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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)**

**VERY SUBSTANTIAL ACQUISITION  
AND  
RESUMPTION OF TRADING**

On 2nd February, 2006, New Smarten, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with Green Label, Concord, Magnum and Mr. Ku in relation to the acquisition of their respective shareholdings in Everight and the loan owed by Everight Group to Green Label for an aggregate consideration of HK\$140 million, which will be satisfied as to HK\$80 million by cash and HK\$60 million by issue of the Notes pursuant to the terms of the Acquisition Agreement.

On Completion, the Company, Everight, Braniff and other parties will enter into the Shareholders' Agreement, pursuant to which Everight shall be responsible for financing the working capital requirement of Smart Sharp and its subsidiaries for the first two years commencing from the date of the Shareholders' Agreement up to a maximum amount of HK\$80 million.

The Acquisition, when aggregated with the Shareholder's Loan(s), constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules which requires the approval of the Shareholders at the SGM. Further information on the Acquisition Agreement, the Sale Shares, the Sale Debt, the Notes and Everight Group is set out below.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, to vote for the Acquisition Agreement and the transactions contemplated thereunder. A circular containing, among other things, further details of the Acquisition Agreement, financial information relating to Everight Group, the notice of the SGM and other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable.

**The Acquisition may or may not become unconditional. Shareholders and investors should exercise caution when dealing in the Shares.**

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 3rd February, 2006 pending release of this announcement. Application has been made by the Company for resumption of trading in the Shares from 9:30 a.m. on 8th February, 2006.

\* For identification purpose only

## **THE ACQUISITION AGREEMENT DATED 2ND FEBRUARY, 2006**

### **1) Parties**

#### *Vendors:*

1. Green Label, holding 30,231,045 shares or approximately 63.76% interest in Everight;
2. Concord, holding 6,172,368 shares or approximately 13.02% interest in Everight;
3. Magnum, holding 9,783,400 shares or approximately 20.63% interest in Everight; and
4. Mr. Ku, holding 1,225,879 shares or approximately 2.59% interest in Everight.

Green Label, Concord and Magnum are investment holding companies.

Save for being a party to the Acquisition Agreement and the ancillary agreements (as described below), to the best of the Directors' knowledge, information and belief and after having made all reasonable enquiry, Green Label and its beneficial owner, Mr. Lai; Concord and its shareholders including Mr. Chan; Magnum and its beneficial owner, Mr. Chan; and Mr. Ku, all are independent of the Company and its connected persons and are not connected persons.

*Purchaser:* New Smarten, an indirect wholly-owned subsidiary of the Company.

#### *Guarantors:*

1. Mr. Lai, the beneficial owner of the entire issued share capital of Green Label; and
2. Mr. Chan, the beneficial owner of the entire issued share capital of Magnum and the controlling shareholder of Concord.

