription Agreement which are different from other Hanny Shareholders. Accordingly, ITC and its associates will abstain from voting on the relevant resolution at the general meeting of Hanny in relation to the Hanny Note Subscription Agreement.

\* For identification purpose only

A special general meeting of CTH will be held to consider and, if thought fit, approve the necessary resolutions in respect of the transactions contemplated in the (i) Note Subscription Agreements including the issue of the Notes and the Conversion Shares which fall to be issued and allotted on exercise of conversion rights attached to the Notes; and (ii) the Placing Agreement and the issue of the Placing Shares. A circular containing, among others, (i) details of the Note Subscription Agreements and the Notes; (ii) the Placing Agreement; (iii) a letter of advice from the independent financial adviser to the independent board committee of CTH and the independent CTH Shareholders on the terms of the Hanny Note Subscription Agreement, the Stark Note Subscription Agreements, the Hanny Notes and the Stark Notes; (iv) a letter of recommendation from the independent board committee of CTH to the independent CTH Shareholders; and (v) the notice of the special general meeting of CTH will be despatched to the CTH Shareholders as soon as practicable.

A special general meeting of Hanny will be held to consider and, if thought fit, approve the necessary resolution in respect of the terms of the Hanny Note Subscription Agreement (including the exercise of conversion rights attached to the Hanny Notes to the extent that the aggregate holding of Hanny Group of CTH Shares immediately after such conversion shall be less than 30% of the then issued share capital of CTH). A circular containing, among other things, (i) details about the Hanny Note Subscription; and (ii) the notice convening the special general meeting of Hanny, will be despatched to the Hanny Shareholders as soon as practicable.

At the request of CTH, trading in the CTH Shares was suspended with effect from 10:00 a.m. on 13th April, 2006 pending the release of this announcement. An application has been made by CTH to the Stock Exchange for resumption of trading in the CTH Shares with effect from 9:30 a.m. on 2nd May, 2006.

At the request of Hanny, trading in the Hanny Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 28th April, 2006 pending the release of this announcement. An application has been made by Hanny to the Stock Exchange for resumption of trading in the Hanny Shares with effect from 9:30 a.m. on 2nd May, 2006.

## **THE NOTE SUBSCRIPTION**

On 27th April, 2006, CTH entered into a total of 17 Note Subscription Agreements in relation to the subscription by the 17 Note Subscribers of the Notes with an aggregate principal amount of HK\$1,000 million. Save for the identity of the Note Subscribers and the principal value of the Notes to be subscribed, the principal terms of each of the Note Subscription Agreements are identical.

### **1. Note Subscription Agreements**

Date: 27th April, 2006

#### ***Parties to the Note Subscription Agreements:***

Issuer: CTH

- Subscribers:
- (i) Hanny, conditionally agreeing to subscribe or procure the subscription at Note Subscription Completion for the Notes with principal amount of HK\$270 million by cash;
  - (ii) Stark Funds comprising Centar Investments, Shepherd Investments, Stark Asia and Stark International, which are funds managed by Stark Investments, conditionally agreeing to subscribe at Note Subscription Completion for the Notes with an aggregate principal amount of HK\$123 million by cash;
  - (iii) ITC, conditionally agreeing to subscribe at Note Subscription Completion for the Notes with principal amount of HK\$30 million by cash; and
  - (iv) the 11 Other Note Subscribers, conditionally agreeing to subscribe at Note Subscription Completion for the Notes with aggregate principal amount of HK\$577 million by cash.

***The Note Subscribers:***

Hanny Group is principally engaged in trading of securities and property investment and trading and strategic investments. Hanny Group has also made strategic investments in supply of household consumer products and other businesses. As at the date of the Hanny Note Subscription Agreement, Hanny (through Loyal Concept) was interested in 272,727,272 CTH Shares representing approximately 20.71% of the issued share capital of CTH, and is therefore a substantial shareholder of CTH. Hanny (through Loyal Concept) also held the 2005 August Notes in the principal amount of HK\$330 million (which is convertible into 750 million CTH Shares at an initial conversion price of HK\$0.44 per CTH Share).

Centar Investments, Shepherd Investments, Stark Asia and Stark International are funds managed by a common investment manager, Stark Investments. According to the information provided by the Stark Investments, Stark International and Shepherd Investments invest in securities worldwide while Stark Asia and Centar Investments focus on investments in Asia. The total assets of various funds under Stark managements are approximately US\$8 billion. As at the date of the Stark Note Subscription Agreements, Stark Investments as fund manager was interested in an aggregate of 227,272,725 CTH Shares representing approximately 17.26% of the issued share capital of CTH. They also hold the 2005 August Notes in the aggregate outstanding principal amount of HK\$95 million (which is convertible into 215,909,089 CTH Shares at an initial conversion price of HK\$0.44 per CTH Share).

ITC is a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. ITC is an investment holding company which directly and indirectly holds strategic investments in a number of listed companies. The principal activities of the ITC group comprise investment holding, the provision of finance, the provision of management services, property investment, treasury investment, trading of building materials and machinery and the provision and operation of an internet precious metals trading platform. ITC is interested in approximately 24.3% of the issued share capital of Hanny as at the date of this announcement.

The 11 Other Note Subscribers include funds managed by global asset management firms. Seven of the 11 Other Note Subscribers are managed by three different common investment managers. More particularly, two funds managed by the same investment manager have agreed to subscribe for HK\$87 million of Notes. One of the funds was interested in 45,454,545 CTH Shares representing approximately 3.45% of the issued share capital of CTH as at the date of the relevant Note Subscription Agreement. That fund also holds the 2005 August Notes in the aggregate outstanding principal amount of HK\$20 million (which is convertible into 45,454,545 CTH Shares at an initial conversion price of HK\$0.44 per CTH Share). Another two funds managed by another investment manager have agreed to subscribe for HK\$23 million of Notes, and three funds managed by a third investment manager have agreed to subscribe for HK\$70 million of Notes.

