On 25 July 2005, the Vendor, the Guarantor, the Company and the Placing Agent entered into the Placing Agreement under which the Placing Agent agreed to place, on a best efforts basis, 20 million existing Shares held by the Vendor to independent placees at the Placing Price. The Placing Shares have fully been placed on 25 July 2005.

On the same day, the Vendor and the Company entered into the Subscription Agreement under which the Vendor agreed to subscribe, and the Company agreed to allot and issue to the Vendor, 20 million Subscription Shares at the Subscription Price of HK$5.00 per Share. Completion of the Subscription is conditional upon satisfaction of the conditions described in “Conditions of the Subscription” below.

The net proceeds to be received by the Company from the Subscription will be approximately HK$97.34 million. The Company intends to use such net proceeds to provide it with the flexibility to make acquisitions, which may include the (i) possible offer for Omnicorp and (ii) the possible acquisition of the shares in Windsor Treasure Group not owned by Omnicorp, which were announced on 12 July 2005.

At the request of the Company, the trading in Shares on the Stock Exchange was suspended with effect from 9.30 a.m. on 26 July 2005 pending the publication of this announcement. Application has been made to the Stock Exchange for resumption of the trading in Shares with effect from 9.30 a.m. on 27 July 2005.

**PLACING AGREEMENT DATED 25 JULY 2005**

**Parties**

(i) the Vendor, the controlling shareholder of the Company;

(ii) the Guarantor;

(iii) the Company; and

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<table>
<thead>
<tr>
<th>CHITALY HOLDINGS LIMITED</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>(Incorporated in the Cayman Islands with limited liability)</em></td>
</tr>
<tr>
<td><em>(Stock Code: 1198)</em></td>
</tr>
</tbody>
</table>

*Placing of existing shares, subscription for new shares and resumption of trading*

*Sole Placing Agent*

*Macquarie Securities Limited*
The Placing

The Placing Agent has agreed to place, on a best efforts basis, the Placing Shares held by the Vendor to independent placees at the Placing Price. The Placing Shares have fully been placed on 25 July 2005.

Number of Placing Shares

20 million Shares, representing approximately 8.1% of the Company’s existing issued share capital and approximately 7.5% of its issued share capital as enlarged by the issue of the Subscription Shares. The aggregate nominal value of the Placing Shares is HK$2 million.

The placees

The Placing Agent has agreed to procure that there will be not less than six independent placees (which will be professional, institutional and/or individual investors).

Placing Price

HK$5.00 per share, representing (i) a discount of approximately 13.8% to the closing price of HK$5.80 per Share quoted on the Stock Exchange on 25 July 2005, the latest trading day prior to the date of the Placing Agreement; (ii) a discount of approximately 7.8% to the average closing price of the Shares of approximately HK$5.43 per Share as quoted on the Stock Exchange from 19 July 2005 to 25 July 2005, both dates inclusive, being the last five trading days immediately prior to and including the latest trading day prior to the date of this announcement; and (iii) a discount of approximately 3.1% to the average closing price of the Shares of approximately HK$5.16 per Share as quoted on the Stock Exchange from 12 July 2005 to 25 July 2005, both dates inclusive, being the last ten trading days immediately prior to and including the latest trading day prior to the date of this announcement.

The Placing Price has been determined after arm’s length negotiations between the parties.

Rights

The Placing Shares will be sold free of any encumbrances and third-party rights. The placees will receive all dividends and distributions declared, made or paid on or after the date of the Placing Agreement (being 25 July 2005).

Independence of the Placing Agent and the placees

Each of the Placing Agent and the placees (and their beneficial owners) are independent of and not connected with the Vendor or any person acting in concert with it (as defined in the Takeovers Code). They are also independent of and not connected with the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of its subsidiaries or an associate of any of them and they are not connected persons (as defined in the Listing Rules) of the Company.

Completion of Placing

The Placing is unconditional. It is expected that completion of the Placing will take place on 27 July 2005.

Termination events

The Placing Agreement contains provisions granting the Placing Agent the right to terminate its placing obligations if it becomes aware that certain events have occurred before 8 a.m. on the date of completion of the Placing. These events include (i) any of the warranties set out in the Placing Agreement being untrue, inaccurate or misleading in any material respects; (ii) any material adverse change in the condition, financial or otherwise, or the earnings or business affairs or prospects of the Group; and (iii) any change in national or international financial, economic, political, industrial or market conditions or currency exchange rates or exchange controls which the Placing Agent considers is likely to have a material adverse effect on the financial or trading position or the business or prospects of the Group which is material in the context of the Group as a whole or which renders the Placing impracticable or inadvisable.

