

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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祥泰行集團有限公司*

CHEUNG TAI HONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

**RE-ELECTION OF RETIRING DIRECTORS,
GENERAL MANDATES TO ISSUE SHARES AND
TO REPURCHASE SHARES,
REFRESHMENT OF THE 10% LIMIT ON THE
GRANT OF OPTIONS UNDER THE SHARE OPTION SCHEME AND
AMENDMENTS TO THE BYE-LAWS**

A notice convening the annual general meeting of the Company to be held at 33/F Sonata, Rosedale on the Park, 8 Shelter Street, Causeway Bay, Hong Kong on Friday, 9th September, 2005 at 11:00 a.m. is set out on pages 16 and 21 of this circular. If you are not able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company in Hong Kong at 29th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

Hong Kong, 29th July, 2005

* For identification purpose only

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Annual General Meeting”	the annual general meeting of the Company to be held at 33/F Sonata, Rosedale on the Park, 8 Shelter Street, Causeway Bay, Hong Kong on Friday, 9th September, 2005 at 11:00 a.m., notice of which is set out on pages 16 and 21 of this circular
“Board”	the board of Directors of the Company
“Bye-laws”	the bye-laws of the Company
“Company”	Cheung Tai Hong Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Eligible Person(s)”	Any employee (whether full time or part time), executives or officers, directors (including executive, non-executive and independent non-executive directors) of any member of the Group or any Invested Entity and any celebrity, consultant, adviser or agent of any member of the Group or any Invested Entity, who, in the sole discretion of the Board, have contributed or will contribute to the growth and development of the Group or any Invested Entity
“General Mandates”	the general mandate to issue Shares and Repurchase Mandate to be granted to the Directors at the Annual General Meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Invested Entity”	any entity in which the Group holds an equity interest
“Latest Practicable Date”	Wednesday, 27th July, 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time
“Repurchase Mandate”	the general mandate to repurchase Shares to be granted to the Directors at the Annual General Meeting
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share Capital”	the aggregate nominal amount of the share capital of the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the Share Capital
“Share Option Scheme”	the share option scheme of the Company adopted on 26th August, 2002
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers

LETTER FROM THE CHAIRMAN



祥泰行集團有限公司*

CHEUNG TAI HONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

Executive Directors:

Cheung Hon Kit (*Chairman*)
Chan Fut Yan (*Managing Director*)
Tse Cho Tseung

Registered office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Non-executive Director:

Lo Lin Shing, Simon

Principal place of business

in Hong Kong:

29th Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

Independent Non-executive Directors:

Ho Hau Chong, Norman (*Deputy Chairman*)
Wong Chi Keung, Alvin
Kwok Ka Lap, Alva
Zhang Shichen

29th July, 2005

To the Shareholders of the Company

Dear Sir or Madam,

**RE-ELECTION OF RETIRING DIRECTORS,
GENERAL MANDATES TO ISSUE SHARES AND
TO REPURCHASE SHARES,
REFRESHMENT OF THE 10% LIMIT ON THE
GRANT OF OPTIONS UNDER THE SHARE OPTION SCHEME AND
AMENDMENTS TO THE BYE-LAWS**

1. INTRODUCTION

The purpose of this circular is: (a) to provide details regarding re-election of the retiring Directors; (b) to provide Shareholders with details regarding the refreshment of the General Mandates and the Repurchase Mandate; (c) to serve as an explanatory statement required by the Listing Rules to be given in relation to the Repurchase Mandate; (d) to provide Shareholders with details regarding the refreshment of the 10% limit on the grant of options under the Share Option Scheme; and (e) to provide Shareholders with details of the amendments proposed to be made to the Bye-laws.