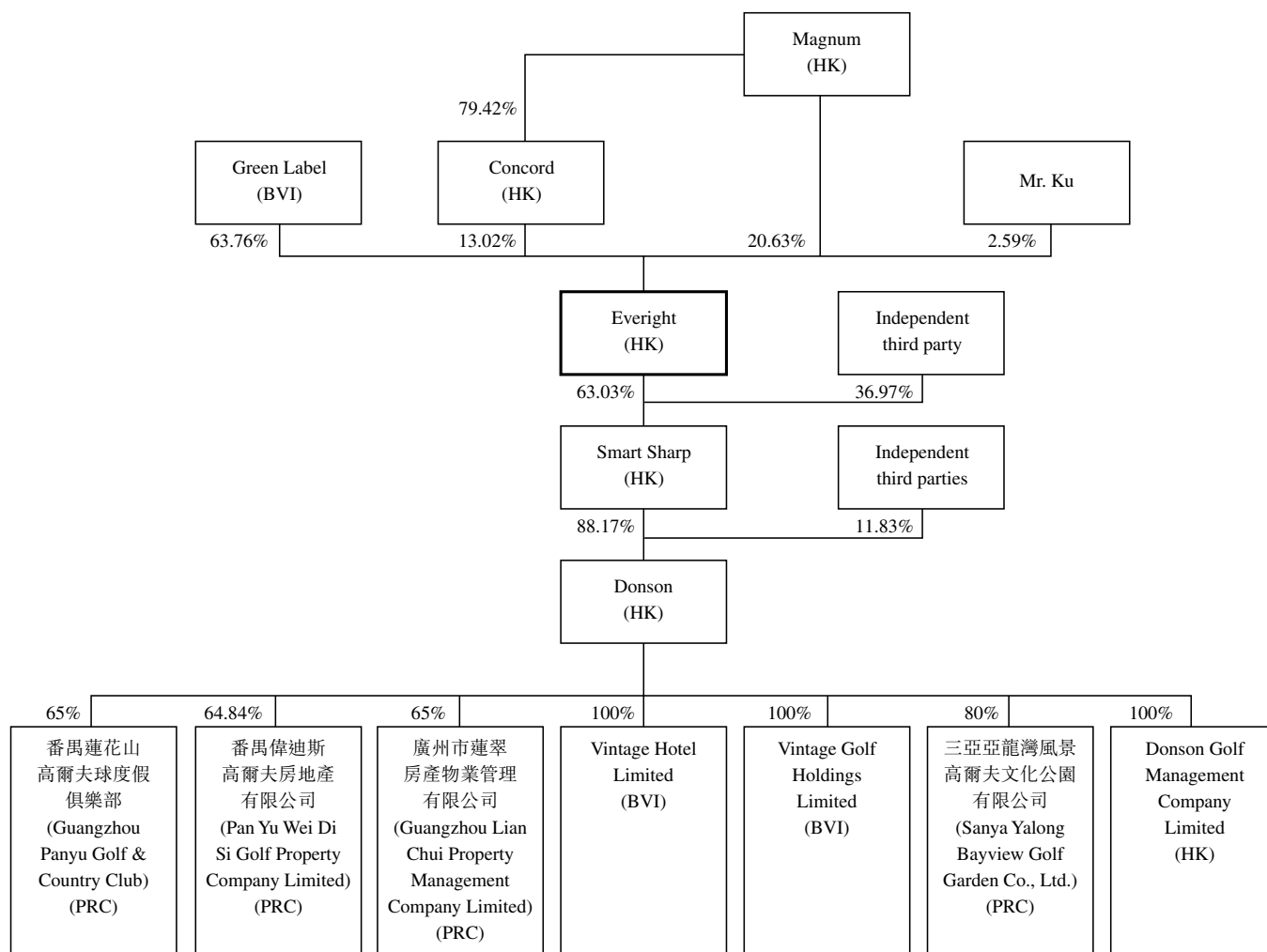
### **2) Assets to be acquired**

1. The Sale Shares, being the entire issued share capital of Everight; and
2. The Sale Debt, being 55.57% of the Vendor's Loan as at Completion.

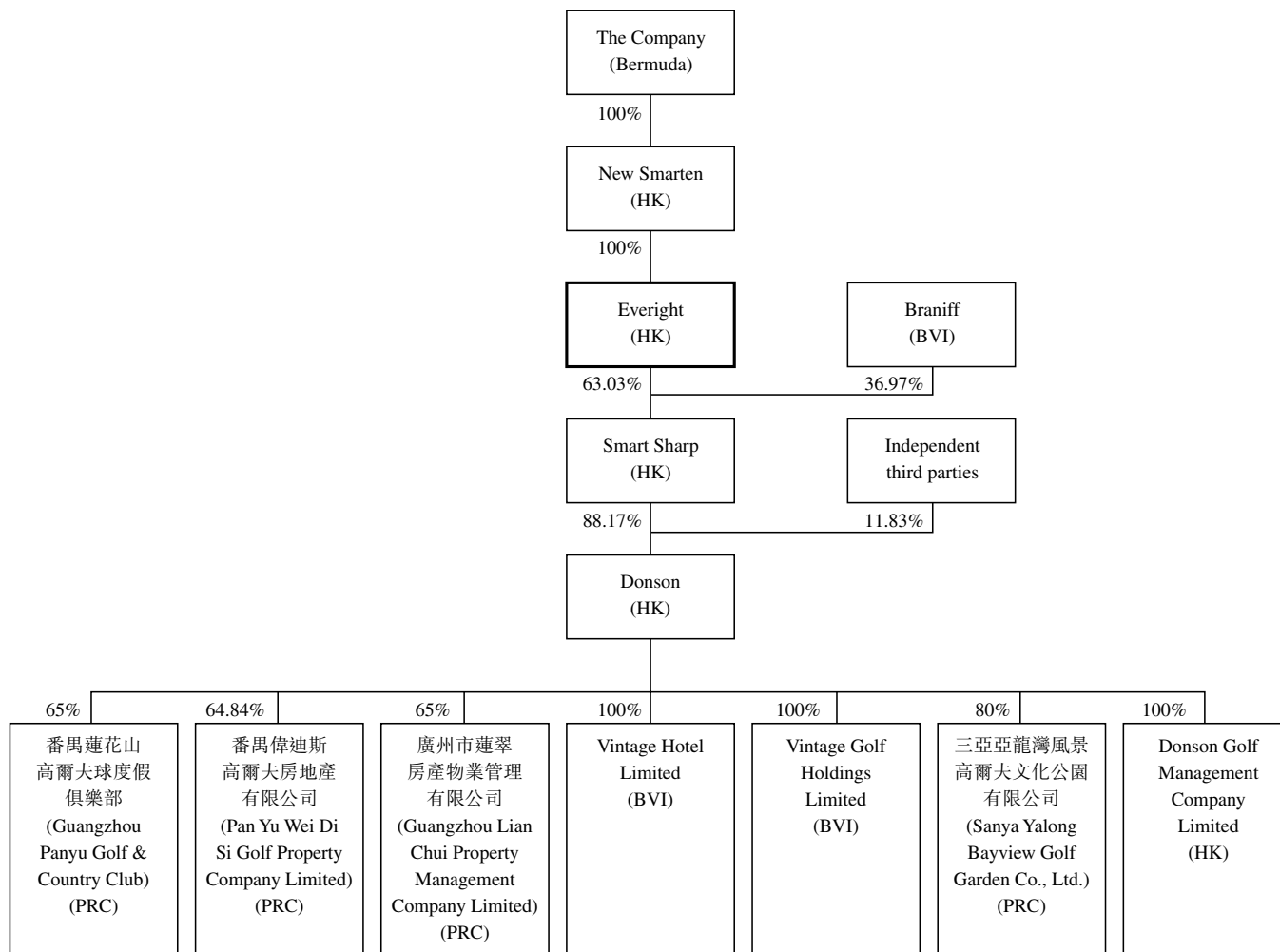
As at the date of this announcement, Everight is effectively interested in approximately 55.57% in the issued share capital of Donson, which has interests in a group of companies principally engaging in golf club operation, hotel operation, provision of food and beverage services and property development, investment and management in the PRC.

