

EXPLANATORY STATEMENT

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If you have sold all your shares in Chia Tai Enterprises International Limited, you should at once hand this document and the accompanying form of proxy enclosed with the 2004 Annual Report of the Company to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

To Shareholders of Chia Tai Enterprises International Limited

Dear Sir or Madam,

It is proposed that at the 2005 Annual General Meeting of Chia Tai Enterprises International Limited (the “Company”) which will be held on 16th June, 2005, a resolution will be proposed granting the directors of the Company (the “Directors”) a general mandate to repurchase shares in its capital (the “Share Repurchase Mandate”), since the previous general mandate granted to the Directors at the 2004 Annual General Meeting of the Company will expire at the forthcoming Annual General Meeting.

This explanatory statement includes information required by the Stock Exchange to be given to Shareholders regarding the proposed Share Repurchase Mandate to repurchase fully paid shares of HK\$0.02 each in the capital of the Company (“Shares”).

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(a) Exercise of the general mandate to purchase Shares

The resolution set out as Resolution B in item 4 of the Notice convening the 2005 Annual General Meeting will, if passed, give a general unconditional mandate to the Directors to repurchase on the Stock Exchange Shares representing in nominal value up to 10 per cent. of the Company's share capital in issue at the date of the passing of such resolution at any time until the next Annual General Meeting of the Company or any earlier date as referred to in that resolution (the "Relevant Period").

Accordingly, exercise in full of the general mandate to repurchase Shares (on the basis of 5,996,614,408 fully paid Shares in issue as at 6th April, 2005, being the latest practicable date prior to the printing of this document) would result in up to 599,661,440 Shares being repurchased by the Company during the Relevant Period.

(b) Reasons for repurchase

The Directors believe that the flexibility afforded by the proposal for them to be granted the Share Repurchase Mandate would be beneficial to the Company and its Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the value of the Shares and/or the earnings per Share.

(c) Funding of repurchases

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association and the laws of the Cayman Islands (the Company's place of incorporation). The Directors propose that any repurchase under the Share Repurchase Mandate would be financed from internal resources and existing banking facilities.

If the Share Repurchase Mandate was exercised in full, there may be a material adverse effect on the working capital requirements of the Company or its gearing levels, as compared with the position disclosed in the Company's audited financial statements for the year ended 31st December, 2004. However, the Directors do not propose to exercise the Share Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company at the time of the relevant repurchases unless the Directors determined that such repurchases were, taking account of all relevant factors, in the interest of the Company.

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(d) Share prices

The highest and lowest prices at which Shares have been traded on the Stock Exchange during each of the twelve months preceding the issue of this document were as follows:

	Highest HK\$	Lowest HK\$
2004		
April	0.218	0.200
May	0.217	0.195
June	0.230	0.198
July	0.207	0.194
August	0.200	0.188
September	0.198	0.165
October	0.170	0.162
November	0.222	0.167
December	0.217	0.195
2005		
January	0.205	0.170
February	0.182	0.161
March	0.166	0.130
April (up to 6th April)	0.141	0.138

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(e) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates presently intends to sell Shares to the Company in the event that the Share Repurchase Mandate is granted to the Directors.

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the Share Repurchase Mandate in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the laws of the Cayman Islands.

As at 6th April, 2005, to the best knowledge of the Company, Mr. Dhanin Charavanont, who is a substantial shareholder of the Company through his own interest and interest in Ramon Limited, was interested in 3,434,269,019 Shares, representing 57.27 per cent. of the issued share capital of the Company. In the event that the Directors should exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the Share Repurchase Mandate, the shareholding of Mr. Dhanin Charavanont in the Company would be increased to 63.63 per cent. of the issued share capital of the Company. Such increase would not give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Code.

Hence, the Directors are not aware of any consequences which will arise under the Hong Kong Code on Takeovers and Mergers as a result of the exercise of the Share Repurchase Mandate.

The Company has not been notified by any connected person (as defined in the Listing Rules) that he has a present intention to sell Shares to the Company or has undertaken not to sell Shares held by him to the Company in the event that the Share Repurchase Mandate is granted to the Directors.

No repurchase of Shares has been made by the Company in the six months prior to the date of this document.

Yours faithfully,
Soopakij Chearavanont
Chairman

Hong Kong, 6th April, 2005