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# **EGANA GOLDPFEIL**

(HOLDINGS) LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

## **ISSUE OF UP TO US\$25,000,000 1.0 PER CENT. UNLISTED AND UNSECURED CONVERTIBLE BONDS DUE 2006**

On 27th February, 2003, the Company and CSFB entered into the Subscription Agreement in relation to the subscription of Bonds.

Under the Subscription Agreement, among other things, (i) the Company agreed to issue and CSFB agreed to purchase the Original Tranche 1 Bonds with an aggregate principal amount of US\$10,000,000 (equivalent to approximately HK\$78,000,000), (ii) the Company granted to CSFB an option during a limited period, to require the Company to issue the Additional Tranche 1 Bonds in the principal amount of up to US\$5,000,000 (equivalent to approximately HK\$39,000,000) on substantially the same terms as in the Original Tranche 1 Bonds and (iii) CSFB granted to the Company an option during a limited period and upon fulfillment of certain conditions, to issue and to require CSFB to subscribe and pay for the Tranche 2 Bonds in the aggregate principal amount of up to US\$10,000,000 (equivalent to approximately HK\$78,000,000) on substantially the same terms as in the Original Tranche 1 Bonds. The Bonds bear interest at the rate of 1.0 per cent per annum and are due on 27th February, 2006, being the Maturity Date.

Completion of the issue of the Bonds is subject to certain conditions which are set out in the paragraph headed "Conditions" below.

The Bonds are convertible into Shares at a conversion price equal to, at the option of CSFB, either (i) the Fixed Conversion Price; or (ii) the Floating Conversion Price.

Pursuant to the Subscription Agreement, the Company has also granted the Subscription Right to CSFB, pursuant to which CSFB is entitled to subscribe, in respect of each of the Original Tranche 1 Bonds, the Additional Tranche 1 Bonds and the Tranche 2 Bonds for new Shares up to 15% of the principal amount of the relevant Bonds issued divided by the relevant Base Price at a subscription price which equals to the Fixed Conversion Price for the relevant Bonds. The Subscription Right is exercisable by CSFB at any time from and including the closing date of the relevant Bonds up to and including the Maturity Date.

The terms of the Subscription Agreement were negotiated on an arm's length basis and the Directors believe that they are fair and reasonable so far as the Company is concerned.

The issue of Shares under the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds and the Subscription Right in respect thereof at either the Fixed Conversion Price

or the Floating Conversion Price are/will be granted pursuant to the Existing General Mandate granted to the Directors. If the Company shall exercise the option to issue the Bonds or the grant of the Subscription Right in respect of the Tranche 2 Bonds and it is not within the authority of the then available general mandate, the Company will seek the approval of the shareholders of the Company prior to the issue of the Tranche 2 Bonds.

## **SUBSCRIPTION AGREEMENT**

### **Date:**

27th February, 2003

### **Issuer:**

The Company

### **Bonds to be issued:**

Up to US\$25,000,000 1.0 per cent unlisted and unsecured convertible bonds due 2006 to be issued in up to two tranches.

### **Form of Bonds/Option for the issue of the Additional Tranche 1 Bonds and Tranche 2 Bonds:**

The convertible bonds shall be issued in up to two tranches with the Original Tranche 1 Bonds being issued on the First Closing Date.

The Company has granted an option to CSFB under the Subscription Agreement to require the Company to issue the Additional Tranche 1 Bonds.

CSFB may exercise such option once at any time commencing on the First Closing Date until Maturity Date. The aggregate principal amount of the Additional Tranche 1 Bonds to be issued pursuant to the exercise of such option by CSFB shall not exceed US\$5,000,000 (equivalent to approximately HK\$39,000,000). The Additional Tranche 1 Bonds shall be issued by the Company on the date falling 10 business days after exercise of such option by CSFB.

The Additional Tranche 1 Bonds shall, if issued, be on substantially the same terms as the Original Tranche 1 Bonds set out below save for, among other things, the aggregate principal amount, the number of Additional Tranche 1 Bonds and the number of Shares to be issued upon conversion.