The following illustrates the structure of Everight Group:

**Before the Acquisition**



## After the Acquisition



*Note:* One of the requirements of Completion, Braniff should have completed its acquisition of the registered and beneficial ownership of all the issued shares of and in Smart Sharp held by an independent third party, such that Mr. Chan and Mr. Lai become the indirect beneficial owners of not less than 24% of the issued share capital of and in Smart Sharp on Completion. Mr. Chan and Mr. Lai are in the course of negotiation with that independent third party, who is one of the existing shareholders of Smart Sharp indirectly holding 36.97% interest in Smart Sharp, to become a shareholder of Braniff.

The Company currently has no plan to acquire the excess 12.97% interest in Smart Sharp from Braniff should the negotiation between Mr. Chan and Mr. Lai and the abovementioned person fail.

According to the Shareholders' Agreement, the board of Smart Sharp shall consist of not more than five directors, of which Braniff shall be entitled to nominate not more than two directors and Everight shall be entitled to nominate not more than three directors.

Upon Completion, Everight will become an indirect wholly-owned subsidiary of the Company. Further details of Everight Group are set out in the paragraph headed "Information on Everight Group" below.

### 3) Consideration and payment terms

The consideration for the Acquisition is HK\$140 million (subject to adjustment as described below), which shall be apportioned to the Sale Shares and the Sale Debt as follows:

- the consideration for the Sale Debt shall be the face amount of the Sale Debt; and
- the consideration for the Sale Shares equals to HK\$140 million less the consideration for the Sale Debt, which shall be apportioned to Green Label, Concord, Magnum and Mr. Ku on a pro-rata basis according to their percentage shareholding in Everight.

A cash deposit of HK\$5 million has been paid to the Vendors' solicitors as escrow agent upon signing of the Acquisition Agreement. Such deposit will upon Completion represent part payment of the Consideration and shall be paid to Green Label, Concord, Magnum and Mr. Ku on a pro-rata basis according to their respective percentage shareholding in Everight.

The balance of the Consideration shall be paid in the following manner:

- (a) a sum of HK\$75 million to be paid by New Smarten to each of the Vendors on Completion as follows:
  - (i) as to approximately HK\$46.8 million to Green Label;
  - (ii) as to approximately HK\$9.6 million to Concord (which Concord has directed New Smarten to pay to Magnum directly);
  - (iii) as to approximately HK\$15.1 million to Magnum; and
  - (iv) as to approximately HK\$3.5 million to Mr. Ku; and
- (b) the balance of HK\$60 million to be satisfied on Completion by the issue of the Green Label Note and the Magnum Note.

The cash portion of the Consideration will be financed by internal resources of the Group.

Principal terms of the Notes are set out in the section below headed "Principal terms of the Notes".

Under the Acquisition Agreement, the Vendors undertook to New Smarten, among others, that:

- (a) villas and apartments having saleable area of not less than 40,000m<sup>2</sup> and 30,000m<sup>2</sup> respectively can lawfully be erected on Panyu Phase II Land for sale under the Panyu Phase II Development Project and all relevant PRC governmental consents and approvals for the construction thereof will be obtained within four years after the Completion Date;
- (b) villas and condominiums/apartments having saleable area of not less than 15,000m<sup>2</sup> and 14,000m<sup>2</sup> respectively can lawfully be erected on the Yalong Bayview Land for rental and/or time share and/or resort facilities under the Yalong Bayview Development Project and all relevant PRC government consents and approvals for construction thereof will be obtained within four years after the Completion Date; and
- (c) Donson will not record on its audited consolidated financial statements prepared under the HK GAAP in effect from time to time any loss for the financial year ended 31st December, 2005 and the profit before tax and minority interest of Donson and its subsidiaries for the period commencing on 1st January, 2006 and ending 31st March, 2008 in aggregate will not be less than HK\$50 million (provided that in calculating such loss or profit, the amounts of corporate overhead charged on Donson by the Group shall not be taken into account unless otherwise agreed by the Vendors).

In the event that the saleable area of Panyu Phase II Development Project and/or the Yalong Bayview Development Project fall short of that warranted as described in (a) and (b) above, the Vendors shall compensate New Smarten in the range from HK\$350 to HK\$1,000 for each square metre of such shortfall.

In the event of breach of (c) above, the Vendors shall compensate Everight a pro-rata amount of such loss and/or shortfall, based on the effective shareholding of Everight in Donson in cash.

The maximum liability of the Vendors (other than Mr. Ku) and Mr. Ku individually in respect of all claims for breach of the warranties and undertakings contained in the Acquisition Agreement shall not exceed the sum of HK\$60 million and HK\$3 million respectively. No claim shall be made by New Smarten in respect of any breach of warranties and undertakings after the fifth anniversary of the Completion Date or the maturity of the Notes, whichever is earlier. The Vendors shall have no further liability under any warranties or undertakings contained in the Acquisition Agreement if the consolidated profits before tax and minority interests of Donson (to be based on the audited financial statements prepared under the HK GAAP) for the three years commencing from 1st April, 2006 and ending on 31st March, 2009 in aggregate exceeds HK\$200 million (provided that in calculating such profit, the amounts of corporate overhead charged on Donson by the Group shall not be taken into account unless otherwise agreed by the Vendors) or the net consolidated cash inflow from operating and investing activities but before financing activities of Donson for the three years commencing from 1st April, 2006 and ending on 31st March, 2009 in aggregate exceeds HK\$300 million.

The Consideration was determined after arms' length negotiations between the Vendors and the Company having taken into account the business potential and growth prospects of Everight Group and with reference to, among others, the consolidated net assets value of Everight Group (as adjusted by the Company to take into account the new and revised Hong Kong Financial Reporting Standards which become effective for accounting periods beginning on or after 1st January, 2005) of approximately HK\$87.3 million, an indication of the fair value of the golf resort operations in Lotus Hill, Panyu, Guangdong and Yalong Bay, Sanya, Hainan of RMB443 million in aggregate (approximately HK\$426

million) by RHL Appraisal Ltd., a firm of independent professional valuers, on 31st December, 2005, the Vendors' undertaking of accounts payable in aggregate of approximately HK\$20.9 million of Everight Group and the face value of the Sale Debt.

