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# **EGANA GOLDPFEIL**

(HOLDINGS) LIMITED

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

## **AMENDMENT TO TERMS AND CONDITIONS OF EXISTING BONDS, ISSUE OF ADDITIONAL TRANCHE 1 AND TRANCHE 2 BONDS AND SUBSCRIPTION AGREEMENT FOR THE ISSUE OF TRANCHE 3 BONDS**

Reference is made to the Company's announcements dated 27th February, 2003 and 9th June, 2003 in connection with the issue of up to US\$25,000,000 bonds to Credit Suisse First Boston (Hong Kong) Limited under an existing subscription agreement dated 27th February, 2003 and certain amendments to the terms and conditions of the Bonds.

The Company announces that on 15th January, 2004, (i) Credit Suisse First Boston (Hong Kong) Limited and the Company entered into an amendment agreement relating to the outstanding bonds under the Original Tranche 1 Bonds to amend certain terms and conditions of the Existing Bonds as defined below to be effective from 15th January, 2004, (ii) the Company agreed to issue and Credit Suisse First Boston (Hong Kong) Limited agreed to purchase the Additional Tranche 1 Bonds and the Tranche 2 Bonds in an aggregate principal amount of US\$15,000,000 (approximately HK\$117,000,000) under the existing subscription agreement as amended by an agreement dated 15th January, 2004, and (iii) the Company and Credit Suisse First Boston (Hong Kong) Limited entered into a further subscription agreement pursuant to which the Company granted to Credit Suisse First Boston (Hong Kong) Limited a further additional option, exercisable once at any time from and including 15th January, 2005 to and including 27th February, 2006, to require the Company to issue an aggregate principal amount of US\$10,000,000 bonds on substantially the same terms as the Bonds issued pursuant to the existing subscription agreement as amended.

Shares which would fall to be issued upon conversion of the Additional Tranche 1 Bonds and the Tranche 2 Bonds and exercise in full of the subscription right in respect thereof will be issued pursuant to the general mandate granted by the shareholders of the Company in the annual general meeting held on 30th October, 2002 and if required, any subsequent mandate granted to the Directors. The maximum number of Shares to be issued upon conversion of the Tranche 3 Bonds and exercise in full of the related Subscription Right shall be issued pursuant to the general mandate to be granted by the shareholders of the Company in the annual general meeting to be held during the 2004 calendar year. If required, the Company will, prior to the issue of the bonds under the subscription agreement dated 15th January, 2004, seek the approval of its shareholders for the issue of such bonds, and the issue of the maximum number of shares which would fall to be issued upon conversion of such bonds and exercise of the subscription right in relation thereto.

The amendment agreement relating to the outstanding bonds under the Original Tranche 1 Bonds and the additional subscription agreement were negotiated on an arm's length basis and the Directors consider that they are fair and reasonable so far as the Company is concerned.

Reference is made to the Company's announcements dated 27th February, 2003 and 9th June, 2003 in connection with the issue of up to US\$25,000,000 bonds to Credit Suisse First Boston (Hong Kong) Limited ("CSFB"), who is not a connected person as defined under the Listing Rules, under a subscription agreement dated 27th February, 2003 (the "Existing Subscription Agreement") and certain amendments to the terms and conditions of the Bonds. Unless the context otherwise requires, the terms used in this announcement shall have the same respective meanings as set out in the abovementioned Company's announcements.

On 27th February, 2003, CSFB subscribed and paid for the Original Tranche 1 Bonds in the principal amount of US\$10,000,000 under the Existing Subscription Agreement. As at the date of this announcement, US\$1,000,000 of the Original Tranche 1 Bonds has been converted into new Shares and US\$9,000,000 thereof (the "Existing Bonds") is outstanding. On 9th June, 2003, the Company and CSFB agreed to amend certain terms and conditions relating to the redemption of the Bonds on maturity and the early redemption of the Bonds. Pursuant to the Existing Subscription Agreement and the Amendment, among other things, (i) the Company granted to CSFB an option to issue the Additional Tranche 1 Bonds in the principal amount of up to US\$5,000,000 (approximately HK\$39,000,000) and (ii) CSFB granted to the Company an option to issue and require CSFB to subscribe and pay for the Tranche 2 Bonds in the principal amount of up to US\$10,000,000 (approximately HK\$78,000,000). The Additional Tranche 1 Bonds and the Tranche 2 Bonds shall be issued upon substantially the same terms as the Original Tranche 1 Bonds save for, among other things, the aggregate principal amount, the number of Shares to be issued upon conversion and the Fixed Conversion Price for the Tranche 2 Bonds.