CTH confirms that to the best of the knowledge, information and belief of the CTH Directors and having made all reasonable enquiries, save as disclosed above, the Note Subscribers (other than Hanny and the Stark Funds) and their respective ultimate beneficial owners are Independent Third Parties and none of the Note Subscribers hold any CTH Shares or other securities in CTH as at the date of this announcement. Save as disclosed above and the interests of Green Label Investments Limited and Magnum in the Everight Acquisition, the holders of 2005 August Notes, Note Subscribers, Green Label Notes and Magnum Notes are independent of and not connected with each other.

***Conditions of the Note Subscription Agreements:***

Completion of each of the Note Subscription Agreements is conditional upon:

- (i) the passing by the requisite majority required under the Listing Rules of independent CTH Shareholders in general meeting of all necessary resolutions to ratify CTH's entering into of the Note Subscription Agreements and performance of the transactions contemplated in the Note Subscription Agreements including the issue of the Notes and the CTH Shares which fall to be issued and allotted on exercise of conversion rights attached to the Notes;
- (ii) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Conversion Shares;
- (iii) the passing by the requisite majority required under the Listing Rules of Hanny Shareholders in general meeting of a resolution to approve the terms of the Hanny Note Subscription Agreement (including the exercise of conversion rights attached to the Hanny Notes to the extent that the aggregate holding of Hanny Group of CTH Shares immediately after such conversion shall be less than 30% of the then issued share capital of CTH);

- (iv) if required, an increase of authorised share capital of CTH to facilitate the issue of the Conversion Shares and the Bermuda Monetary Authority having approved the issue of shares of CTH permitted by such increased authorised capital, the issue of the Notes and the Conversion Shares and the transferability of the Notes and the Conversion Shares; and
- (v) the warranties made by CTH in the Note Subscription Agreements being true, complete and accurate and not misleading in all material respect when made and shall be true, complete and accurate, and not misleading in all material respect as at Note Subscription Completion as if made at Note Subscription Completion.

The Note Subscription Agreements are to be completed at the same time. Neither CTH nor the Note Subscribers shall be obliged to proceed to Note Subscription Completion if other Note Subscription Agreements cannot be completed at the same time. If any of the above conditions precedent have not been fulfilled or waived by the relevant Note Subscribers (in respect of condition (v) above for all Note Subscribers) on or before the day which falls on the expiry of 120 calendar days immediately following the date of the Note Subscription Agreements (or such later date as may be agreed by the parties to the Note Subscription Agreements in writing), then the Note Subscription Agreements shall lapse immediately thereafter and be of no further effect and neither party to the Note Subscription Agreements shall have any claim against or liability or obligation to other party under the Note Subscription Agreements. The Note Subscribers have not indicated to CTH that they intend to waive the aforesaid condition.

Completion of the Note Subscription Agreements is not conditional on completion of the Placing Agreement.

***Completion:***

Completion shall take place on the third business day next following the date of fulfilment or waiver (as the case may be) of the conditions precedent stated in the section headed “Conditions of the Note Subscription Agreements” above, or such other date as the Note Subscribers and CTH may agree.

A Noteholder will not be entitled to nominate directors to the board of CTH by reason only of it being a Noteholder.

***Termination:***

Each of the Note Subscribers may by prior notice to CTH terminate the relevant Note Subscription Agreement at any time prior to the Note Subscription Completion if:

- (i) there develops, occurs or comes into effect:
  - (a) any event, development or change resulting in a material and adverse change in, or which would be expected to result in a material and adverse change in, political, economic, fiscal, financial, regulatory or stock market conditions in the PRC (including Hong Kong and Macau);
  - (b) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise;
  - (c) any material and adverse change in conditions of local, national or international securities markets;
  - (d) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the CTH Group which shall materially and adversely affect the business or the financial or trading position of CTH;
  - (e) any suspension of dealings in the CTH Shares for a period exceeding 10 business days other than due to the clearance of this announcement;
  - (f) a change or development involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong or elsewhere which would materially and adversely affect the business, financial or trading position of CTH; or
  - (g) the instigation of any litigation or claim of material importance by any third party against any member of the CTH Group which would materially and adversely affect the business, financial or trading position of CTH,

and which can reasonably be expected, in the opinion of the relevant Note Subscriber acting reasonably, to have or has had a material adverse effect upon the condition, (financial or otherwise) or earnings, business affairs or business prospects of CTH.

- (ii) there is any breach of any of the warranties made by CTH as set out in the relevant Note Subscription Agreement which (a) if it had occurred or arisen before the date of the relevant Note Subscription Agreement would have rendered any of such warranties untrue, inaccurate or misleading, or (b) in the opinion of the relevant Note Subscriber acting reasonably, materially and adversely affects the financial position or business of CTH;
- (iii) there has been a breach of or failure to perform any of CTH's obligations in any material respect under the relevant Note Subscription Agreement.

## 2. Principal terms of the Notes

Aggregate principal amount: HK\$1,000 million

Initial Conversion Price: HK\$0.70 per CTH Share, subject to usual anti-dilution adjustments in certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivatives issues.

The Initial Conversion Price of HK\$0.70 per CTH Share represents:

- a premium of approximately 7.69% over the closing price of HK\$0.65 per CTH Share as quoted on the Stock Exchange on 13th April, 2006, being the last trading day immediately before trading in the CTH Shares was suspended pending the release of this announcement;
- a premium of approximately 9.38% over the closing price of HK\$0.64 per CTH Share as quoted on the Stock Exchange on the Last Full Trading Date; and
- a premium of approximately 22.81% over the average closing price of approximately HK\$0.57 per CTH Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Full Trading Date.

The Initial Conversion Price was determined after arm's length negotiations between the Note Subscribers and CTH with reference to the prevailing market price of the CTH Shares.

Interest rate: 1.0% per annum

Maturity: The fifth anniversary from the date of issue of the Notes

Redemption: Unless previously converted or lapsed or redeemed by CTH, CTH will redeem the Notes on the Maturity Date at the redemption amount which is 110% of the principal amount of the Notes outstanding.