The payment of part of the Consideration by way of the issue of the Green Label Note and the Magnum Note is to avoid causing a significant negative impact on the liquidity position of the Group. In addition, the potential opportunity of sharing the future growth of the Company serves as an incentive for the continuing services of Mr. Lai and Mr. Chan to Everight Group. The Board considers the Consideration, together with the payment terms, fair and reasonable.

#### 4) **Conditions precedent**

Completion is conditional on:

- (i) New Smarten being satisfied with the results of the due diligence review on Everight Group;
- (ii) the warranties, representations and undertakings given by the Vendors under the Acquisition Agreement remaining true and accurate and not misleading in any material respect as if repeated at Completion and at all times between the date of the Acquisition Agreement and Completion;
- (iii) all necessary statutory governmental and regulatory obligations having been complied with and all necessary regulatory, statutory, governmental and third party consents and waivers having been obtained and all filings having been made and waiting periods having expired or been terminated in connection with the Acquisition and the uninterrupted continuation of the business being carried on or that have been carried on in the past by each of the companies in Everight Group and the current rights and business of Everight Group after Completion;
- (iv) the delivery by the Vendors to New Smarten of a legal opinion issued by a BVI law firm acceptable to New Smarten and addressed to New Smarten confirming the due incorporation, good standing and shareholding and directorship of Green Label, the due execution of the Acquisition Agreement by Green Label and the due incorporation, good standing and shareholding and directorship of each company in Everight Group which was incorporated in the BVI in form and substance to the satisfaction of New Smarten and to be dated no earlier than seven Business Days prior to the Completion Date;
- (v) the delivery by the Vendors to New Smarten of a legal opinion issued by a PRC law firm acceptable to New Smarten and addressed to New Smarten in respect of each company in Everight Group which was incorporated in the PRC and its business and the Properties in such form and substance to the satisfaction to New Smarten and to be dated no earlier than the latest date on which all the other conditions precedent are fulfilled (or if applicable, waived);
- (vi) approval by the Shareholders (or independent Shareholders, if required) of the Acquisition, the issue of the Notes by the Company, the issue and allotment of the Conversion Shares and all other transactions contemplated under the Acquisition Agreement at the SGM, in compliance with the requirements of the Listing Rules;
- (vii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares;
- (viii) the compliance of any other requirements under the Listing Rules or otherwise of the Stock Exchange or other regulatory authorities which requires compliance at any time prior to Completion in relation to the transactions contemplated under the Acquisition Agreement;
- (ix) no material adverse change having occurred; and
- (x) the Service Agreements to be entered into between Donson and Mr. Chan and Mr. Lai respectively having been agreed on such terms and conditions and in such form and substance to the satisfaction of New Smarten.

The Vendors shall use all reasonable endeavours to procure the fulfilment of all the above conditions (other than conditions (vi), (vii) and (viii)) and New Smarten shall use all reasonable endeavours to procure the fulfilment of conditions (vi), (vii) and (viii).

If any of the above conditions has not been fulfilled or waived by New Smarten by notice in writing to the Vendors (save for conditions (vi), (vii) and (viii) which cannot be waived) on or before the Long Stop Date and/or conditions (ii) and (ix) do not remain fulfilled and are not waived by New Smarten on the Completion Date, the rights and obligations of the parties under the Acquisition Agreement shall lapse and be of no further effect except for antecedent breach.

If after fulfilment or waiver (as the case may be) of the above conditions, New Smarten shall fail to complete the Acquisition in accordance with the terms and conditions of the Acquisition Agreement, the

deposit shall be released by the Vendors' solicitors to the Vendors and forfeited by the Vendors and the Vendors shall have no further claim against New Smarten under the Acquisition Agreement whatsoever.

If the Vendors shall fail to complete the Acquisition in breach of the terms and conditions of the Acquisition Agreement notwithstanding fulfilment or waiver (as the case may be) of the above conditions or if New Smarten rescinds or terminates the Acquisition Agreement due to any breach of the terms of the Acquisition Agreement by the Vendors, the deposit shall be released by the Vendors' solicitors to New Smarten together with all interests accrued thereon forthwith and the Vendors shall pay to New Smarten a further sum of HK\$5 million as compensation. Upon receipt by New Smarten of the refund of the deposit, the said interests and compensation, New Smarten shall have no further claim against the Vendors under the Acquisition Agreement whatsoever.

**5) Completion**

Completion shall take place on the seventh Business Day immediately after all of the above conditions precedent have been duly fulfilled or waived (as the case may be) or such other date as the Vendors and New Smarten may mutually agree in writing.

Upon Completion, the Vendors shall provide with New Smarten, among other things, documentary evidence to the satisfaction of New Smarten that Braniff has completed its acquisition of the entire issued shares of and in Smart Sharp held by an independent third party, such that Mr. Chan and Mr. Lai become the indirect beneficial owners of not less than 24% of the issued share capital of and in Smart Sharp.