If the Placing Agent exercises its right to terminate the Placing, the Placing will not proceed. Shareholders and investors are advised to exercise caution in dealing in the Shares.
Lock-up
The Vendor has undertaken to the Placing Agent that, prior to the expiry of the period of three months from completion of the Placing, it will not and will procure that none of its nominees or associates will sell or otherwise dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the Subscription Shares) or any interests therein, without the prior written consent of the Placing Agent.

In addition, the Company has undertaken to the Placing Agent that, and the Vendor has undertaken to the Placing Agent to procure that, prior to the expiry of the period of six months from completion of the Placing, the Company will not allot or issue or agree to allot or issue (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares, except for (i) the Subscription Shares to be allotted and issued to the Vendor pursuant to the Subscription; (ii) any scrip dividend scheme or share option scheme that may be operated by the Company from time to time; or (iii) any shares to be issued in connection with the possible acquisition of Windsor Treasure Group.

Guarantee
The Guarantor has agreed to guarantee the obligations of the Vendor under the Placing Agreement.

SUBSCRIPTION AGREEMENT DATED 25 JULY 2005

Parties
(i) the Vendor; and
(ii) the Company.

Subscription
Subject to the satisfaction of the conditions described in “Conditions of the Subscription” below, the Vendor has agreed to subscribe, and the Company has agreed to allot and issue to the Vendor, the Subscription Shares at the Subscription Price.

Number of Subscription Shares
Such number of new Shares as equivalent to the number of Placing Shares actually placed under the Placing, representing not more than approximately 7.5% of the Company’s existing issued share capital as enlarged by the issue of Subscription Shares.

Subscription Price
HK$5.00 per Share, which is equivalent to the Placing Price. The total subscription monies payable by the Vendor to the Company will be the Subscription Price per Share (i.e. HK$5.00) multiplied by the number of Subscription Shares less the commission and other expenses incurred by the Vendor in relation to the Placing and the Subscription. All commission, costs and expenses incurred in connection with the Placing and the Subscription will be borne by the Company and the interest accrued, if any, on the net Placing proceeds from the date of completion of the Placing to the date of completion of the Subscription will be attributable to the Company.

Mandate to issue new Shares
The Subscription Shares will be issued under the general mandate granted to the Directors pursuant to a resolution passed by the shareholders of the Company at the annual general meeting held on 11 May 2005. As at the date of this announcement, no Share has been allotted and issued pursuant to such general mandate.

Ranking
The Subscription Shares, when fully paid, will rank equally with the existing issued shares of the Company with all rights attaching to them on or after the date of their allotment and issue.
Conditions of the Subscription

Completion of the Subscription is conditional on:

1. the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Subscription Shares; and
2. completion of the Placing.

None of the conditions stated above can be waived. If the conditions are not fulfilled on or before 7 August 2005 or such other date as may be agreed between the Company and the Vendor, the Subscription will lapse.

Completion of the Subscription

Completion of the Subscription will take place on the next business day after the date upon which the last of the conditions is satisfied or such other date as the Vendor and the Company may agree, provided that completion will not be later than 8 August 2005.

EFFECT OF THE PLACING AND THE SUBSCRIPTION

The shareholding structure of the Company immediately before and after the Placing and the Subscription is summarised as follows (Note 1):