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LETTER FROM THE CHAIRMAN

2. RE-ELECTION OF RETIRING DIRECTORS

Pursuant to Bye-law 86(2), Mr. Cheung Hon Kit and Mr. Chan Fut Yan, executive Directors, Mr. Lo Lin Shing, Simon, non-executive Director, and Mr. Ho Hau Chong, Norman and Mr. Zhang Shichen, independent non-executive Directors, being appointed by the Board during the year, shall retire at the Annual General Meeting. Pursuant to Bye-law 87(1) and the Code on Corporate Governance Practices, Mr. Tse Cho Tsung, an executive Director and Mr. Kwok Ka Lap, Alva, an independent non-executive Director will retire at the Annual General Meeting by rotation. All retiring Directors, being eligible, will offer themselves for re-election at the Annual General Meeting. Brief biographical and other details of the retiring Directors offering themselves for re-election, which are required to be disclosed under the Listing Rules, are set out in Appendix I to this circular. Each of Mr. Ho Hau Chong, Norman and Mr. Kwok Ka Lap, Alva, being independent non-executive Director eligible for re-election at the Annual General Meeting, has provided an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. Mr. Zhang Shichen will not offer himself for re-election at the Annual General Meeting. The Company is of the view that both Mr. Ho and Mr. Kwok meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

3. GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES

At the annual general meeting of the Company held on 31st August, 2004, general mandates were granted to the Directors authorising them, inter alia, (a) to exercise the powers of the Company to allot and issue Shares not exceeding 20% of the issued Share Capital, as at 31st August, 2004; (b) to repurchase Shares not exceeding 10% of the issued Share Capital as at 31st August, 2004; and (c) to extend the general mandate to issue Shares by the number of Shares purchased under the repurchase mandate mentioned in (b) above. Such general mandates will expire at the conclusion of the Annual General Meeting. Ordinary resolutions will be proposed at the Annual General Meeting to grant to the Directors a general mandate authorising them, inter alia, (a) to exercise the powers of the Company to allot and issue Shares not exceeding 20% of the issued Share Capital as at the date of the passing of such resolution; (b) to repurchase Shares not exceeding 10% of the issued Share Capital as at the date of the passing of such resolution; and (c) to extend the general mandate to issue Shares by the number of Shares purchased under the Repurchase Mandate.

Assuming that no further Shares are issued or repurchased after the Latest Practicable Date and before the date of the Annual General Meeting, there will be 408,614,553 Shares in issue, and exercise in full of the General Mandates will result in a maximum of 81,722,910 Shares being issued by the Company under the General Mandates.

The Directors believe that it is in the interests of the Company and the Shareholders as a whole if the General Mandates are granted at the Annual General Meeting. The General Mandates provide Directors with flexibility to issue Shares especially in the context of a fund raising exercise or a transaction involving an acquisition by the Company where

LETTER FROM THE CHAIRMAN

Shares are to be issued as consideration and which has to be completed speedily. However, the Directors currently have no intention of any acquisition by the Company nor any plan for raising capital by issuing new Shares.

An explanatory statement providing all the information required under the Listing Rules concerning the Repurchase Mandate is set out in Appendix II to this circular.

4. REFRESHMENT OF THE 10% LIMIT ON THE GRANT OF OPTIONS UNDER THE SHARE OPTION SCHEME

By an ordinary resolution passed at the special general meeting of the Shareholders held on 26th August, 2002, the Company adopted the Share Option Scheme.

Pursuant to the Share Option Scheme, the maximum number of Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme and any other share option scheme(s) of the Company shall not exceed 10% of the total number of issued Shares as at the date of Shareholders' approval of the Share Option Scheme ("**Scheme Mandate Limit**"). The Company may refresh the Scheme Mandate Limit by ordinary resolution of the Shareholders at general meeting provided that the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of issued Shares as at the date of Shareholders' approval of the refreshment of the Scheme Mandate Limit. Options previously granted under any existing schemes (including options outstanding, cancelled or lapsed in accordance with the relevant scheme rules or exercised options) shall not be counted for the purpose of calculating the limit as refreshed.

Notwithstanding the foregoing, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time.