On 15th January, 2004, (i) the Company and CSFB entered into an agreement (the "Agreement") to amend certain terms and conditions of the Existing Bonds, (ii) the Company issued and CSFB purchased the Additional Tranche 1 Bonds and the Tranche 2 Bonds in the aggregate principal amount of US\$15,000,000 (approximately HK\$117,000,000) under the Existing Subscription Agreement as amended by the Agreement, and (iii) the Company and CSFB entered into a further subscription agreement dated 15th January, 2004 (the "Tranche 3 Subscription Agreement") pursuant to which the Company granted to CSFB a further additional option, exercisable once at any time from and including 15th January, 2005 to and including 27th February, 2006, to require the Company to issue an aggregate principal amount of US\$10,000,000 bonds on substantially the same terms as the Bonds issued pursuant to the Agreement.

#### **THE AGREEMENT RELATING TO THE ORIGINAL TRANCHE 1 BONDS AND ISSUE OF ADDITIONAL TRANCHE 1 BONDS AND TRANCHE 2 BONDS UNDER THE EXISTING SUBSCRIPTION AGREEMENT AS AMENDED**

The Company and CSFB entered into the Agreement to amend certain terms and conditions of the Existing Bonds effective from 15th January, 2004. The amendments shall have the same effect in respect of the terms and conditions of each of the Additional Tranche 1 Bonds and the Tranche 2 Bonds. The principal conditions of the Bonds are amended as under:

*Interest:*

The rate of interest shall be amended from 1.0 per cent. per annum to 0.5 per cent. per annum.

*Conversion Price:*

The Bonds shall be convertible into Shares, at the option of CSFB, either at the Fixed Conversion Price (subject to adjustments) or the Floating Conversion Price, provided that the conversion price shall not be less than the par value of the Shares (currently HK\$1.00) on the date of conversion unless permitted by law and in compliance with the Listing Rules.

Pursuant to the terms of the Existing Subscription Agreement, the Fixed Conversion Price for the Additional Tranche 1 Bonds is HK\$1.6184, which is equal to the Fixed Conversion Price for the Original Tranche 1 Bonds and that for the Tranche 2 Bonds is HK\$2.0604, which is set at 125 per cent. of the average closing price per Share for the 30 consecutive business days immediately prior to the Second Closing Date, 15th January, 2004. The Fixed Conversion Price for the Tranche 2 Bonds of HK\$2.0604 represents a premium of about 11.4 per cent. of the closing price of HK\$1.85 per Share as at 14th January, 2004.

The Floating Conversion Price shall be amended from 93 per cent. to 90 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.

*Maturity:*

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each outstanding Original Tranche 1 Bonds, Additional Tranche 1 Bonds and Tranche 2 Bonds at 100 per cent. of its principal amount on the Maturity Date, 27th February, 2006.

*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 104 per cent. and 108 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 as defined falls below a certain amount and where the number of Shares which would fall to be issued upon conversion of the Bonds or the Subscription Right is greater than the number of Shares available under the existing general mandate or any subsequent mandate granted to the Directors.

**Use of Proceeds and Reasons for the Issue**

The net proceeds of approximately US\$14,710,000 (approximately HK\$114,738,000) derived from the issue of the Additional Tranche 1 Bonds and Tranche 2 Bonds will be used for extending distribution network in the PRC and the Far East and for general working capital purposes. 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.

## **TRANCHE 3 SUBSCRIPTION AGREEMENT DATED 15TH JANUARY, 2004**

The Company granted to CSFB a further additional option to require the Company to issue an aggregate principal amount of US\$10,000,000 0.5 per cent. bonds convertible into Shares (the “Tranche 3 Bonds”) on substantially the same terms as the Bonds issued under the Agreement save for, among other things, the aggregate principal amount, the number of the Tranche 3 Bonds, the number of Shares to be issued upon conversion and the maturity date which shall be the 3rd anniversary of the issue of the Tranche 3 Bonds. CSFB may exercise such option once at any time from and including 15th January, 2005 to and including 27th February, 2006. The Tranche 3 Bonds shall be issued on the date falling 10 business days after exercise of such option by CSFB.

The Company will issue a further announcement as required by the Listing Rules if any of the Tranche 3 Bonds is issued.

### **GENERAL MANDATE**

Under 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 in the annual general meeting held on 30th October, 2002, a maximum of 218,640,497 Shares may be issued as at the date of this announcement. Shares to be issued upon conversion of the Existing Bonds, the Additional Tranche 1 Bonds, the Tranche 2 Bonds and exercise of the Subscription Right in respect thereof shall be issued pursuant to the general mandate granted to the Directors on 30th October, 2002. The Company has undertaken that, upon the granting of the general mandate to the directors of the Company pursuant to a resolution of the shareholders of the Company in the annual general meeting to be held during the 2004 calendar year, the Company shall immediately allocate part or all of such general mandate for the issue of the maximum number of Shares which would fall to be issued upon conversion of the Tranche 3 Bonds and exercise of the Subscription Right in respect thereof, assuming the Fixed Conversion Price shall be HK\$2.0604.