**The Acquisition may or may not become unconditional. Shareholders and investors should exercise caution when dealing in the Shares.**

**6) The Shareholders' Agreement**

As stipulated in the Acquisition Agreement, a shareholders' agreement among the Company, Everight, Braniff, Smart Sharp, Mr. Chan and Mr. Lai will be entered into on Completion. Pursuant to the Shareholders' Agreement, Everight shall be responsible for, among other things, financing the working capital of Smart Sharp and its subsidiaries for the first two years commencing from the date of the Shareholders' Agreement up to a maximum amount of HK\$80 million which will be financed by the internal resources of the Group. The amount(s) so advanced shall carry interest calculated at the prime rate for Hong Kong dollars per annum from time to time quoted by The Hongkong and Shanghai Banking Corporation Limited and shall be repayable on demand. Braniff is not obligated to provide any financing to Smart Sharp.

**7) Pledge of the Notes**

Pursuant to the Acquisition Agreement, the Notes shall be deposited by each of Green Label and Magnum with New Smarten's solicitors for securing due observance and performance by the Vendors of all their agreements, obligations, commitments and undertakings contained in the Acquisition Agreement, and may be released to Green Label and/or Magnum in stages as stipulated in the Acquisition Agreement or otherwise with the prior written consent of the Company and New Smarten.

**The Service Agreements**

Mr. Lai and Mr. Chan will respectively enter into a service agreement with Donson. Mr. Lai and Mr. Chan, being the existing chairman and managing director respectively of Donson, are the founders of Donson Group who are actively involved in the operations and management of Donson and have established business network in respect of the operations of Everight Group in the PRC. The Service Agreements with Mr. Lai and Mr. Chan could secure their continuing services to Everight Group and are beneficial to the Group after the Acquisition. As at the date of this announcement, the terms of the Service Agreements are still being negotiated. Details of the Service Agreements will be included in the circular of the Company to be despatched to the Shareholders if the terms thereof can be reached by then.

**PRINCIPAL TERMS OF THE NOTES**

The terms of the Green Label Note and the Magnum Note are the same except for their respective principal amount. The principal terms of the Notes are summarised below:

*Principal amount*

The aggregate principal amount of the Green Label Note and the Magnum Note will be HK\$39,272,307 and HK\$20,727,693 respectively.

*Interest*

The Notes bear zero interest.

*Maturity*

The Notes mature on 11th August, 2010.

### *Conversion Price*

The Notes will be convertible into Shares at an initial conversion price of HK\$0.44 per Share. The Conversion Price will be subject to adjustment for, among other things, consolidation or subdivision of Shares, bonus issue, distributions, rights issue or other dilutive events.

Based on the Conversion Price of HK\$0.44 per Share, a total of 136,363,636 Shares will be issued upon full conversion. The Conversion Shares represent approximately 32.1% of the existing issued share capital of the Company and 24.3% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares at the Conversion Price.

The Conversion Price of HK\$0.44 per Share represents:

- (i) a premium of approximately 12.8% over the closing price of the Share of HK\$0.390 as quoted on the Stock Exchange on 2nd February, 2006, being the last trading day immediately preceding the signing of the Acquisition Agreement;
- (ii) a premium of approximately 13.7% over the average closing price of the Share of approximately HK\$0.387 over the 10 trading days up to and including 2nd February, 2006;
- (iii) a premium of approximately 16.7% over the average closing price of the Share of approximately HK\$0.377 over the 30 trading days up to and including 2nd February, 2006;
- (iv) a discount of approximately 54.6% to the unaudited consolidated net asset value per Share of approximately HK\$0.97 based on the unaudited consolidated net asset attributable to the Shareholders as at 30th September, 2005 of approximately HK\$410.9 million and the issued share capital of the Company at the date of this announcement; and
- (v) a discount of approximately 22.8% to the audited consolidated net asset value per Share of approximately HK\$0.57 based on the audited consolidated net asset attributable to the Shareholders as at 31st March, 2005 of approximately HK\$243.6 million and the issued share capital of the Company at the date of this announcement.

The Conversion Price of HK\$0.44 per Share was negotiated between the Company and the Vendors on arm's length basis and with reference to the average closing price of the Shares of approximately HK\$0.377 over the 30 trading days up to and including 1st February, 2006.

### *Conversion period*

The holder(s) of the Notes may at any time, in compliance with the provisions contained in the Notes, during the period commencing from the 15th day after the issue of the Notes up to and including the date which is 15 days prior to the Maturity Date, require the Company to convert the whole or any part of the principal amount outstanding (in whole multiples of HK\$500,000 or, if less, the then outstanding principal amount of the relevant Note) into Shares at the Conversion Price subject to adjustments.

### *Transfer*

Subject to the conditions, approvals, requirements and any other provision of the Stock Exchange in respect of the Conversion Shares, each of the Notes may be transferred to any person. The Notes (or any part thereof) may not be assigned or transferred to a connected person of the Company without the prior written consent of the Company.

### *Redemption*

Unless previously converted or purchased and cancelled in accordance with the terms and conditions of each of the Notes, the Company will redeem, on the Maturity Date, each of the Notes at a premium of not exceeding 9% of its principal amount to be agreed between the Company and the respective holders of the Notes upon its issue such that the Notes will have a constant rate of return as the 2005 August Note.

### *Conversion*

The holder(s) of the Notes shall be deemed to have issued and delivered to the Company a conversion notice in respect of all principal amount outstanding under the relevant Note if at any time after the first anniversary of the issue date of the Notes the average closing price per Share for 20 consecutive dealing days is higher than HK\$0.85.

### *Voting*

The holder(s) of the Notes will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of them being holders of the Notes.

### *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 the Company 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.



### Ranking

The Notes shall rank pari passu with all other present and future unsecured and unsubordinated obligations of the Company.

The Conversion Shares shall rank equally in all respects with the Shares then in issue.