As at 26th August, 2002 (being the date of adoption of the Share Option Scheme), the total number of issued Shares was 2,343,753,121, thus the Scheme Mandate Limit was 234,375,312 Shares. By an ordinary resolution passed on 31st August, 2004, the Scheme Mandate Limit was refreshed. The current Scheme Mandate Limit is 12,885,266 Shares (representing approximately 10% of Shares in issue as at 31st August, 2004).

As at the Latest Practicable Date, there were in issue 408,614,553 Shares and options to subscribe for 27,300 Shares were outstanding under the Share Option Scheme at exercise prices of HK\$21.84 (as to options to subscribe for 4,800 Shares), HK\$2.00 (as to options to subscribe for 2,000 Shares), HK\$2.34 (as to options to subscribe for 10,500 Shares) and HK\$6.60 (as to options to subscribe for 10,000 Shares) per Share. Save and except for these outstanding options, there are no options granted under the Share Option Scheme or any other share option scheme(s) of the Company which remained outstanding as at the Latest Practicable Date.

LETTER FROM THE CHAIRMAN

Assuming no further issue or repurchase of Shares prior to the Annual General Meeting, upon the refreshment of the Scheme Mandate Limit by the Shareholders at the Annual General Meeting, the Company may grant options entitling holders thereof to subscribe for a total of 40,864,185 Shares (representing approximately 10% of the Shares in issue as at the date of the Annual General Meeting approving the refreshment of the Scheme Mandate Limit). No options may be granted if this will result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company exceed 30% of the Shares in issue from time to time.

The purpose of the Share Option Scheme is to provide incentive or reward to Eligible Persons for their contribution to and continuing efforts to promote the interests of the Company. The Directors consider that the refreshment of the Scheme Mandate Limit is in the interests of the Company and the Shareholders as a whole as it provides the Company with more flexibility in providing incentives to those Eligible Persons by way of granting of options.

The refreshment of the Scheme Mandate Limit is conditional on:

- (a) the passing of an ordinary resolution to approve the refreshment of the Scheme Mandate Limit by the Shareholders at the Annual General Meeting; and
- (b) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Shares (representing 10% of the Shares in issue as at the date of the Annual General Meeting approving the refreshment of the Scheme Mandate Limit) which may fall to be issued pursuant to the exercise of options under the Share Option Scheme and any other share option scheme(s) of the Company.

Application will be made to the Listing Committee of the Stock Exchange for approval of the listing of and permission to deal in the Shares (representing a maximum of 10% of the Shares in issue as at the date of the Annual General Meeting approving the refreshment of the Scheme Mandate Limit) which may fall to be issued pursuant to the exercise of options under the Share Option Scheme and any other share option scheme(s) of the Company.

5. AMENDMENTS TO THE BYE-LAWS

Due to recent changes to the Listing Rules relating to the implementation of the Code on Corporate Governance Practices, the Company proposes to put forward to the Shareholders for approval at the Annual General Meeting a special resolution to amend the Bye-laws. In summary, the main amendments are as follows:

- (a) require Directors appointed to fill a casual vacancy to be subject to election by Shareholders at the first general meeting after their appointment;
- (b) require every Director, including those appointed for a specific term, to be subject to retirement by rotation at least once every three years; and

LETTER FROM THE CHAIRMAN

- (c) enable any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing 5% or more of the total voting rights to demand a poll in the Company's general meeting whenever voting by poll is required under the Listing Rules.

Details of all the proposed amendments to the Bye-laws are set out in resolution no. 5 of the notice of Annual General Meeting contained in this circular.

6. ANNUAL GENERAL MEETING

A notice convening the Annual General Meeting is set out on pages 16 and 21 of this circular at which resolutions will be proposed, inter alia, to approve the grant of the General Mandates and the amendments to the Bye-laws.