### **SHAREHOLDING STRUCTURE**

As at the date of this announcement, the issued share capital of the Company is HK\$1,153,676,051 comprising of 1,153,676,051 Shares. Peninsula International Limited (“Peninsula”) is currently the single largest shareholder of the Company, holding 459,122,553 Shares, representing approximately 39.8 per cent. of the existing issued share capital. If the conversion right of the Existing Bonds, Additional Tranche 1 Bonds and Tranche 2 Bonds is exercised in full and the maximum possible number of Shares are issued pursuant to the Subscription Right in respect of the Bonds, 125,644,064 new Shares will be issued based on the applicable Fixed Conversion Price, representing approximately 10.9 per cent. and approximately 9.8 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 9.8 per cent. and the shareholding interest of Peninsula in the Company will be diluted correspondingly from approximately 39.8 per cent. to approximately 35.9 per cent.

The shareholding structure of the Company before and after the conversion of the Existing Bonds, the Additional Tranche 1 Bonds, the Tranche 2 Bonds and the exercise of Subscription Right in respect of the Bonds based on the applicable Fixed Conversion Price and the relevant exchange rate of US\$1.00 to HK\$7.7987 as disclosed in the announcement dated 27th February, 2003 in respect of the Existing Bonds and of US\$1.00 to HK\$7.7647 in respect of both the Additional Tranche 1 Bonds and the Tranche 2 Bonds as reported by Bloomberg on page “HKD Currency HP” at 5:00p.m. (Hong Kong time) on 14th January, 2004, being the day immediately preceding the date of the Additional Closing Date and the Second Closing Date under the terms and conditions of the Existing Subscription Agreement will be as follows:

	<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>	<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>
As at the date of this announcement	1,153,676,051	459,122,553 (39.8%)	—	694,553,498 (60.2%)
Upon full conversion of the Existing Bonds, the Additional Tranche 1 Bonds and the Tranche 2 Bonds (assuming no Shares are issued pursuant to the exercise of the Subscription Right in respect of the Tranche 1 Bonds or the Tranche 2 Bonds)	1,258,720,709	459,122,553 (36.5%)	105,044,658 (8.4%)	694,553,498 (55.2%)
Upon full conversion of the Existing Bonds, the Additional Tranche 1 Bonds, the Tranche 2 Bonds and the exercise in full of the Subscription Right in respect of the Bonds	1,279,320,115	459,122,553 (35.9%)	125,644,064 (9.8%)	694,553,498 (54.3%)

The shareholding structure of the Company before and after the conversion of the Existing Bonds, the Additional Tranche 1 Bonds, the Tranche 2 Bonds and the exercise of Subscription Right in respect of the Bonds based on the conversion price of par value (currently HK\$1.00) and applying an exchange rate of US\$1.00 = HK\$7.80 will be as follows:

	<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>	<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>
As at the date of this announcement	1,153,676,051	459,122,553 (39.8%)	—	694,553,498 (60.2%)
Upon full conversion of the Existing Bonds (assuming no Shares are issued pursuant to the exercise of the Subscription Right in respect of the Tranche 1 Bonds or the Tranche 2 Bonds)	1,223,876,051	459,122,553 (37.5%)	70,200,000 (5.7%)	694,553,498 (56.8%)
Upon full conversion of the Existing Bonds and the Additional Tranche 1 Bonds (assuming no Shares are issued pursuant to the exercise of the Subscription Right in respect of the Tranche 1 Bonds or the Tranche 2 Bonds)	1,262,876,051	459,122,553 (36.4%)	109,200,000 (8.6%)	694,553,498 (55.0%)
Upon full conversion of the Existing Bonds, the Additional Tranche 1 Bonds and the Tranche 2 Bonds (assuming no Shares are issued pursuant to the exercise of the Subscription Right in respect of the Tranche 1 Bonds or the Tranche 2 Bonds)	1,340,876,051	459,122,553 (34.2%)	187,200,000 (14.0%)	694,553,498 (51.8%)
Upon full conversion of the Existing Bonds, the Additional Tranche 1 Bonds, the Tranche 2 Bonds and the exercise in full of the Subscription Right in respect of the Bonds	1,361,529,537	459,122,553 (33.7%)	207,853,486 (15.3%)	694,553,498 (51.0%)

The impact of the issue of the Tranche 3 Bonds on the shareholding structure of the Company cannot be ascertained as at the date of this announcement because the fixed conversion price for the Tranche 3 Bonds cannot be determined now.

## **LISTING**

No application will be made for the listing of, or permission to deal in, the Additional Tranche 1 Bonds, the Tranche 2 Bonds and the Tranche 3 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 such bonds and exercise of the related Subscription Right. Such approval shall be obtained on or before 4th February, 2004.

## **GENERAL**

The Company will comply with all applicable Listing Rules in respect of any alterations in the terms of the Bonds after issue, except where the alterations take effect automatically under the existing terms of the Bonds. The Company will issue a separate announcement in respect of such alterations (if any). The Company will issue a further announcement if any of the Tranche 3 Bonds are issued.

The terms of the Agreement and the Tranche 3 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 disclose to the Stock Exchange 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.

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

Hong Kong, 15th January, 2004

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