### CHANGES IN SHAREHOLDING STRUCTURE

Based on the Conversion Price of HK\$0.44 per Share, a total of 136,363,636 Shares will be issued upon full conversion of the Notes. The following table illustrates the possible effect on the Company's shareholding structure as a result of the Acquisition assuming (i) the issued share capital of the Company remains unchanged until the date of issue of the Notes; (ii) the Notes are fully converted into Shares at the Conversion Price of HK\$0.44 each; and (iii) the Notes, the 2005 February Note and the 2005 August Note are fully converted into Shares at their respective conversion price:

Shareholders	(i) As at the date of this announcement		(ii) Upon full conversion of the Notes		(iii) Upon full conversion of the Notes, the 2005 February Note and the 2005 August Note (Note 7)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mr. Tse Cho Tseung (Note 1)	28,558,196	6.73	28,558,196	5.09	28,558,196	0.96
Subscribers of the 2005 August Note						
Mr. Ho Hau Chong, Norman (Note 2)	–	–	–	–	340,909,090	11.42
Hanny Holdings Limited (Note 3)	–	–	–	–	1,022,727,272	34.27
Four fund subscribers (Notes 4 and 5)	–	–	–	–	443,181,818	14.85
Other fund subscribers (Note 5)	–	–	–	–	365,909,092	12.26
Subtotal	–	–	–	–	2,172,727,272	72.80
Green Label (Note 6)	–	–	89,255,243	15.92	89,255,243	2.99
Magnum (Note 6)	–	–	47,108,393	8.40	47,108,393	1.58
Public	395,825,404	93.27	395,825,404	70.59	646,723,023	21.67
	<u>424,383,600</u>	<u>100.00</u>	<u>560,747,236</u>	<u>100.00</u>	<u>2,984,372,127</u>	<u>100.00</u>

#### Notes:

1. Mr. Tse Cho Tseung, an executive Director, is deemed to be interested in the 28,558,196 Shares held by Lunghin Enterprise Inc., a company in which he has 100% beneficial interest.
2. Mr. Ho Hau Chong, Norman, a non-executive Director, is deemed to be interested in the 340,909,090 underlying Shares upon full conversion of the 2005 August Note of HK\$150 million held by Kopola Investment Company Limited, a company in which he has 50% interest.
3. Hanny Holdings Limited, the shares of which are listed on the main board of the Stock Exchange, is deemed to be interested in the 1,022,727,272 underlying Shares upon full conversion of the 2005 August Note of HK\$450 million held by Loyal Concept Ltd., an indirect wholly-owned subsidiary of Hanny Holdings Limited.
4. Being four of the subscribers of the 2005 August Note, who are funds related to each other to the extent that they have been established and are managed by a common investment manager.
5. Each of the fund subscribers and their respective investment managers is independent of, not connected and not acting in concert with the Company and its connected persons, and is not connected persons of the Company.
6. There is no agreement currently in place as to whether Green Label and/or Magnum will nominate any directors to the Company upon full conversion of the Notes. Both Green Label and Magnum currently have no intention to convert the Notes into Shares.
7. The conversion price of the 2005 August Note is HK\$0.44 per Share (subject to adjustments). Up to the date of this announcement, none of the 2005 August Note has been converted into Shares. According to the terms of the 2005 February Note and the 2005 August Note, the conversion prices of the 2005 February Note and the 2005 August Note may require adjustments as a result of the issue of the Notes. Upon completion of the issue of the Notes, the Company will notify the holders of the 2005 February Note and 2005 August Note in relation to any adjustment to the conversion prices of 2005 February Note and 2005 August Note respectively,

The Company and the Directors will take appropriate steps to ensure that there will be sufficient public float for the Shares immediately following conversions and at any time during the terms of the Notes, the 2005 February Note and the 2005 August Note.

The Stock Exchange has indicated that should the Notes, the 2005 February Note or the 2005 August Note be converted, it will closely monitor trading in the Shares if less than 25% of the issued Shares are held by the public. If the Stock Exchange believes that a false market exists or may exist in the trading in the Shares, or there are too few Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares until a sufficient level of public float is attained.

#### **INFORMATION ON EVERIGHT GROUP**

Everight is an investment holding company which has an effective interest of 55.57% in the entire issued share capital of Donson. At present, Everight Group operates two golf clubs, one in Lotus Hill, Panyu, Guangdong and one in Yalong Bay, Sanya, Hainan. In addition, 95 units of villas and 76 units of apartments have been constructed on Panyu Phase I Land for sale with 12 units of villas and 6 units of apartments remain unsold. Everight intends to carry out the Panyu Phase II Development Project for sale and the Yalong Bayview Development Project for rental and/or time share and/or resort facilities, subject to all governmental and regulatory approvals having been obtained.

The golf club in Panyu, commenced business in 1995, has a golf course and a club-house equipped with resort facilities including guest rooms, food and beverage outlets, fitness centre and sauna. The application for the development of villas of the Panyu Phase II Development Project is in progress. The preliminary plan is to build 70 to 80 luxurious villas. The development of apartments is still in the initial planning stage.

The golf course of the golf club in Sanya commenced business in 2004. Upon full operation of the golf club which is expected to be in late 2006, it will also operate a club-house with resort facilities including food and beverage outlets, fitness centre and sauna. The development of villas on Yalong Bayview Land is in the conceptual design stage. The development of condominiums/apartments is still in the initial planning stage.