A form of proxy for use by the Shareholders at the Annual General Meeting is enclosed. If you do not intend to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company in Hong Kong at 29th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

7. PROCEDURE FOR DEMANDING A POLL

Pursuant to Bye-law 66 of the Bye-laws, a resolution put to the vote at a general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of the meeting; or
- (b) by at least three members present in person or, in case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by any member or members present in person or, in case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) by any member or members present in person or, in case of a member being a corporation, by its duly authorised representative or by proxy and holding Shares conferring a right to vote at the meeting, being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

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In accordance with the requirements of the Listing Rules, the results of the poll will be published by way of an announcement in the local newspapers on the business day following the meeting.

8. RESPONSIBILITY STATEMENT

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

9. RECOMMENDATION

The Directors consider that the grant of the General Mandates, the refreshment of the Scheme Mandate Limit and the proposed amendments to the Bye-laws are in the best interest of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of all resolutions to be proposed at the Annual General Meeting.

Yours faithfully,
For and on behalf of
Cheung Tai Hong Holdings Limited
Cheung Hon Kit
Chairman

The biographical and other details of retiring Directors standing for re-election at the Annual General Meeting are set out below:

EXECUTIVE DIRECTORS

Cheung Hon Kit, aged 51, joined the Company as Chairman in April 2005 and a Director of various subsidiaries of the Group. Mr. Cheung graduated from the University of London with a Bachelor of Arts degree. He has over 27 years of experience in real estate development, property investment and corporate finance, and has worked in key executive positions in various leading property development companies in Hong Kong. Mr. Cheung is the managing director of Wing On Travel (Holdings) Limited (Stock Code : 1189), an executive director of ITC Corporation Limited (Stock Code : 372) and Paul Y. – ITC Construction Holdings Limited (Stock Code : 498), a non-executive director of Hanny Holdings Limited (Stock Code : 275) and an independent non-executive director of Panva Gas Holdings Limited (Stock Code : 8132), International Entertainment Corporation (Stock Code : 8118) and Innovo Leisure Recreation Holdings Limited (Stock Code : 703), all of which are companies whose shares are listed on the Stock Exchange. Save as disclosed above, Mr. Cheung did not hold any directorship in other publicly listed companies in the last three years.

As at the Latest Practicable Date, Mr. Cheung does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company and he does not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Mr. Cheung has not entered into any service contract with the Company or any of its subsidiaries and there is no proposed length of service, but he is subject to retirement by rotation and re-election at Annual General Meeting of the Company in accordance with the Bye-laws. The remuneration to be received by Mr. Cheung will be determined by the Board of the Company, with reference to his relevant duties and responsibilities within the Company. Mr. Cheung is entitled to an annual remuneration of HK\$2.64 million from the Group with effect from 1st June, 2005. Save as disclosed above, he has no other matters that need to be brought to the attention of the shareholders of the Company.

Chan Fut Yan, aged 51, joined the Company as Managing Director in April 2005 and a Director of various subsidiaries of the Group. Mr. Chan has over 30 years of experience in the local construction field specializing in site supervision, planning of works and progress monitoring. He is an executive director of Paul Y. – ITC Construction Holdings Limited (Stock Code: 498) and ITC Corporation Limited (Stock Code : 372), all of which are companies whose shares are listed on the Stock Exchange. Save as disclosed above, Mr. Chan did not hold any directorship in other publicly listed companies in the last three years.

As at the Latest Practicable Date, Mr. Chan does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company and he does not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Mr. Chan has not entered into any service contract with the Company

or any of its subsidiaries and there is no proposed length of service, but he is subject to retirement by rotation and re-election at Annual General Meeting of the Company in accordance with the Bye-laws. No remuneration has been paid to Mr. Chan as at the Latest Practicable Date. The remuneration to be received by Mr. Chan will be determined by the Board of the Company, with reference to his relevant duties and responsibilities within the Company. Save as disclosed above, he has no other matters that need to be brought to the attention of the shareholders of the Company.