CSFB has granted a single option to the Company under the Subscription Agreement to issue and require CSFB to subscribe and pay for the Tranche 2 Bonds subject to the satisfaction of certain conditions. Such option can be exercisable by the Company within 60 calendar days following and including the date of conversion of the last Original Tranche 1 Bonds. The Tranche 2 Bonds shall be issued by the Company on the date falling 10 business days after exercise of such option by the Company.

The Tranche 2 Bonds shall, if issued, be for an aggregate principal amount of up to US\$10,000,000 (equivalent to approximately HK\$78,000,000) and be on substantially the same terms as the Original Tranche 1 Bonds set out below save for, among other things, the Fixed Conversion Price for the Tranche 2 Bonds which shall be determined by reference to the closing prices of the Shares immediately prior to the Second Closing Date and shall be higher than HK\$1.6184.

**Subscriber of the Bonds:**

CSFB is not a connected person as defined in the Listing Rules.

**Principal amount of Original Tranche 1 Bonds:**

US\$10,000,000 (equivalent to approximately HK\$78,000,000), payable in cash by CSFB on the First Closing Date.

**First Closing Date:**

27th February, 2003

**Principal terms of the Bonds:**

*Interest:*

The Bonds bear interest from the First Closing Date in respect of the Original Tranche 1 Bonds, from the Additional Closing Date in respect of the Additional Tranche 1 Bonds and from the Second Closing Date in respect of the Tranche 2 Bonds (if issued) at the rate of 1.0 percent per annum. Interest is payable semi-annually in arrears on 30th June and 30th December in each year, with the first interest payment date to fall on 30th June, 2003 for the Original Tranche 1 Bonds.

*Transferability:*

CSFB agrees with the Company that it will not assign or transfer any of the Bonds to any third party other than its subsidiary or holding company or subsidiary of such a holding company without the prior written consent of the Company.

*Conversion price:*

At the option of CSFB, either at (i) the Fixed Conversion Price; or (ii) the Floating Conversion Price, provided that the conversion price shall not be less than the par value of the Shares on the date of conversion unless permitted by law and in compliance with the Listing Rules.

*Conversion period:*

The Bonds may be converted, at the option of CSFB, at any time from and including the date falling 50 business days after the First Closing Date (or the Second Closing Date in respect of the Tranche 2 Bonds, if issued) up to the close of business on the day falling one

week prior to the Maturity date by serving a conversion notice on the Company. Certificates in respect of the new Shares issued upon conversion shall be delivered within 2 business days after the relevant long form conversion notices and Bond certificates are delivered to the Company.

*Conversion shares:*

The Original Tranche 1 Bonds (and the Additional Tranche 1 Bonds and the Tranche 2 Bonds, if issued) are convertible into new Shares at the option of CSFB at either (i) the Fixed Conversion Price, or (ii) the Floating Conversion Price, in each case at any time during the relevant conversion period (as set out above). Such Shares which fall to be issued on conversion of the Bonds shall rank pari passu in all respects with the Shares in issue on the date of issue of such Shares pursuant to the conversion.

*Maturity:*

27th February, 2006

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem

- (i) in respect of the Original Tranche 1 Bonds, each outstanding Original Tranche 1 Bond on the Maturity Date by delivering to the Bondholder such number of Shares as results from dividing the principal amount of the Original Tranche 1 Bonds by the lower of the Fixed Conversion Price and the Floating Conversion Price in effect on the Maturity Date;
- (ii) in respect of the Additional Tranche 1 Bonds (if issued), each outstanding Additional Tranche 1 Bond at 100 per cent of the principal amount on the Maturity Date;
- (iii) in respect of the Tranche 2 Bonds (if issued), each outstanding Tranche 2 Bond at 100 per cent of its principal amount on the Maturity Date.