In the event of a change of control of CTH (where person(s) other than Hanny and/or its concert parties acquire more than 50% equity interests of CTH or the consolidation or merger of substantially all of the assets of CTH with such person(s)) prior to the Maturity Date, the Noteholders may require CTH to redeem at the redemption amount which is 110% of the principal amount of the Notes then outstanding plus interest accrued.

In the event of the occurrence of events of default specified in the Notes instrument, the Noteholders may also require CTH to redeem at 100% of the principal amount of the Notes then outstanding plus interest accrued.

Transferability: The Notes are freely transferable but may not be transferred to a connected person of CTH (unless the Noteholder is already a connected person and the transferee is its associates) without the prior written consent of CTH. CTH undertakes to the Stock Exchange that it will promptly notify the Stock Exchange upon becoming aware of any dealings in the Notes by any connected persons of CTH.

Conversion period:	Each of the Noteholders shall have the right to convert, on any business day commencing from the 7th day after the date of issue of the Notes up to and including the date which is 7 days prior to the Maturity Date, the whole or any part (in an amount or integral multiple of HK\$500,000) of the principal amount of the Notes into CTH Shares at the then prevailing conversion price.
Conversion Shares:	Upon full conversion of the Notes at the Initial Conversion Price, an aggregate of 1,428,571,428 Conversion Shares will be issued by CTH, representing approximately 108.50% of the existing issued share capital of CTH and approximately 52.04% of the issued share capital of CTH as enlarged by the Conversion Shares.
Voting:	A Noteholder will not be entitled to receive notice of, attend or vote, at any general meeting of CTH by reason only of it being a Noteholder.
Listing:	No application will be made for the listing of the Notes on the Stock Exchange or any other stock exchange. An application will be made by CTH for the listing of and permission to deal in the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Notes.
Ranking:	The Notes will rank pari passu with all other present and future unsecured and un-subordinated obligations of CTH.  The Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Notes will rank pari passu in all respects with all other CTH Shares in issue at the date on which the conversion rights attached to the Notes are exercised.

Based on the terms of the Notes, the expected yield to maturity of the Notes is approximately 2.9% per annum.

## **THE PLACING**

### ***The Placing Agreement:***

Date: 27th April, 2006

### ***Parties to the Placing Agreement:***

Issuer: CTH

Placing Agent: CLSA Limited, a third party independent of CTH and its connected persons.

### ***The Placing Shares:***

833,332,000 new CTH Shares, representing (i) approximately 63.29% of CTH's existing issued share capital; and (ii) approximately 38.76% of the CTH's issued share capital as enlarged by the Placing.

The Placing is on a best efforts basis.

### ***Placees:***

Not less than six individual investors, corporate, institutional or other professional investors who are Independent Third Parties procured by the Placing Agent under the Placing Agreement.

### ***Placing Price:***

The placing price of HK\$0.60 per Placing Share represents:

- (i) a discount of approximately 7.69% to the closing price of HK\$0.65 per CTH Share as quoted on the Stock Exchange on 13th April, 2006, being the last trading day immediately before trading in the CTH Shares was suspended pending the release of this announcement;
- (ii) a discount of approximately 6.25% to the closing price of HK\$0.64 per CTH Share as quoted on the Stock Exchange on the Last Full Trading Date; and
- (iii) a premium of approximately 5.26% over the average of the closing prices of approximately HK\$0.57 per CTH Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Full Trading Date.

The Placing Price was determined after arm's length negotiations between the Placing Agent and CTH with reference to the prevailing market prices of the CTH Shares. The aggregate amount of the Placing will be approximately HK\$500 million.

**Listing:**

Application will be made to the Stock Exchange for the listing of and permission to deal in the Placing Shares on the Stock Exchange.

**Ranking:**

The Placing Shares, when issued and fully paid, shall rank pari passu in all respects with the CTH Shares in issue on or prior to the Placing Completion.

**Conditions precedent to the Placing Agreement:**

Completion is conditional on:

- (i) the passing by the requisite majority under the Listing Rules of CTH Shareholders or the independent shareholders (if required) of CTH in general meeting of resolution to authorise the issue of the Placing Shares; and
- (ii) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Placing Shares.

None of the above conditions is capable of being waived. If the above conditions precedent are not fulfilled on or prior to the day which falls on the expiry of 120 calendar days immediately following the date of the Placing Agreement or such other date as may be agreed between the Placing Agent and CTH, the Placing Agreement shall terminate and neither of the parties to the Placing Agreement shall have any claim against others for costs or losses (save for any prior breaches of the Placing Agreement).

Completion of the Placing Agreement is not conditional on completion of the Note Subscription Agreements.

**Completion:**

Completion shall take place on the second business day following the satisfaction of the conditions precedent to the Placing Agreement above or such other date as the Placing Agent and CTH may agree.

**Commission:**

The Placing Agent will not receive any commission in relation to the Placing.

**Termination:**

The Placing Agreement is subject to similar termination clauses as those of the Note Subscription Agreements as mentioned above.

**INFORMATION ON CTH**

The following table sets out a summary of the audited consolidated results of CTH Group for each of the two years ended 31st March, 2004 and 2005 and the unaudited consolidated results of CTH Group for the six months ended 30th September, 2005 extracted from the relevant annual reports and interim report of CTH which are prepared in accordance with the generally accepted accounting principles in Hong Kong applicable at the time of preparation:

	<b>For the six months ended 30th September, 2005</b>	<b>For the year ended 31st March,</b>	
	<i>HK\$'000</i> (unaudited)	<b>2005</b> <i>HK\$'000</i> (audited)	<b>2004</b> <i>HK\$'000</i> (audited)
Turnover	426,380	379,396	63,514
Gross profit	55,729	119,918	2,079
Profit/(loss) before taxation	(16,941)	11,761	(37,791)
Profit/(loss) for the period/year	(17,760)	9,938	(29,612)

The following table sets out a summary of the audited consolidated balance sheet of CTH Group as at 31st March, 2005 and the unaudited consolidated balance sheet of CTH Group as at 30th September, 2005 extracted from the relevant annual report and interim report of CTH which are prepared in accordance with the generally accepted accounting principles in Hong Kong applicable at the time of preparation:

	<b>As at 30th September, 2005</b> <i>HK\$'000</i> (unaudited)	<b>As at 31st March, 2005</b> <i>HK\$'000</i> (audited)
Non-current assets	77,944	89,648
Current assets	1,363,781	388,865
Current liabilities	(126,646)	(139,162)
Net current assets	1,237,135	249,703
Non-current liabilities	(903,299)	(95,744)
Net assets	<u>411,780</u>	<u>243,607</u>

### **REASONS FOR THE ISSUE OF NOTES AND USE OF PROCEEDS**

CTH Group is principally engaged in property development and investment in Hong Kong, trading of motor cycles and spare parts, the sale and manufacturing of “Tung Fong Hung” branded Chinese pharmaceutical and health products, the production and distribution of western pharmaceutical products and securities investment.