Tse Cho Tseung, aged 51, joined the Company in October 2001 and is now an Executive Director of the Company and a Director of various subsidiaries of the Group. Mr. Tse is responsible for the strategic planning of the Group. He holds a Diploma in Accounting from The Hong Kong Baptist University and has over 20 years of experience in accounting and finance, construction, property development and investment, and trading business. Mr. Tse previously held directorship as chairman and executive director of Capital Estate Limited (formerly known as Yoshiya International Corporation, Limited) (Stock Code : 193) (resigned on 15th January, 2003), a publicly listed company in Hong Kong. Save as disclosed herein, he has not held any other directorship in listed public companies in the last three years.

As at the Latest Practicable Date, Mr. Tse holds 28,558,196 shares of the Company through Lunghin Enterprise Inc., a company incorporated in the British Virgin Islands representing approximately 7% of the issued Shares of the Company. He does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company and he does not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Mr. Tse has not entered into any service contract with the Company or any of its subsidiaries and there is no proposed length of service, but he is subject to retirement by rotation and re-election at Annual General Meeting of the Company in accordance with the Bye-laws. No remuneration has been paid to Mr. Tse as at the Latest Practicable Date. The remuneration to be received by Mr. Tse will be determined by the Board of the Company, with reference to his relevant duties and responsibilities within the Company. Save as disclosed above, he has no other matters that need to be brought to the attention of the shareholders of the Company.

NON-EXECUTIVE DIRECTOR

Lo Lin Shing, Simon, aged 49, joined the Company in December 2004 and is now a Non-executive Director of the Company. Mr. Lo possesses over 20 years of experience in the financial, securities and futures industries. He has been a member of the CME and IMM since 1986. Mr. Lo is the chairman of New World CyberBase Limited (Stock Code : 276) and the deputy chairman of Tai Fook Securities Group Limited (Stock Code : 665). He is also an executive director of International Entertainment Corporation (Stock Code : 8118), and a non-executive director of New World Mobile Holdings Limited (Stock Code : 862) and Beijing Beida Jade Bird Universal Sci-Tech Company Limited (Stock Code : 8095), all of which are companies whose shares are listed on the Stock Exchange.

Mr. Lo previously held directorships as an executive director of NWS Holdings Limited (formerly known as Pacific Ports Company Limited) (Stock Code : 659) (resigned on 29th January, 2003) and Mexan Limited (formerly known as Asean Resources Holdings Limited) (Stock Code : 22) (resigned on 21st July, 2003), publicly listed companies in Hong Kong. Save as disclosed herein, Mr. Lo has not held any directorship in listed public companies in the last three years.

As at the Latest Practicable Date, Mr. Lo does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company and he does not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Mr. Lo has not entered into any service contract with the Company or any of its subsidiaries and there is no proposed length of service, but he is subject to retirement by rotation and re-election at Annual General Meeting of the Company in accordance with the Bye-laws. No remuneration has been paid to Mr. Lo as at the Latest Practicable Date. The remuneration to be received by Mr. Lo will be determined by the Board of the Company, with reference to his relevant duties and responsibilities within the Company. Save as disclosed above, he has no other matters that need to be brought to the attention of the shareholders of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ho Hau Chong, Norman, aged 50, joined the Company in December 2004 and is now the Deputy Chairman and Independent Non-executive Director of the Company. Mr. Ho holds a Bachelor of Arts degree from the University of Exeter, and is a member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Ho has over 22 years of experience in finance, management and property development. He is a director of Miramar Hotel and Investment Company, Limited (Stock Code : 71) and a non-executive director of New World Mobile Holdings Limited (Stock Code : 862), Tai Fook Securities Group Limited (Stock Code : 665) and CITIC Pacific Limited (Stock Code : 267). Mr. Ho is also an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited (Stock Code : 50), Lee Hing Development Limited (Stock Code : 68), Shun Tak Holdings Limited (Stock Code : 242) and Starlight International Holdings Limited (Stock Code : 485), all of which are companies whose shares are listed on the Stock Exchange. Save as disclosed above, Mr. Ho did not hold any directorship in other publicly listed companies in the last three years.