<table>
<thead>
<tr>
<th></th>
<th>Immediately prior to the Placing</th>
<th>Immediately after completion of the Placing but before the Subscription (Note 2)</th>
<th>Immediately after completion of the Placing and the Subscription (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Vendor and parties</td>
<td>No. of Shares: 77,950,000</td>
<td>No. of Shares: 57,950,000</td>
<td>No. of Shares: 77,950,000</td>
</tr>
<tr>
<td>acting in concert with it</td>
<td>%: 31.7</td>
<td>%: 23.6</td>
<td>%: 29.3</td>
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<tr>
<td>(as defined in the</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Takeovers Code) (Note 3)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public shareholders</td>
<td>Placees (Note 4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>No. of Shares: 20,000,000</td>
<td>No. of Shares: 20,000,000</td>
</tr>
<tr>
<td></td>
<td>%: –</td>
<td>%: 8.1</td>
<td>%: 7.5</td>
</tr>
<tr>
<td>Other shareholders</td>
<td>No. of Shares: 168,116,000</td>
<td>No. of Shares: 168,116,000</td>
<td>No. of Shares: 168,116,000</td>
</tr>
<tr>
<td></td>
<td>%: 68.3</td>
<td>%: 68.3</td>
<td>%: 63.2</td>
</tr>
<tr>
<td>Total</td>
<td>246,066,000 %: 100</td>
<td>246,066,000 %: 100</td>
<td>266,066,000 %: 100</td>
</tr>
</tbody>
</table>

Notes:

(1) The table assumes no Shares are issued pursuant to the share option scheme of the Company between the date of the Placing and the Subscription.

(2) All the Placing Shares are placed.

(3) Immediately prior to the Placing, the Vendor is interested in 71,450,000 Shares and the Guarantor is personally and directly interested in 4,600,000 Shares. Ms Lam Ning, Joanna, has been presumed to be acting in concert with the Guarantor and Mr Lam Toi under the Takeovers Code as mentioned in the Company’s announcement dated 13 October 2004. Ms Lam Ning, Joanna is personally and directly interested in 1,900,000 Shares.

(4) Some placees are the existing shareholders of the Company.

REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

In view of current capital market conditions, the Directors consider that the Placing and the Subscription represents a good opportunity for the Company to raise funds. It will also increase the capital base of the Company and broaden its shareholder base.
The net proceeds to be received by the Company from the Subscription will be approximately HK$97.34 million. The Company intends to use the net proceeds to provide it with the flexibility to make acquisitions, which may include the (i) possible offer for Omnicorp and (ii) the possible acquisition of the shares in Windsor Treasure Group not owned by Omnicorp, which were announced on 12 July 2005. If such possible offer and possible acquisition are not materialised, the net proceeds would be used by the Group in the expansion of its production facilities and distribution network. The net Placing Price, after deducting expenses of approximately HK$2.66 million to be borne by the Company which included, inter alia, the commission for the Placing Shares payable to the Placing Agent, is approximately HK$4.87 per Share.

The Directors believe the terms of the Placing and the Subscription, which have been negotiated on an arm’s length basis in accordance with normal commercial terms, are fair and reasonable.

There was no equity fund raising activity conducted by the Company in the 12 months immediately preceding the date of this announcement.

The Board would like to express their gratitude to the shareholders for their support and confidence in the Company’s business direction and future development. It is encouraging that some of the existing shareholders of the Company invested in this placing which is an indication of their continuous support for the Group.

The Company will make an application to the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares. At the request of the Company, the trading in Shares on the Stock Exchange was suspended with effect from 9.30 a.m. on 26 July 2005 pending the publication of this announcement. Application has been made to the Stock Exchange for resumption of the trading in Shares with effect from 9.30 a.m. on 27 July 2005.

DEFINITIONS

“associate” has the meaning ascribed to it in the Listing Rules

“Company” Chitaly Holdings Limited, a company incorporated in the Cayman Islands with limited liability

“Director(s)” the director(s) of the Company

“Group” the Company and its subsidiaries

“Guarantor” Mr Tse Kam Pang, the chairman and executive director of the Company

“HK$” Hong Kong dollars

“Listing Committee” the Listing Committee of the Stock Exchange

“Listing Rules” the Rules Governing the Listing of Securities on the Stock Exchange

“Omnicorp” Omnicorp Limited, a company incorporated in Bermuda and listed on the Stock Exchange (Stock Code 0094)

“Placing” the placing of the Placing Shares by the Placing Agent pursuant to the Placing Agreement

“Placing Agent” Macquarie Securities Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Placing Agreement” the placing agreement dated 25 July 2005 entered into between the Vendor, Guarantor, the Company and the Placing Agent in relation to the Placing
As at the date of this announcement, Mr Tse Kam Pang, Mr Lam Toi and Mr Ma Gary Ming Fai are executive directors of the Company. Dr Donald H. Straszheim, Mr Chang Chu Fai Johnson Francis and Mr Yau Chung Hong are independent non-executive directors of the Company.

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