As mentioned in the 2004-2005 annual report and the 2005-2006 interim report, CTH Group has been actively exploring business opportunities with primary focus on property development and investment opportunities in Hong Kong, Macau and the PRC. As disclosed in the announcements of CTH dated 7th February, 2006 and 3rd April, 2006 and the circular dated 26th April, 2006, CTH entered into a sale and purchase agreement in respect of the Everight Acquisition which involves (i) two golf club operations and certain property interests in the PRC for a total consideration of HK\$140 million; and (ii) a sale and purchase agreement in respect of acquisition of certain property interests in Macau, pursuant to which CTH undertakes to advance a shareholder’s loan of HK\$885 million to Orient Town, 40% equity interest of which is to be acquired by CTH. The aforesaid consideration and shareholder’s loan will be partially funded by the net proceeds of HK\$989 million raised by the issue of the 2005 August Notes. Save for the aforesaid acquisitions, CTH Group is also under discussions with certain Independent Third Parties relating to possible acquisitions of certain other property interests in the PRC and Hong Kong. However, no contract or agreement has been entered into for any of these possible acquisitions. CTH remains open for other potential investments which fit CTH Group’s expansion strategy. Given the recent strong equity market conditions, the CTH Directors are of the view that it is an opportune time to raise further capital in the equity market and the issue of the Notes and the Placing Shares would strengthen the financial capability of CTH Group and raise capital for further possible acquisitions when such opportunities arise. The CTH Directors consider the terms of the Note Subscription Agreements and the Notes and the Placing Agreement to be fair and reasonable and the Note Subscription and the Placing to be in the interests of CTH and its shareholders as a whole.

In view of the prospering property markets of the PRC, Hong Kong and Macau, the net aggregate proceeds of approximately HK\$1,468 million raised from the Note Subscription and the Placing are expected to be used by CTH Group for the purpose of further expanding property investment portfolio and financing its existing property development projects.

As set out in the interim report of CTH, the loss incurred by CTH for the six months ended 30th September, 2005 was mainly attributable to a non-recurring impairment loss for goodwill of HK\$11.0 million arising from acquisition of subsidiaries. In addition, due to the adoption of new accounting standards, there was an increase in interest expense of HK\$7.4 million on the liability component of convertible notes. Excluding the aforesaid non-operational loss effect, the CTH Group is managed to remain profitable. In light of the aforesaid proposed acquisitions announced by CTH, the Hanny Directors consider that the prospects of CTH Group is promising and consider it an opportune time to increase its investment in CTH. Having considered the intended use of proceeds from the Note Subscription, the Placing and the expansion plan of CTH as mentioned above, the Hanny Directors consider that the Hanny Note Subscription represents a good opportunity for Hanny Group to further expand its investments in properties in Hong Kong, Macau and the PRC. The conversion rights attached to the Hanny Notes give the Hanny Group flexibility to acquire further equity interests in CTH should the Hanny Directors consider it appropriate. Taking into account the growth potentials of the CTH Group, the flexibility provided by the conversion feature of the Hanny Notes and the relative long term maturity of the Hanny Notes, the Hanny Directors consider that (i) the Initial Conversion Price representing a premium over



the prevailing market price of the CTH Shares (compared to the Placing Price which are at a discount to the prevailing market price); (ii) the 110% redemption amount of the principal amount of the Hanny Notes at maturity; and (iii) coupon rate of Hanny Notes of 1% are justifiable. Hanny Group intends to fund the subscription of the Hanny Notes by its internal resources and/or debt financing.

Based on the above, the Hanny Directors consider that the Hanny Note Subscription is in the interests of Hanny and its shareholders as a whole and the terms of the Hanny Note Subscription Agreement and the Hanny Notes are fair and reasonable as far as the Hanny Shareholders are concerned.

## SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of CTH (i) as at the date of this announcement; (ii) immediately upon completion of the Placing and Note Subscription (assuming no conversion of any of the Magnum Notes, the Green Label Notes, the 2005 August Notes nor the Notes); (iii) upon completion of the Placing and Note Subscription and full conversion of the Magnum Notes and the Green Label Notes only; (iv) upon completion of the Placing and Note Subscription and full conversion of the Magnum Notes, the Green Label Notes and the 2005 August Notes only; and (v) upon completion of the Placing and Note Subscription and full conversion of the Magnum Notes, the Green Label Notes, the 2005 August Notes and the Notes (assuming in each case, no CTH Shares are issued or purchased after the date of this announcement other than (as the case may be) the issue of the Placing Shares and the CTH Shares which fall to be issued on conversion of the relevant convertible notes as specified):