As at the Latest Practicable Date, Mr. Ho does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company and he does not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Mr. Ho has not entered into any service contract with the Company or any of its subsidiaries and there is no proposed length of service, but he is subject to retirement by rotation and re-election at Annual General Meeting of the Company in accordance with the Bye-laws and the Listing Rules. No remuneration has been paid to Mr. Ho as at the Latest Practicable Date. The remuneration to be received by Mr. Ho will be determined by the Board of the Company, with reference to his relevant duties and responsibilities within the Company. Save as disclosed above, he has no other matters that need to be brought to the attention of the shareholders of the Company.

Kwok Ka Lap, Alva, aged 57, joined the Company as an Independent Non-executive Director in October 2001. He has been a marketing manager in an international company engaging in the design of business administration system. Mr. Kwok has over 22 years of experience in the insurance and investment business, principally in the senior managerial position leading a sizable sales team. He is an independent non-executive director of Hanny Holdings Limited (Stock Code : 275) and Wing On Travel (Holdings) Limited (Stock Code : 1189), all of which are companies whose shares are listed on the Stock Exchange. Save as disclosed above, Mr. Kwok did not hold any directorship in other publicly listed companies in the last three years.

As at the Latest Practicable Date, Mr. Kwok does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company and he does not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Mr. Kwok has not entered into any service contract with the Company or any of its subsidiaries and there is no proposed length of service, but he is subject to retirement by rotation and re-election at Annual General Meeting of the Company in accordance with the Bye-laws and the Listing Rules. He is entitled to an annual director's fee of HK\$60,000 as determined by the Board with regard to his duties and responsibilities, and time spent on the affairs of the Company. Save as disclosed above, he has no other matters that need to be brought to the attention of the shareholders of the Company.

This is the explanatory statement given to the Shareholders relating to a resolution authorising the Company to repurchase its own Shares which is proposed to be passed by the Shareholders by means of an ordinary resolution at the Annual General Meeting.

This explanatory statement contains a summary of the information required pursuant to Rule 10.06 of the Listing Rules which is set out as follows:

1. Share Capital

As at the Latest Practicable Date, there were in issue a total of 408,614,553 Shares, all of which are fully paid.

Assuming that no further Shares are issued or repurchased after the Latest Practicable Date and before the date of the Annual General Meeting, there will be 408,614,553 Shares in issue, and exercise in full of the Repurchase Mandate would result in up to a maximum of 40,861,455 Shares being repurchased by the Company during the relevant period referred to in ordinary resolution numbered 4(C) of the notice of the Annual General Meeting.

2. Reasons for repurchases

The Directors believe that it is in the best interests of the Company and the Shareholders as a whole for the Directors to have a general authority from the Shareholders to enable the Directors to purchase the Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share and will benefit the Company and the Shareholders.

3. Funding of repurchases

The repurchase of Shares shall be made with funds legally available for such purpose in accordance with its memorandum of association and the Bye-laws and the applicable laws of Bermuda. Under Bermuda law, repurchases may only be effected out of the capital paid up on the purchased Shares or out of funds of the Company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for the purpose. Any premium payable on a purchase over the par value of the Shares to be purchased must be provided for out of funds of the Company otherwise available for dividend or distribution or out of the Company's share premium account before the Shares are repurchased. It is envisaged that the funds required for any repurchase would be derived from such sources.

As compared to the financial position of the Company as at 31st March, 2005 (being the date of the Company's latest audited accounts), the Directors consider that the repurchases of securities will have no material adverse impact on the working capital and the gearing position of the Company in the event that the Repurchase Mandate were to be exercised in full during the proposed repurchase period. The Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing

levels which in the opinion of the Directors are from time to time appropriate for the Company.

4. Directors, their associates and connected persons

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates, as defined in the Listing Rules, has any present intention, in the event that the Repurchase Mandate is approved by the Shareholders, to sell Shares to the Company.

No connected person, as defined in the Listing Rules, has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

5. Undertaking of the Directors

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Bye-laws and the applicable laws of Bermuda.

