



祥泰行集團有限公司\*

CHEUNG TAI HONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 199)

UNUSUAL MOVEMENT IN TRADING VOLUME  
OF THE SHARES OF THE COMPANY  
AND  
CONVERSION OF CONVERTIBLE NOTES

The Board has noted today an increase in the trading volume of the Shares of the Company and wishes to state that, save as disclosed in the announcement of the Company dated 16th March, 2006, the joint announcement of the Company and Hanny dated 28th April, 2006 and herein, it is not aware of any reasons for such increase.

The Directors wish to announce that three holders of the Convertible Notes, holding an aggregate principal amount of HK\$82,450,000, representing approximately 12.22% of the outstanding principal of HK\$674,500,000, gave three notices to the Company to convert the Convertible Notes at the conversion price of HK\$0.44 per Share on 2nd May, 2006.

The Directors have been informed by Hanny that it has, through Loyal Concept, acquired 28,720,000 Shares on the market at an average price of approximately HK\$0.652 per Share on 2nd May, 2006. Following the settlement of the acquisition, Hanny will become interested in 301,447,272 Shares, representing approximately 20.04% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

**Shareholders and investors should exercise caution when dealing in the Shares.**

The following statement is made at the request of the Stock Exchange.

Reference is made to the Company's announcement dated 20th April, 2005 (the "Announcement") and circular dated 23rd May, 2005 (the "Circular"). Unless the context herein otherwise requires, terms used in this announcement shall have the same meanings as defined in the Announcement and the Circular.

The Board of the Company has noted today an increase in the trading volume of the Shares of the Company. The Board wishes to state that, save as disclosed in the announcement of the Company dated 16th March, 2006, the joint announcement of the Company and Hanny dated 28th April, 2006 and herein, it is not aware of any reasons for such increase.

The Directors wish to announce that three holders of the Convertible Notes, holding an aggregate principal amount of HK\$82,450,000, representing approximately 12.22% of the outstanding principal of HK\$674,500,000, gave three notices to the Company to convert the Convertible Notes at the conversion price of HK\$0.44 per Share on 2nd May, 2006 (the "Conversion"). Accordingly, the aggregate outstanding principal of the Convertible Notes will be reduced to HK\$592,050,000. As a result of the Conversion, a total of 187,386,363 ordinary Shares of HK\$0.01 each ("Conversion Shares"), representing approximately 14.23% of the issued share capital of the Company as at 19th April, 2006 and approximately 12.46% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares, will be allotted and issued. Details of the Conversion and the changes in the issued share capital of the Company as at 2nd May, 2006 are set out below:

	<b>Number of Shares</b>
Number of issued Shares as at 19th April, 2006	1,316,663,906
Notices of Conversion received on 2nd May, 2006 for the Convertible Notes of HK\$82,450,000 at the conversion price of HK\$0.44 per Share ( <i>Notes</i> )	187,386,363
Number of issued Shares immediately after the issue of the Conversion Shares	<u>1,504,050,269</u>

*Notes:*

So far as was known to the Directors, these Convertible Notes were held by the following persons who, after the Conversion thereof and the Conversion Shares having been issued and allotted thereto, would become substantial shareholders of the Company (as defined under the Listing Rules):

1. Upon the Conversion of the Convertible Notes of HK\$50,000,000 at the conversion price of HK\$0.44 per Share for 113,636,363 Shares, Kopola Investment Company Limited ("Kopola") will become interested in 227,272,726 Shares, representing approximately 15.11% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. Mr. Ho Hau Chong, Norman ("Mr. Ho"), a non-executive Director, is deemed to be interested in these Shares upon the Conversion by virtue of his 50% interest in Kopola. Following the Conversion and as at the date of this announcement, Kopola held Convertible Notes in the remaining principal amount of HK\$50,000,000 and Mr. Ho did not have any interest in the Shares other than through his interest in Kopola.
2. Upon the Conversion of the Convertible Notes of HK\$6,490,000 at the conversion price of HK\$0.44 per Share for 14,750,000 Shares, OZ Asia Master Fund, Ltd. ("OZ Asia") will become interested in 22,306,818 Shares, representing approximately 1.48% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. Following the Conversion and as at the date of this announcement, OZ Asia held Convertible Notes in the remaining principal amount of HK\$12,985,000.

Upon the Conversion of the Convertible Notes of HK\$25,960,000 at the conversion price of HK\$0.44 per Share for 59,000,000 Shares, OZ Master Fund, Ltd. (“**OZ Master**”) will become interested in 91,215,909 Shares, representing approximately 6.06% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. Following the Conversion and as at the date of this announcement, OZ Master held Convertible Notes in the remaining principal amount of HK\$54,065,000.

By virtue of the SFO, OZ Management, L.L.C. was taken to have an interest in 113,522,727 Shares, representing approximately 7.54% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares, and HK\$67,050,000 Convertible Notes held by OZ Asia and OZ Master.

The Directors have been informed by Hanny that it has, through Loyal Concept, acquired 28,720,000 Shares on the market at an average price of approximately HK\$0.652 per Share on 2nd May, 2006. Following the settlement of the acquisition, Hanny will become interested in 301,447,272 Shares, representing approximately 20.04% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

Save as disclosed above, we confirm that there are no negotiations or agreements relating to intended acquisitions or realizations which are discloseable under Rule 13.23 of the Listing Rules, either is the Board aware of any matter discloseable under general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

**Shareholders and investors should exercise caution when dealing in the Shares.**

Made by the order of the Board, the Directors of which individually and jointly accept responsibility for the accuracy of the above statement.

By order of the Board  
**Yan Ha Hung, Loucia**  
*Company Secretary*

Hong Kong, 2nd May, 2006

*As at the date of this announcement, the Board comprises Mr. Cheung Hon Kit (Chairman) and Mr. Chan Fut Yan (Managing Director) as executive Directors, Mr. Ho Hau Chong, Norman (Deputy Chairman) and Mr. Lo Lin Shing, Simon as non-executive Directors, and Mr. Wong Chi Keung, Alvin, Mr. Kwok Ka Lap, Alva and Mr. Chui Sai Cheong as independent non-executive Directors.*

\* *For identification purpose only*

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