The major recurring sources of turnover of Everight Group include green fee, membership subscription, food and beverage sale and accommodation and service income. For each of the two years ended 31st December, 2003 and 2004 respectively, around 20% of total turnover was attributed to sale of properties. Set out below is the audited consolidated financial information of Everight Group for each of the two years ended 31st December, 2003 and 2004 prepared in accordance with the HK GAAP:

	<b>Year ended 31st December,</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(Audited)	(Audited)
Turnover	59.3	50.2
Profit (loss) before taxation	8.6	(2.7)
Profit after taxation and minority interest	5.5	0.3
	<b>As at 31st December,</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(Audited)	(Audited)
Total assets	308.7	292.5
Net assets	177.7	168.5

The above figures are subject to restatement in accordance with the new accounting standards issued by the Hong Kong Institute of Certified Public Accountants that are effective for the accounting periods beginning on or after 1st January, 2005. The application of the new accounting standards will result in a change in the presentation of the audited consolidated financial statements of Everight issued in prior years. Accordingly, the above figures may differ from the corresponding figures in the accountants' report which will be included in the circular to be despatched to the Shareholders in respect of the Acquisition.

After Completion, Everight will become an indirect wholly-owned subsidiary of the Company. The golfing and related businesses currently operated by Everight Group will become one of the principal businesses of the Group.

#### **REASONS FOR THE ACQUISITION**

The Company is an investment holding company and its subsidiaries are principally engaged in property development and investment, trading of motor cycles and spare parts, sale and manufacturing of "Tung Fong Hung" branded Chinese pharmaceutical and health products, production and distribution of western pharmaceutical products and securities investment.

As disclosed in the Company's circulars dated 6th January, 2005 and 23rd May, 2005 in relation to the issue of new Shares and the 2005 Notes respectively, a sum of approximately HK\$1,160 million, before expenses, was raised. By leveraging on the Group's extensive experience in the property business, the Group is open for property investment opportunities and has decided to further expand its investment properties portfolio in high quality residential and commercial buildings. The Board has been actively seeking property investment opportunities and considers that the Acquisition is in line with the Group's business strategy.

The Acquisition represents an attractive opportunity to the Group as it enables the Group to diversify into the PRC property market and to develop luxurious residential villas in Guangzhou, an affluent city with increasing demand for quality residential units. The Acquisition also enables the Group to further expand its investment portfolio into hotel and resort facility through the Yalong Bayview Development Project in Sanya, which is one of the most preferred spots for leisure travelling in the PRC. Furthermore, with golfing becoming a popular activity, the operations of golf club, hotel and resort facilities will provide the Group with an additional growing source of revenue.

In view of the above, the Board considers the entering into of the Acquisition Agreement (including the transactions contemplated thereunder) is in the interest of the Company and the Shareholders as a whole and that the terms of the Acquisition Agreement are fair and reasonable.

### **SGM**

The Acquisition, when aggregated with the Shareholder's Loan(s), constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules which requires the approval by the Shareholders at the SGM. The SGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Acquisition Agreement and the transactions contemplated thereunder.

### **EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE-MONTH PERIOD IMMEDIATELY BEFORE THE DATE OF THIS ANNOUNCEMENT**

On 23rd February, 2005, the Company raised approximately HK\$155 million, net of expenses, by issuing 150,000,000 new Shares and the 2005 February Note. On 11th August, 2005, the Company raised approximately HK\$989 million, net of expenses, by issuing the 2005 August Note. The Company is currently collating information on use of the proceeds of the above fund raising exercises, details of which will be disclosed in the circular of the Company to be despatched to the Shareholders.

### **GENERAL**

A circular containing, among other things, further details of the Acquisition Agreement, financial information relating to Everight Group, the notice of the SGM and other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable.

### **SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES**

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 3rd February, 2006 pending release of this announcement. Application has been made by the Company for resumption of trading in the Shares from 9:30 a.m. on 8th February, 2006.

### **TERMS USED IN THIS ANNOUNCEMENT**

“Acquisition”	acquisition of the Sale Shares and Sale Debt by New Smarten pursuant to the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement dated 2nd February, 2006 entered into between the Vendors, New Smarten and the Guarantors in relation to the Acquisition
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Braniff”	Braniff Developments Limited, a company incorporated in the BVI with limited liability, Mr. Chan and Mr. Lai are beneficial owners of the entire issued share capital as at the date of this announcement
“Business Day”	a day (other than Saturday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effected between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which the banks are open for business in Hong Kong
“BVI”	the British Virgin Islands

“Company”	Cheung Tai Hong Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition
“Completion Date”	the seventh Business Day immediately after all the conditions contained in the Acquisition Agreement have been duly fulfilled or waived (as the case may be), or such other date as the Vendors and New Smarten may mutually agree in writing
“Concord”	Concord Link Development Limited, a company incorporated in Hong Kong with limited liability which is interested in 6,172,368 shares in Everight
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration for the Acquisition to be satisfied as to HK\$80 million by cash and HK\$60 million by issue of the Notes pursuant to the terms of the Acquisition Agreement
“Conversion Price”	HK\$0.44 per Share (subject to adjustments)
“Conversion Rights”	the rights to convert the principal amount (or any part thereof) of the Notes into Shares
“Conversion Shares”	Shares to be allotted and issued upon exercise of the Conversion Rights attached to the Notes
“Director(s)”	the director(s) of the Company
“Donson”	Donson (International) Development Limited, a company incorporated in Hong Kong with limited liability in which Everight, through its non wholly-owned subsidiary, holds an effective interest of approximately 55.57%
“Donson Group”	Donson and its subsidiaries
“Everight”	Everight Investment Limited, a company incorporated in Hong Kong with limited liability which is currently owned as to approximately 63.76% by Green Label, approximately 13.02% by Concord, approximately 20.63% by Magnum and approximately 2.59% by Mr. Ku
“Everight Group”	Everight and its subsidiaries
“Green Label”	Green Label Investments Limited, a company incorporated in the BVI with limited liability which is interested in 30,231,045 shares in Everight
“Green Label Note”	the zero coupon convertible note due on 11th August, 2010 in the principal amount of HK\$39,272,307 to be issued by the Company to Green Label on Completion as part of the Consideration
“Group”	the Company and its subsidiaries
“Guarantors”	Mr. Chan and Mr. Lai
“HK GAAP”	generally accepted accounting principles applicable in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the date falling 4 months after the date of the Acquisition Agreement or such other date as the relevant parties may agree in writing
“Magnum”	Magnum Company Limited, a company incorporated in Hong Kong with limited liability which is interested in 9,783,400 shares in Everight
“Magnum Note”	the zero coupon convertible note due on 11th August, 2010 in the principal amount of HK\$20,727,693 to be issued by the Company to Magnum on Completion as part of the Consideration
“Maturity Date”	11th August, 2010, being the maturity date of the Notes