*Early Redemption:*

In certain circumstances set out in the terms and conditions of the Bonds, the Bonds may be redeemed early for an amount between 108 per cent and 110 per cent of the principal amount of the Bonds plus accrued interest. Circumstances under which the Bonds may be redeemed early include instances where the price of the Shares falls below a certain amount determined using the formula set out in the Subscription Agreement. Such terms have been agreed between the Company and CSFB after arm's length negotiations.

**Conditions:**

The obligation of CSFB to subscribe and pay for the Tranche 1 Bonds, or, as the case may be, the Tranche 2 Bonds, is conditional on, among other things, the satisfaction of certain conditions, including:

- (i) if required, the obtaining of the approval from the shareholders of the Company for the issue of the relevant Bonds and / or the issue and allotment of the new Shares and / or the conversion of the relevant Bonds into Shares not less than one business day prior to the closing date for the relevant Bonds; and
- (ii) the delivery by the Company to CSFB of certain documents specified in the Subscription Agreement by the closing date for the relevant Bonds. These documents include a legal opinion and a comfort letter from the auditors of the Company.

**Subscription Right:**

Pursuant to the Subscription Agreement, the Company also granted to CSFB an option in respect of each of the Original Tranche 1 Bonds, the Additional Tranche 1 Bonds and the Tranche 2 Bonds on the following terms:-

- (1) Exercise period: from and including the closing date of the relevant Bonds up to and including the Maturity date.
- (2) Exercise price: the Fixed Conversion Price of the relevant Bonds.
- (3) Maximum amount of Shares to be subscribed: up to 15% of the principal amount of the relevant Bonds issued divided by the relevant Base Price.

In respect of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds, the Subscription Right will, applying the Relevant Exchange Rate, give CSFB an option for the subscription of up to 9,035,336 and 4,517,668 new Shares respectively (representing approximately 0.80 and 0.40 per cent of the existing issued share capital of the Company respectively) at HK\$1.6184, being the Fixed Conversion Price for the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds, representing a premium of about 19 per cent over the closing price of HK\$1.36 per Share as at 26th February, 2003 (the business day immediately prior to the date of the Subscription Agreement).

The maximum number of new Shares which the Subscription Right in respect of the Tranche 2 Bonds will entitle CSFB to subscribe for cannot be ascertained at present since the Base Price in respect of the Tranche 2 Bonds cannot be determined now.

**General mandate:**

The maximum number of new Shares which may be issued upon conversion of the Original Tranche 1 Bonds based on the Fixed Conversion Price is 48,187,716 (applying the Relevant Exchange Rate) representing approximately 4.26 per cent and approximately 4.08 per cent of the existing issued share capital and the enlarged issued share capital respectively. Upon exercise of the Subscription Right in respect of the Original Tranche 1

Bonds in full (applying the Relevant Exchange Rate), 9,035,336 new Shares, representing approximately 0.80 per cent and approximately 0.79 per cent of the existing issued share capital and enlarged issued share capital respectively, will be issued by the Company. The total number of Shares which may be issued upon full conversion of the Original Tranche 1 Bonds and the exercise in full of the Subscription Right in respect of the Original Tranche 1 Bonds based on the Fixed Conversion Price is 57,223,052 Shares, representing approximately 5.06 per cent and approximately 4.81 per cent of the existing issued share capital and the enlarged issued share capital respectively, which Shares, will be issued pursuant to the Existing General Mandate.