CTH Shareholders	(i) As at the date of this announcement		(ii) Upon completion of the Placing and Note Subscription		(iii) Upon completion of the Placing and Note Subscription, full conversion of the Magnum Notes and the Green Label Notes		(iv) Upon completion of the Placing and Note Subscription, full conversion of the Magnum Notes, the Green Label Notes and the 2005 August Notes		(v) Upon completion of the Placing and Note Subscription, full conversion of the Magnum Notes, the Green Label Notes, the 2005 August Notes and the Notes	
	No. of CTH Shares	%	No. of CTH Shares	%	No. of CTH Shares	%	No. of CTH Shares	%	No. of CTH Shares	%
Mr. Ho Hau Chong, Norman (Note 1)	113,636,363	8.63	113,636,363	5.29	113,636,363	4.97	340,909,090	8.92	340,909,090	6.50
Hanny (Note 2)	272,727,272	20.71	272,727,272	12.69	272,727,272	11.93	1,022,727,272	26.78	1,408,441,557	26.84
Stark Funds (Note 3)	227,272,725	17.26	227,272,725	10.57	227,272,725	9.94	443,181,814	11.61	618,896,099	11.79
Green Label Investments Limited (Note 4)	-	-	-	-	89,255,243	3.90	89,255,243	2.34	89,255,243	1.70
Magnum (Note 4)	-	-	-	-	47,108,393	2.06	47,108,393	1.23	47,108,393	0.90
ITC (Note 5)	-	-	-	-	-	-	-	-	42,857,142	0.82
Other Note Subscribers (Notes 6 & 7)	45,454,545	3.45	45,454,545	2.11	45,454,545	1.99	90,909,090	2.38	915,194,806	17.44
Holders of 2005 August Notes	39,772,727	3.03	39,772,727	1.85	39,772,727	1.74	265,909,089	6.96	265,909,089	5.07
Placees of the Placing (Note 7)	-	-	833,332,000	38.76	833,332,000	36.45	833,332,000	21.82	833,332,000	15.87
Other public CTH Shareholders	617,800,274	46.92	617,800,274	28.73	617,800,274	27.02	685,982,092	17.96	685,982,092	13.07
Total public CTH Shareholders	703,027,546	53.40	1,536,359,546	71.45	1,536,359,546	67.20	1,876,132,271	49.12	2,743,275,129	52.27
	<u>1,316,663,906</u>	<u>100.00</u>	<u>2,149,995,906</u>	<u>100.00</u>	<u>2,286,359,542</u>	<u>100.00</u>	<u>3,819,314,083</u>	<u>100.00</u>	<u>5,247,885,511</u>	<u>100.0</u>

### Notes:

- Mr. Ho Hau Chong, Norman, a non-executive director of CTH, is interested in 113,636,363 CTH Shares. Upon full conversion of HK\$100 million outstanding 2005 August Notes held by Kopola, a company in which he has 50% interest, at the existing conversion price of HK\$0.44 per CTH Share, a further of 227,272,727 CTH Shares will be issued to Mr. Ho Hau Chong, Norman.
- Hanny (through Loyal Concept) is interested in 272,727,272 CTH Shares. Upon full conversion of the 2005 August Notes with principal outstanding amount of HK\$330 million held by Loyal Concept, it will be interested in an aggregate of 1,022,727,272 CTH Shares. Pursuant to the Hanny Note Subscription Agreement, Hanny has conditionally agreed to subscribe for or procure the subscription of the Hanny Notes. Hanny intends to require the Hanny Notes to be issued to Loyal Concept, upon full conversion of which at the initial conversion price of HK\$0.70 per CTH Share, a further of 385,714,285 CTH Shares will be issued to Loyal Concept.

3. Stark Funds, being four subscribers of the 2005 August Notes, are funds related to each other to the extent that they are managed by a common investment manager. Upon full conversion of the 2005 August Notes with outstanding principal amount of HK\$95 million held by Stark Funds, they will be interested in an aggregate of 443,181,814 CTH Shares. Pursuant to the Stark Note Subscription Agreements, Stark Funds have conditionally agreed to subscribe for HK\$123 million of the Notes, upon full conversion of which at the initial conversion price of HK\$0.70 per CTH Share, a further of 175,714,285 CTH Shares will be issued to Stark Funds.
4. Pursuant to the Everight Acquisition, the Green Label Notes and the Magnum Notes will be issued to Green Label Investments Limited and Magnum respectively as part of the consideration. Completion of the Everight Acquisition has yet to take place. Details of the Everight Acquisition are set out in announcement of CTH dated 7th February, 2006 and circular of CTH dated 26th April, 2006.
5. As at the date of this announcement, ITC is a substantial shareholder of Hanny and it does not have any shareholding interest in CTH.
6. As at the date of the Note Subscription Agreements, one Other Note Subscriber was interested in 45,454,545 CTH Shares representing approximately 3.45% of the issued share capital of CTH. Upon full conversion of the 2005 August Notes with outstanding principal amount of HK\$20 million, it will be interested in an aggregate of 90,909,090 CTH Shares. Pursuant to the relevant Note Subscription Agreements, such Other Note Subscriber together with another fund with the same investment manager have conditionally agreed to subscribe for the Notes of HK\$87 million, upon full conversion of which, a further of 124,285,714 CTH Shares will be issued to them.
7. Depending on the then shareholding structure of CTH, should each of the Other Note Subscribers and Placees hold less than 10% of the issued CTH Shares upon completion of the Placing and Note Subscription and/or upon full conversion of the Notes, each of them will be treated as a public CTH Shareholder. Further announcement will be made by CTH in the event that any of the Placees becomes a substantial shareholder of CTH upon completion of the Placing. In the event that any of the Placees and its concert parties become interested in 30% or more of the enlarged issued share capital of CTH upon completion of the Placing, such Placee(s) and their concert parties will be required to comply with the relevant requirements of the Takeovers Code.
8. The existing authorised share capital of CTH is 40,000,000,000 shares of HK\$0.01 each. Assuming no other changes to the share capital of CTH other than as a result of the conversion of the 2005 August Notes, Green Label Notes and Magnum Notes at the existing conversion price, the existing authorised share capital of CTH is sufficient for the purpose of the potential issue of new CTH Shares under the Placing and upon conversion of the Notes.