“Mr. Chan”	Chan Jink Chou, Eric (陳正秋), the beneficial owner of the entire issued share capital of Magnum and the controlling shareholder of Concord
“Mr. Lai”	Lai Tsan Tung, David (賴贊東), the beneficial owner of the entire issued capital of Green Label
“Mr. Ku”	Ku Yuet Kan, Tony (顧悅勤), who is interested in 1,225,879 shares in Everight
“New Smarten”	New Smarten Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company
“Notes”	the Green Label Note and the Magnum Note
“Panyu Development Projects”	collectively the Panyu Phase I Development Project and the Panyu Phase II Development Project
“Panyu Phase I Land”	several adjoining pieces of land within the boundary of or adjacent to the golf club in Pan Yu known as “Lotus Hill Golf Club” and having a site area of approximately 80,000m <sup>2</sup>
“Panyu Phase II Land”	several adjoining pieces of land within the boundary of or adjacent to the Lotus Hill Golf Club and having a site area of approximately 106,000m <sup>2</sup>
“Panyu Phase I Development Project”	the construction of the villas and apartments now standing on the Panyu Phase I Land and the sale thereof
“Panyu Phase II Development Project”	the development of the Panyu Phase II Land by the erection thereon of residential premises being villas having a total saleable area of not less than 40,000m <sup>2</sup> and apartments having a total saleable area of not less than 30,000m <sup>2</sup>
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this announcement
“Properties”	land comprised in the relevant land use right certificates, including the Panyu Phase I Land and the Panyu Phase II Land, and the buildings thereon, and the Yalong Bayview Land and the buildings erected thereon
“Sale Shares”	the 47,412,692 shares of Everight held by Green Label, Concord, Magnum and Mr. Ku in aggregate, representing the entire issued share capital of Everight
“Sale Debt”	55.57% of the Vendor’s Loan
“Service Agreement(s)”	the service agreement(s) to be entered into between Donson and (i) Mr. Chan and (ii) Mr. Lai respectively on Completion, in such form and on such terms and conditions as New Smarten may approve
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder
“Share(s)”	share(s) of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Shareholders’ Agreement”	the shareholders’ agreement in respect of Smart Sharp and its subsidiaries, to be executed by Everight and Braniff, being the only shareholders of Smart Sharp, and Mr. Chan, Mr. Lai, Smart Sharp and the Company, on Completion
“Shareholder’s Loan(s)”	the loan(s) up to a maximum amount of HK\$80 million which may be granted by Everight to Smart Sharp or its subsidiaries during the period of two years commencing from the date of the Shareholders’ Agreement
“Smart Sharp”	Smart Sharp Investment Limited, a company incorporated in Hong Kong with limited liability which is owned as to approximately 63.03% by Everight and approximately 36.97% by (prior to the acquisition by Braniff) an independent third party

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Green Label, Concord, Magnum and Mr. Ku
“Vendor’s Loan”	all the amounts which may be owing by Donson to Green Label as at Completion, which shall be HK\$3,810,000
“Yalong Bayview Land”	several adjoining pieces of land within the boundary of or adjacent to the golf club in Yalong Bay known as “Sun Valley Golf Resort” and having a site area of approximately 120,000m <sup>2</sup>
“Yalong Bayview Development Project”	the development of the Yalong Bayview Land by the erection thereon of residential premises being villas having a total saleable area of not less than 15,000m <sup>2</sup> and condominiums/apartments having a total saleable area of not less than 14,000m <sup>2</sup>
“2005 February Note”	the 2% convertible notes due 2008 in the aggregate principal sum of HK\$100,000,000 issued by the Company on 23rd February, 2005
“2005 August Note”	the zero coupon convertible notes due 2010 in the aggregate principal sum of HK\$1,000,000,000 issued by the Company on 11th August, 2005
“2005 Notes”	the 2005 February Note and the 2005 August Note
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.
“m <sup>2</sup> ”	square metre

In this announcement, RMB are converted into HK\$ on the basis of RMB1.04 = HK\$1 for illustrative purpose.

For ease of reference, the names of PRC established companies and entities have been included in this announcement in both the Chinese and English languages and the English names of these companies and entities are either English translation of their respective official Chinese names or English tradenames used by them. In the event of any inconsistency between the English names and their respective official Chinese names, the Chinese names shall prevail.

By order of the Board  
**Cheung Tai Hong Holdings Limited**  
**Yan Ha Hung, Loucia**  
*Company Secretary*

Hong Kong, 7th February, 2006

*As at the date of this announcement, the Board comprises Mr. Cheung Hon Kit (Chairman), Mr. Chan Fut Yan (Managing Director) and Mr. Tse Cho Tseung 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.*

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