If CSFB exercises its option to require the Company to issue the Additional Tranche 1 Bonds in full, the maximum number of new Shares which may be issued upon conversion of the Additional Tranche 1 Bonds based on the Fixed Conversion Price is 24,093,858 (applying the Relevant Exchange Rate) representing approximately 2.13 per cent and approximately 2.08 per cent of the existing issued share capital and the enlarged issued share capital (excluding any Shares which may be issued pursuant to the conversion of the Original Tranche 1 Bonds) respectively. Upon exercise of the Subscription Right in respect of the Additional Tranche 1 Bonds in full (applying the Relevant Exchange Rate), 4,517,668 new Shares, representing approximately 0.40 per cent and approximately 0.39 per cent of the existing issued share capital and enlarged issued share capital (excluding any Shares which may be issued pursuant to the conversion of the Original Tranche 1 Bonds) respectively, will be issued by the Company. The total number of Shares which may be issued upon full conversion of the Additional Tranche 1 Bonds and the exercise in full of the Subscription Right in respect of the Additional Tranche 1 Bonds based on the Fixed Conversion Price is 28,611,526 Shares, representing approximately 2.53 per cent and approximately 2.46 per cent of the existing issued share capital and the enlarged issued share capital (excluding any Shares which may be issued pursuant to the conversion of the Original Tranche 1 Bonds) respectively, which Shares, will also be issued pursuant to the Existing General Mandate.

Under the Existing General Mandate, a maximum of 213,904,224 new Shares may be issued as at the date of this announcement. The issue of Shares under the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds and the Subscription Right in respect thereof at either the Fixed Conversion Price or the Floating Conversion Price are/will be granted pursuant to the Existing General Mandate granted to the Directors.

If the Company shall exercise the option to issue the Bonds or the grant of the Subscription Right in respect of the Tranche 2 Bonds and it is not within the authority of the then available general mandate, the Company will seek the approval of the shareholders of the Company prior to the issue of the Tranche 2 Bonds and a separate announcement will be issued by the Company. If the Company decides to issue the Tranche 2 Bonds, it will comply with all relevant Listing Rules and applicable laws in respect of such issue and of the issue of Shares upon conversion of the Tranche 2 Bonds.

## **USE OF PROCEEDS AND REASON FOR THE BONDS ISSUE**

The net proceeds of approximately US\$9,787,500 (equivalent to approximately HK\$76,342,500) derived from the issue of the Original Tranche 1 Bonds, will be used for general working capital purposes. Net proceeds derived from the issue of the Additional Tranche 1 Bonds and the Tranche 2 Bonds will also be used for general working capital purposes and are not anticipated for usage in any specific projects.

The Directors consider that the terms of the Bonds are reasonable and the issue of the Bonds should help broaden the shareholder base of the Company.

## SHAREHOLDING STRUCTURE

As at the date of this announcement, the issued share capital of the Company is HK\$1,131,976,762 comprising 1,131,976,762 Shares. Peninsula International Limited (“Peninsula”) is currently the single largest shareholder of the Company, holding 446,698,475 Shares, representing approximately 39.46 per cent of the existing issued share capital. If the conversion right of the Original Tranche 1 Bonds is exercised in full and the maximum possible number of Shares are issued pursuant to the Subscription Right in respect of the Original Tranche 1 Bonds, 57,223,052 new Shares will be issued based on the Fixed Conversion Price, representing approximately 5.06 per cent and approximately 4.81 per cent of the existing issued share capital and the enlarged issued share capital respectively. The shareholding interests of all the shareholders of the Company will be proportionately diluted by approximately 4.81 per cent and the shareholding interest of Peninsula in the Company will be diluted correspondingly from approximately 39.46 per cent to approximately 37.56 per cent.

The shareholding structure of the Company before and after the conversion of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds and the exercise of Subscription Right in respect of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds based on the Fixed Conversion Price and the Relevant Exchange Rate will be as follows:

		<b>No. of Shares held by CSFB (assuming CSFB will not dispose of any Shares received pursuant to such conversion or exercise of such Subscription Right) and approximate percentage of shareholding</b>	<b>No. of Shares held by public excluding CSFB (assuming no further Shares are issued) and approximate percentage of shareholding</b>
	<b>Total no. of issued Shares (assuming no further Shares are issued)</b>	<b>No. of Shares held by Peninsula (assuming Peninsula will not acquire further Shares and no further Shares are issued) and approximate percentage of shareholding</b>	
As at the date of this announcement	1,131,976,762	446,698,475 (39.46%)	—  685,278,287 (60.54%)