6. Share repurchase made by the Company

During the six months preceding the Latest Practicable Date, the Company has not repurchased any Shares (whether on the Stock Exchange or otherwise).

7. General

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

8. Takeovers Code

If, as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. If the Company were to repurchase Shares up to the permitted maximum of 10% of the issued Share Capital, such parties may together with any other parties acting in concert with them become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. However, as far as the Company is aware, as at the Latest Practicable Date, there are no Shareholder or a group

APPENDIX II	EXPLANATORY STATEMENT ON REPURCHASE MANDATE
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of Shareholders acting in concert, which, in the event that the Repurchase Mandate is exercised in full will increase their shareholders' interest such that they become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

9. Share prices

The highest and lowest prices at which the Shares were traded on the Stock Exchange during each of the previous twelve months preceding the Latest Practicable Date were as follows:

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2004		
July	0.300	0.211
August	0.300	0.220
September	0.300	0.250
October	0.310	0.250
November	0.390	0.250
December	1.790*	0.310*
2005		
January	2.425	0.750
February	0.960	0.610
March	0.610*	0.370*
April	0.520*	0.360*
May	0.480	0.395
June	0.440	0.375
July (<i>up to the Latest Practicable Date</i>)	0.365	0.270

* *The Shares in the Company were suspended from trading during that period.*

NOTICE OF ANNUAL GENERAL MEETING



祥泰行集團有限公司*

CHEUNG TAI HONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

NOTICE IS HEREBY GIVEN that the annual general meeting of **Cheung Tai Hong Holdings Limited** (the “**Company**”) will be held at 33/F Sonata, Rosedale on the Park, 8 Shelter Street, Causeway Bay, Hong Kong on Friday, 9th September, 2005 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st March, 2005.
2. To re-elect retiring directors and to fix the directors’ remuneration.
3. To re-appoint auditors and to authorise the board of directors to fix their remuneration.
4. As special business, to consider and, if thought fit, to pass the following resolutions as ordinary resolutions of the Company:

(A) “**THAT**

- (i) subject to sub-paragraph (iii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which would or might require the exercise of such powers, subject to and in accordance with all applicable laws and the bye-laws of the Company, be and is hereby generally and unconditionally approved;
- (ii) the approval in sub-paragraph (i) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;
- (iii) the aggregate nominal amount of the share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approvals in sub-

* For identification purpose only

NOTICE OF ANNUAL GENERAL MEETING

paragraphs (i) and (ii) of this resolution, otherwise than pursuant to a Rights Issue (as hereinafter defined) or an issue of shares of the Company under the share option scheme of the Company or an issue of shares upon exercise of subscription rights attached to warrants which may be issued by the Company or an issue of shares of the Company by way of any scrip dividend pursuant to bye-laws of the Company from time to time, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of this resolution, and the said approval shall be limited accordingly; and

(iv) for the purpose of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws of Bermuda to be held; or
- (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“**Rights Issue**” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

(B) “**THAT**

- (i) subject to sub-paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission

NOTICE OF ANNUAL GENERAL MEETING

and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

- (ii) the approval in paragraph (i) shall be in addition to any other authorization given to the directors of the Company and shall authorise the directors of the Company on behalf of the Company during the Relevant Period to procure the Company to purchase its securities at a price determined by the Directors;
- (iii) the aggregate nominal amount of the share capital of the Company which the directors of the Company are authorised to repurchase pursuant to the approval in sub-paragraphs (i) and (ii) of this resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of this resolution, and the said approval shall be limited accordingly; and
- (iv) for the purpose of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
 - (b) the expiration of the period within which the next annual general meeting of the Company is required by the by-laws of the Company or any applicable laws of Bermuda to be held; or
 - (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”
- (C) “**THAT** conditional upon resolutions numbered 4(A) and 4(B) as set out in the notice convening this meeting being passed, the aggregate nominal amount of the issued shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors of the Company pursuant to and in accordance with the said resolution numbered 4(B) above shall be added to the aggregate nominal amount of the share capital that may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the directors of the Company pursuant to and in accordance with the resolution numbered 4(A) as set out in the notice convening this meeting.”