As at the date of this announcement, Hanny (through Loyal Concept) is interested in 272,727,272 CTH Shares (representing approximately 20.71% of the existing issued CTH Shares and 12.69% of the issued CTH Shares as enlarged by the Placing Shares). Hanny (through Loyal Concept) also holds the 2005 August Notes in the outstanding principal amount of HK\$330 million. Upon full conversion of the 2005 August Notes by Hanny, it will be interested in an aggregate of 1,022,727,272 CTH Shares. Upon completion of the Placing and Note Subscription and assuming full conversion of the Magnum Notes, the Green Label Notes, the 2005 August Notes and the Notes, Hanny will be interested in approximately 26.84% of the enlarged issued CTH Shares. As at the date of this announcement, no decision has been made as to whether or when the conversion rights attached to the Hanny Notes are to be exercised by Hanny. The extent of exercise of the conversion rights attached to the Hanny Notes by Hanny would depend on a number of factors such as (i) the future financial position and business prospects of CTH Group; (ii) the market performance of the CTH Shares; and (iii) the dilution effect from further issue of CTH Shares which may arise from the exercise of the conversion rights attached to the Notes, 2005 August Notes, Green Label Notes and Magnum Notes. At present, Hanny does not have intention to exercise the conversion rights attached to the Hanny Notes to such an extent that Hanny will be interested in 30% or more of equity interests in CTH.

Depending on the then shareholding structure of CTH and the extent to which the conversion rights of the Notes, the 2005 August Notes, Green Label Notes and Magnum Notes are to be exercised by any of their holders, the Note Subscribers may individually become interested in 30% or more of the enlarged issued share capital of CTH upon conversion of their Notes. In such circumstances, the relevant subscriber(s) and their concert parties will be obliged to make a mandatory offer to the CTH Shareholders to acquire all the CTH Shares, other than those already owned or agreed to be acquired by such subscriber(s) and their concert parties, in accordance with Rule 26 of the Takeovers Code unless a waiver thereto is obtained. Such subscriber(s) and their concert parties will be required to comply with the relevant requirements of the Takeovers Code in such event that an obligation for a mandatory general offer arises.

CTH and the CTH Directors will take appropriate steps to ensure that there will be sufficient public float for the CTH Shares immediately following conversion of the Magnum Notes, the Green Label Notes, the 2005 August Notes and the Notes and at any time during their terms.

The Stock Exchange has indicated that should the Note Subscription and Placing be completed, it will closely monitor trading in the CTH Shares if less than 25% of the issued CTH Shares are held by the public. If the Stock Exchange believes that a false market exists or may exist in the trading in the CTH Shares, or there are too few CTH Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the CTH Shares until a sufficient level of public float is attained.

## **DILUTION EFFECT ON CTH SHAREHOLDERS**

In view of the future dilution of existing CTH Shareholders on the exercise of the conversion rights attaching to the Notes, CTH will keep the CTH Shareholders informed of the level of dilution and details of conversion as follows:

- (i) CTH will make a monthly announcement (the “Monthly Announcement”) on the website of the Stock Exchange after the Note Subscription Completion. Such announcement will be made on or before the fifth business day following the end of each calendar month and will include the following details in a table form:
  - (a) whether there is any conversion of the Notes during the relevant month. If there is a conversion, details thereof, including the conversion date, number of new CTH Shares issued, conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
  - (b) the number of outstanding Notes after the conversion, if any;
  - (c) the total number of new CTH Shares issued pursuant to other transactions during the relevant month, including new CTH Shares issued pursuant to exercise of options under any share option scheme(s) of CTH (if any);
  - (d) the total issued share capital of CTH as at the commencement and the last day of the relevant month; and
- (ii) in addition to the Monthly Announcement, if the cumulative amount of new CTH Shares issued pursuant to the conversion of the Notes reaches 5% of the issued share capital of CTH as disclosed in the last Monthly Announcement or any subsequent announcement made by CTH in respect of the Notes (as the case may be) (and thereafter in a multiple of such 5% threshold), CTH will make an announcement on the website of the Stock Exchange including details as stated in paragraph (i) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement in respect of the Notes (as the case may be) up to the date on which the total amount of CTH Shares issued pursuant to the conversion amounted to 5% of the issued share capital of CTH as disclosed in the last Monthly Announcement or any subsequent announcement made by CTH in respect of the Notes (as the case may be).

The above also applies in the event of conversion of the 2005 August Notes.

## **SUMMARY OF EQUITY FUND RAISING ACTIVITIES OF CTH IN THE PAST TWELVE MONTHS**

On 11th August, 2005, CTH raised approximately HK\$989 million, net of expenses, by issuing the 2005 August Notes. Set out below are the details of the intended and actual use of the proceeds of the 2005 August Notes:

<b>Date of completion</b>	<b>Event</b>	<b>Net proceeds</b>	<b>Stated intended use of proceeds</b>	<b>Actual use of proceeds up to the date of this announcement</b>
11th August, 2005	Subscription and placing of the 2005 August Notes	Approximately HK\$989 million	Expanding the investment properties portfolio of CTH	HK\$240 million was paid as a refundable earnest money and will be applied as shareholder’s loan to Orient Town, details of which have been set out in the announcement of CTH dated 3rd April, 2006 in relation to the acquisition of interests in Orient Town; and HK\$140 million was paid as a refundable earnest money with a view to facilitating possible acquisitions of ownership and interest in certain properties in the PRC.

Of the HK\$609 million remaining balance from the aforesaid fund raising exercise, HK\$75 million will be applied to settle the cash portion of the consideration of the Everight Acquisition. The remaining portion of the consideration of the Everight Acquisition will be satisfied by issue of the Green Label Notes and the Magnum Notes. As at the date of this announcement, the Everight Acquisition has yet to be completed. The majority of the remaining cash proceeds of HK\$534 million will be applied as shareholder's loan to Orient Town pursuant to acquisition of interest in Orient Town. In the event that any aforesaid possible acquisitions materialise in the future, such amount will be used to finance them to the extent required. Should any of the aforesaid possible acquisitions not materialise in the future, the relevant earnest money will be refunded to CTH.

#### LISTING RULES IMPLICATIONS

##### ***On CTH:***

Hanny (through Loyal Concept) is a substantial shareholder of CTH holding approximately 20.71% of the total issued CTH Shares as at the date of the Hanny Note Subscription Agreement and therefore a connected person of CTH pursuant to the Listing Rules. Accordingly, the issue of the Hanny Notes by CTH to Hanny and/or its subsidiaries under the Hanny Note Subscription Agreement constitutes a connected transaction for CTH pursuant to the Listing Rules.