Upon full conversion of the Original Tranche 1 Bonds (assuming no Shares are issued pursuant to the conversion of the Additional Tranche 1 Bonds or the exercise of the Subscription Right in respect of the Original Tranche 1 Bonds or the Additional Tranche 1 Bonds)	1,180,164,478	446,698,475 (37.85%)	48,187,716 (4.08%)	685,278,287 (58.07%)
Upon full conversion of the Original Tranche 1 Bonds and the exercise in full of the Subscription Right in respect of the Original Tranche 1 Bonds (assuming no Shares are issued pursuant to the conversion of the Additional Tranche 1 Bonds or the exercise of the Subscription Right in respect of the Additional Tranche 1 Bonds)	1,189,199,814	446,698,475 (37.56%)	57,223,052 (4.81%)	685,278,287 (57.63%)



Upon full conversion of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds and the exercise in full of the Subscription Right in respect of the Original Tranche 1 Bonds (assuming no Shares are issued pursuant to the exercise of the Subscription Right in respect of the Additional Tranche 1 Bonds)	1,213,293,672	446,698,475 (36.82%)	81,316,910 (6.70%)	685,278,287 (56.48%)
Upon full conversion of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds and the exercise in full of the Subscription Right in respect of the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds	1,217,811,340	446,698,475 (36.68%)	85,834,578 (7.05%)	685,278,287 (56.27%)

The possible impact of the issue of the Tranche 2 Bonds on the shareholding structure of the Company cannot be ascertained at present because the Fixed Conversion Price in respect of the Tranche 2 Bonds cannot be determined now. The Company will make a separate announcement if it decides to issue the Tranche 2 Bonds.

## LISTING

No application will be made for the listing of, or permission to deal in, the Bonds on the Stock Exchange or any other stock exchange. Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon conversion of the Original Tranche 1 Bonds, the Additional Tranche 1 Bonds, the Tranche 2 Bonds or upon exercise of the Subscription Right in relation to the Original Tranche 1 Bonds, the Additional Tranche 1 Bonds and the Tranche 2 Bonds.

## GENERAL

The Company will comply with all applicable Listing Rules in respect of any alterations in the terms of the Subscription Right after issue, except where the alterations take effect automatically under the existing terms of the Subscription Right. A separate announcement in respect of such change will be issued by the Company.

The Additional Tranche 1 Bonds and the Tranche 2 Bonds may or may not be issued and the Subscription Right in respect of the Original Tranche 1 Bonds, the Additional Tranche 1 Bonds and the Tranche 2 Bonds may or may not be exercised. The Company will issue a further announcement as required by the Listing Rules if any of the Additional Tranche 1 Bonds and the Tranche 2 Bonds are issued.

The terms of the Subscription Agreement were negotiated on an arm's length basis and the Directors believe that they are fair and reasonable so far as the Company is concerned.

The Company will ensure that each of the connected persons of the Company as defined in the Listing Rules will not subscribe for any of the Bonds at the issue of such securities and that, after the issue of the Bonds, the Company will undertake to the Stock Exchange to promptly notify the Stock Exchange upon becoming aware of any dealings by any of connected persons of the Company from time to time in the Bonds immediately upon the Company becoming aware of such dealings.

## DEFINITIONS

Unless otherwise defined herein, capitalized terms used in this announcement shall have the following meanings.

“Additional Closing Date”	the date on which the Additional Tranche 1 Bonds are issued (if applicable)
“Additional Tranche 1 Bonds”	convertible bonds with an aggregate principal amount of up to US\$5,000,000 which are to be issued by the Company on substantially the same terms as in the Original Tranche 1 Bonds and are to be purchased by CSFB pursuant to an option granted by the Company to CSFB