NOTICE OF ANNUAL GENERAL MEETING

- (D) “**THAT** subject to and conditional upon the Listing Committee of the Stock Exchange granting listing of and permission to deal in the shares of HK\$0.01 each in the capital of the Company (representing 10 per cent. of the shares of the Company in issue as at the date of passing this resolution) which may be issued pursuant to the exercise of options granted under the Company’s share option scheme adopted on 26th August, 2002 (the “**Scheme**”), the refreshment of the scheme limit in respect of the grant of options to subscribe for ordinary shares in the Company under the Scheme provided that the total number of ordinary shares which may be allotted or issued pursuant to the grant or exercise of options under the Scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Scheme) shall not exceed 10 per cent. of the shares of the Company in issue as at the date of passing this resolution (the “**Refreshed Mandate Limit**”) be and is hereby approved and the directors of the Company be and are hereby authorized to grant options under the Scheme up to the Refreshed Mandate Limit, to exercise all powers of the Company to allot, issue and deal with ordinary shares of the Company pursuant to the exercise of such options and to do such acts and execute such documents for or incidental to such purpose.”
5. To consider, and if thought fit, to pass the following resolution as special resolution of the Company:
- “**THAT** the bye-laws of the Company be and are hereby amended in the following manner:
- (A) By inserting the words “voting by way of a poll is required by the rules of the Designated Stock Exchange or” after the words “decided on a show of hands unless” in the third last line of existing bye-law 66;
- (B) By deleting the full-stop at the end of existing bye-law 66(d) and replacing therewith a semi-colon and the word “or” immediately thereafter and by inserting the following as new bye-law 66(e):
- “(e) if required by the rules of the Designated Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting, and if on a show of hand a meeting votes in the opposite manner to that instructed in those proxies, provided that if it is apparent from the total proxies held that a vote taken on a poll shall not reverse the vote taken on a show of hands, then the Director or Directors shall not be required to demand a poll”;

NOTICE OF ANNUAL GENERAL MEETING

- (C) By deleting the last sentence of existing bye-law 68 and replacing therewith the following:

“68 The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the rules of the Designated Stock Exchange”;

- (D) By substituting the existing bye-law 86(2) with the following new bye-law 86(2):

“86(2) The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the Members in general meeting. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board), and shall then be eligible for re-election at that meeting”;

- (E) By substituting the existing bye-law 87(1) with the following new bye-law 87(1):

“87(1) Notwithstanding any other provisions in the Bye-laws, at each annual general meeting not less than one-third of the Directors for the time being shall retire from office by rotation such that each Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years at the annual general meeting”.

- (F) By inserting the words “and shall continue to act as Director throughout the meeting at which he retires” at the end of the first sentence of bye-law 87(2).

6. To transact any other ordinary business of the Company.

By Order of the Board
Cheung Yuk Ming
Company Secretary

Hong Kong, 29th July, 2005

NOTICE OF ANNUAL GENERAL MEETING

Principal place of business in Hong Kong:
29th Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member may appoint a proxy in respect of part only of his holding of shares of the Company. A proxy need not be a member of the Company.
2. A form of proxy for the meeting is enclosed. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the Company's principal place of business in Hong Kong at 29th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting at which the person named in the instrument purposes to vote.

As at the date of this notice, the Directors of the Company are:

Executive Directors:

Cheung Hon Kit (*Chairman*)
Chan Fut Yan (*Managing Director*)
Tse Cho Tseung

Non-executive Director:

Lo Lin Shing, Simon

Independent Non-executive Directors:

Ho Hau Chong, Norman (*Deputy Chairman*)
Wong Chi Keung, Alvin
Kwok Ka Lap, Alva
Zhang Shichen