Stark Funds, which are managed by the same investment manager, together held an aggregate of approximately 17.26% of the total issued CTH Shares as at the date of the Stark Note Subscription Agreements. Therefore, they together are regarded as a substantial shareholder and a connected person of CTH pursuant to the Listing Rules. Accordingly, the issue of the Stark Notes by CTH to the Stark Funds under Stark Note Subscription Agreements constitute connected transactions for CTH pursuant to the Listing Rules.

The Note Subscription Agreements are to be completed at the same time and none of the Note Subscribers are obliged to complete, if all of the other Note Subscribers do not complete the Note Subscription under the relevant Note Subscription Agreements. On this basis, the Note Subscription Agreements are subject to the approval of the independent CTH Shareholders at a general meeting of CTH on which voting will be taken by poll. Loyal Concept, Stark Funds and their respective associates will abstain from voting on the relevant resolutions in relation to the Note Subscription Agreements.

An independent board committee will be constituted by CTH to advise the independent CTH Shareholders, and an independent financial adviser will be appointed by CTH to advise the independent board committee of CTH and the independent CTH Shareholders as regards the terms of the Hanny Note Subscription Agreement, the Stark Note Subscription Agreements, the Hanny Notes and the Stark Notes.

##### ***On Hanny:***

The Hanny Note Subscription under the Hanny Note Subscription Agreement constitutes a major transaction for Hanny pursuant to the Listing Rules. Accordingly, the Hanny Note Subscription and the transactions contemplated under the Hanny Note Subscription Agreement are subject to the approval of the Hanny Shareholders at a general meeting of Hanny. As ITC, a substantial shareholder of Hanny, is one of the Note Subscribers, ITC is considered to have interests in the Hanny Note Subscription Agreement which are different from other Hanny Shareholders. Accordingly, ITC and its associates will abstain from voting on the relevant resolution in relation to the Hanny Note Subscription Agreement.

Relevant disclosure and shareholders' approval requirements for Hanny will comply with those relating to a major transaction under the Listing Rules. To the extent that exercise of conversion rights attached to the Hanny Notes will result in Hanny holding 30% or more in the then issued share capital of CTH, Hanny will comply with the relevant provisions in the Listing Rules.

#### **GENERAL**

A special general meeting of CTH will be held to consider and, if thought fit, approve the necessary resolutions in respect of the transactions contemplated in the (i) Note Subscription Agreements including the issue of the Notes and the Conversion Shares which fall to be issued and allotted on exercise of conversion rights attached to the Notes; and (ii) the Placing Agreement and the issue of the Placing Shares. A circular containing, among others, (i) details of the Note Subscription Agreements and the Notes; (ii) the Placing Agreement; (iii) a letter of advice from the independent financial adviser to the independent board committee of CTH and the independent CTH Shareholders on the terms of the Hanny Note Subscription Agreement, the Stark Note Subscription Agreements, the Hanny Notes and the Stark Notes; (iv) a letter of recommendation from the independent board committee of CTH to the independent CTH Shareholders; and (v) the notice of the special general meeting of CTH will be despatched to the CTH Shareholders as soon as practicable.

A special general meeting of Hanny will be held to consider and, if thought fit, approve the necessary resolution in respect of the terms of the Hanny Note Subscription Agreement (including the exercise of conversion rights attached to the Hanny Notes to the extent that the aggregate holding of Hanny Group of CTH Shares immediately after such conversion shall be less than 30% of the then issued share capital of CTH). At present, Hanny does not have intention to exercise the conversion rights attached to the Hanny Notes to such an extent that Hanny will have acquired 30% or more of the voting rights of CTH so that it incurs an obligation to make a mandatory

general offer in accordance with Rule 26 of the Takeovers Code. Accordingly, Hanny will only seek approval from the Hanny Shareholders that conversion rights attached to the Hanny Notes will only be exercised to the aforesaid extent of less than 30%. In the event that Hanny exercises the conversion rights attached to the Hanny Notes such that Hanny will be interested in more than 30% of the enlarged issued share capital of CTH, Hanny will seek further approval from the Hanny Shareholders. A circular containing, among other things, (i) details about the Hanny Note Subscription; and (ii) the notice convening the special general meeting of Hanny, will be despatched to the Hanny Shareholders as soon as practicable.

#### **SUSPENSION AND RESUMPTION OF TRADING**

At the request of CTH, trading in the CTH Shares was suspended with effect from 10:00 a.m. on 13th April, 2006 pending the release of this announcement. An application has been made by CTH to the Stock Exchange for resumption of trading in the CTH Shares with effect from 9:30 a.m. on 2nd May, 2006.

At the request of Hanny, trading in the Hanny Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 28th April, 2006 pending the release of this announcement. An application has been made by Hanny to the Stock Exchange for resumption of trading in the Hanny Shares with effect from 9:30 a.m. on 2nd May, 2006.

#### **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the same meanings when used herein.

“2005 August Notes”	the zero coupon convertible notes due 2010 in the aggregate principal sum of HK\$1,000 million issued by CTH on 11th August, 2005 with an aggregate principal amount of HK\$674,500,000 outstanding as at the date of this announcement
“associates”	has the meaning ascribed to it under the Listing Rules
“Centar Investments”	Centar Investments (Asia) Ltd., a fund managed by Stark Investments
“concert parties”	has the meaning ascribed to it under the Takeovers Code
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Conversion Shares”	CTH Shares which would fall to be issued by CTH upon the exercise of the conversion rights attached to the Notes, at the then effective conversion price
“CTH”	Cheung Tai Hong Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“CTH Directors”	directors of CTH
“CTH Group”	CTH and its subsidiaries
“CTH Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of CTH
“CTH Shareholders”	holders of the CTH Shares
“Everight Acquisition”	the acquisition of the entire issued share capital of Everight Investment Limited and certain loans by CTH Group as disclosed in the announcement of CTH dated 7th February, 2006 and circular of CTH dated 26th April, 2006, completion of which is yet to take place
“Green Label Notes”	the zero coupon convertible notes due on 11th August, 2010 in the aggregate principal amount of HK\$39,272,307 to be issued to Green Label Investments Limited as part consideration pursuant to the Everight Acquisition
“Hanny”	Hanny Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Hanny Directors”	directors of Hanny
“Hanny Note Subscription”	the subscription of the Hanny Notes by Hanny and/or its subsidiaries pursuant to the Hanny Note Subscription Agreement