“Base Price”	the average closing price per Share for the 30 business days immediately prior to (i) the date of the Subscription Agreement, being HK\$1.2947 in this case, representing a discount of about 4.80 per cent over the closing price of HK\$1.36 per Share as at 26th February, 2003 (the business day immediately prior to the date of the Subscription Agreement) in respect of the Tranche 1 Bonds; and (ii) the Second Closing Date in respect of the Tranche 2 Bonds
“Bonds”	Tranche 1 Bonds and Tranche 2 Bonds (if applicable)
“business day”	any day on which the Stock Exchange is open for trading in Hong Kong
“CSFB”	Credit Suisse First Boston (Hong Kong) Limited, an independent third party not connected with any of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined under the Listing Rules)
“Company”	EganaGoldpfeil (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“Directors”	directors of the Company
“Existing General Mandate”	the general mandate (to issue or otherwise deal in 20 per cent of the issued share capital of the Company as at the date of passing the resolution) granted to the Directors by the shareholders of the Company pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 30th October, 2002, pursuant to which a maximum of 213,904,224 new Shares may be issued as at the date of this announcement
“First Closing Date”	27th February, 2003, the date on which the Original Tranche 1 Bonds were issued
“Fixed Conversion Price”	the conversion price of the Bonds into the Shares which is set at 125 per cent of the average closing price per Share for the 30 consecutive business days immediately prior to (i) the date of the Subscription Agreement, being HK\$1.2947, which is equivalent to HK\$1.6184 in this case, representing a premium of about 19 per cent over the closing price of HK\$1.36 per Share as at 26th February, 2003 (the business day immediately prior to the date of the Subscription Agreement) in respect of the Tranche 1 Bonds; and (ii) the Second Closing Date in respect of the Tranche 2 Bonds, both subject to adjustment

“Floating Conversion Price”	the conversion price of the Original Tranche 1 Bonds or, as the case may be, the Additional Tranche 1 Bonds and the Tranche 2 Bonds into the Shares which is set at 93 per cent of the average of any five closing prices per Share as selected by CSFB during the 30 consecutive business days immediately prior to the date on which short form conversion notice of CSFB is received by the Company and such price shall not be less than the par value of the Shares (currently at HK\$1.00) on the date of conversion
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	27th February, 2006, the date on which the Original Tranche 1 Bonds or as the case may be, the Additional Tranche 1 Bonds and / or the Tranche 2 Bonds mature
“Original Tranche 1 Bonds”	Convertible bonds with an aggregate principal amount of US\$10,000,000 due 2006 to be issued by the Company and purchased by CSFB pursuant to the Subscription Agreement
“Relevant Exchange Rate”	the exchange rate of US\$1.00 to HK\$7.7987 as reported by Bloomberg on page “HKD Currency HP” at 5:00 p.m. (Hong Kong time) on 26th February, 2003, being the day immediately preceding the date of the Subscription Agreement
“Second Closing Date”	the date on which the Tranche 2 Bonds are issued (if applicable)
“Share(s)”	Ordinary share(s) of HK\$1.00 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the agreement dated 27th February, 2003 entered into between the Company and CSFB relating to the subscription of the Bonds
“Subscription Right”	the option granted by the Company to CSFB in respect of each of the Original Tranche 1 Bonds, the Additional Tranche 1 Bonds and the Tranche 2 Bonds for the subscription of such number of new Shares in accordance with the Subscription Agreement
“Tranche 1 Bonds”	the Original Tranche 1 Bonds and the Additional Tranche 1 Bonds (if applicable)

“Tranche 2 Bonds”      Convertible bonds with an aggregate principal amount of up to US\$10,000,000 which are to be issued by the Company on substantially the same terms as in the Original Tranche 1 Bonds and are to be purchased by CSFB pursuant to an option granted by CSFB to the Company under the Subscription Agreement

*Unless otherwise specified in this announcement, US\$1.00 = HK\$7.80. No representation is made that any amounts in US\$ or HK\$ could have been or could be converted at such a rate or at any other rates or at all.*

By Order of the Board  
**Hans-Joerg SEEBERGER**  
*Chairman and Chief Executive*

Hong Kong, 27th February, 2003

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