“Hanny Note Subscription Agreement”	a conditional subscription agreement dated 27th April, 2006 entered into between Hanny and CTH in relation to the Hanny Note Subscription, subject to the terms and conditions contained therein
“Hanny Notes”	the Notes with principal amount of HK\$270 million to be subscribed by Hanny pursuant to the Hanny Note Subscription Agreement, which entitle the holders thereof to convert the principal amount outstanding into the Conversion Shares at the Initial Conversion Price
“Hanny Shareholders”	shareholders of Hanny
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who, to the best of the knowledge, information and belief of the CTH Directors, is/are third party(ies) independent of CTH and its connected persons
“Initial Conversion Price”	the initial conversion price of HK\$0.70 per CTH Share (subject to adjustment) under the terms of the Notes
“ITC”	ITC Corporation Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Kopola”	Kopola Investment Company Limited, a company incorporated in the British Virgin Islands with limited liability, in which Mr. Ho Hau Chong, Norman, a non-executive director of CTH, has 50% interests
“Last Full Trading Date”	12th April, 2006, being the last full trading day for the CTH Shares prior to the suspension of dealings of the CTH Shares on the Stock Exchange pending the issue of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loyal Concept”	Loyal Concept Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Hanny
“Magnum”	Magnum Company Limited, an unlisted company incorporated in Hong Kong with limited liability
“Magnum Notes”	the zero coupon convertible notes due on 11th August, 2010 in the aggregate principal amount of HK\$20,727,693 to be issued to Magnum as part consideration pursuant to the Everight Acquisition, completion of which has yet to take place
“Maturity Date”	the fifth anniversary of the date of issue of the Notes
“Orient Town”	Orient Town Limited
“Noteholders”	holders of the Notes
“Note Subscribers”	Hanny, Stark Funds, ITC and the Other Note Subscribers
“Note Subscription”	subscription of the relevant Notes by the relevant Note Subscribers pursuant to the terms of the respective Note Subscription Agreements
“Note Subscription Agreements”	a total of 17 conditional subscription agreements dated 27th April, 2006 entered into between CTH and each of Hanny, Stark Funds, ITC and the Other Note Subscribers in relation to the Note Subscription, subject to the terms and conditions contained therein
“Note Subscription Completion”	completion of the Note Subscription Agreements
“Notes”	the 1% convertible notes in the aggregate principal amount of HK\$1,000 million due 2011 to be issued by CTH pursuant to the Note Subscription Agreements
“Other Note Subscriber(s)”	11 subscribers (other than Hanny, the Stark Funds and ITC) of the Notes which are funds managed by global asset management firms

“Placees”	the placees to be procured by the Placing Agent under the Placing, all of which will be Independent Third Parties
“Placing”	the placing of 833,332,000 Placing Shares, on a best efforts basis, by the Placing Agent to the Placees at the Placing Price under the Placing Agreement
“Placing Agent”	CLSA Limited, a licensed corporation under the SFO to carry out types 1 and 4 regulated activities as defined under the SFO
“Placing Agreement”	the placing agreement dated 27th April, 2006 entered into between CTH and the Placing Agent in relation to the Placing
“Placing Completion”	completion of the Placing Agreement
“Placing Price”	the placing price of HK\$0.60 per Placing Share under the Placing
“Placing Shares”	an aggregate of 833,332,000 new CTH Shares to be issued under the Placing Agreement
“PRC”	the People’s Republic of China
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shepherd Investments”	Shepherd Investments International, Ltd., a fund managed by Stark Investments
“Stark Asia”	Stark Asia Master Fund Ltd., a fund managed by Stark Investments
“Stark Funds”	Centar Investments, Shepherd Investments, Stark Asia and Stark International, funds which are managed by a common investment manager, Stark Investments
“Stark Investments”	Stark Investments (Hong Kong) Ltd., a manager of the Asian investments of Centar Investments, Shepherd Investments, Stark Asia and Stark International. It is also licensed by the SFC
“Stark Note Subscription Agreements”	four conditional subscription agreements dated 27th April, 2006 entered into between CTH and each of the Stark Funds in relation to the subscription of Stark Notes by the Stark Funds
“Stark Notes”	the Notes with aggregate principal amount of HK\$123 million to be subscribed by Stark Funds pursuant to the Stark Note Subscription Agreements, which entitle the holders thereof to convert the principal amount outstanding into the Conversion Shares at the Initial Conversion Price
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the board of  
**Cheung Tai Hong Holdings Limited**  
**Mr. Cheung Hon Kit**  
*Chairman*

By order of the board of  
**Hanny Holdings Limited**  
**Dr. Chan Kwok Keung, Charles**  
*Chairman*

Hong Kong, 28th April, 2006

As at the date of this announcement, the directors of CTH are as follows:

*Executive Directors:*

Mr. Cheung Hon Kit (*Chairman*)  
Mr. Chan Fut Yan (*Managing Director*)

*Non-executive Directors:*

Mr. Ho Hau Chong, Norman (*Deputy Chairman*)  
Mr. Lo Lin Shing, Simon

*Independent Non-executive Directors:*

Mr. Wong Chi Keung, Alvin  
Mr. Kwok Ka Lap, Alva  
Mr. Chui Sai Cheong

As at the date of this announcement, the directors of Hanny are as follows:

*Executive Directors:*

Dr. Chan Kwok Keung, Charles (*Chairman*)  
Dr. Yap, Allan (*Managing Director*)  
Mr. Lui Siu Tsuen, Richard (*Deputy Managing Director*)

*Independent Non-executive Directors:*

Mr. Yuen Tin Fan, Francis  
Mr. Kwok Ka Lap, Alva  
Mr. Wong King Lam, Joseph  
Mr. Sin Chi Fai

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