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EGANA
JEWELLERY & PEARLS LIMITED
(Incorporated in the Cayman Islands with limited liability)

**ISSUE OF UP TO US\$45,000,000 1.5 PER CENT.
UNLISTED AND UNSECURED CONVERTIBLE BONDS DUE 2009**

On 10 February 2004, the Company and Merrill Lynch entered into the Subscription Agreements in relation to the subscription by Merrill Lynch of the Bonds and the grant by the Company to Merrill Lynch of the Subscription Rights.

Subject to the fulfilment of certain conditions, which are set out in the paragraph headed “Conditions” below, the Bonds are to be issued in up to five tranches. Tranche 1 Bonds with an aggregate principal amount of US\$10,000,000 (equivalent to approximately HK\$77,685,000) will be issued on the First Closing Date. The Company agrees to issue and sell to the Bondholders up to an aggregate principal amount of US\$5,000,000 (equivalent to approximately HK\$38,842,500) of the Tranche 1a Bonds. In addition, the Company has an option to issue to the Bondholders up to an aggregate principal amount of US\$5,000,000 of the Tranche 2a Bonds within a specified period as stated below. The Company has also granted the Bondholders options to subscribe for up to an aggregate principal amount of US\$5,000,000 (equivalent to approximately HK\$38,842,500) of each of the Tranche 2a Bonds, the Tranche 3a Bonds and the Tranche 4a Bonds within certain specified periods as stated below. In the event that Merrill Lynch exercises the option to subscribe for the Tranche 2a Bonds or, as the case may be, the Company exercises the option to issue the Tranche 2a Bonds, the Company shall have the option to issue and sell to the Bondholders up to an aggregate principal amount of U.S.\$5,000,000 (equivalent to approximately HK\$38,842,500) of the Tranche 2b Bonds. In the event that the Bondholders exercise the option to subscribe for the Tranche 3a Bonds or Tranche 4a Bonds (as the case may be), the Company shall have the option to issue and sell to the Bondholders an aggregate principal amount of up to U.S.\$5,000,000 (equivalent to approximately HK\$38,842,500) of each of the Tranche 3b Bonds, or as the case may be, the Tranche 4b Bonds. These further Bonds will have substantially the same terms as the Tranche 1 Bonds. Merrill Lynch may exercise its options in whole or in part (in the amount of US\$1,000,000 or its integral multiples), in respect of each tranche of these Bonds.

The Bonds bear interest at the rate of 1.5 per cent. per annum and are due on 31 March 2009, being the Maturity Date. They are convertible into Shares at a conversion price equal to, at the option of Merrill Lynch, either (i) the Fixed Conversion Price; or (ii) the Floating Conversion Price. The Bonds are non-transferable (except within the Merrill Lynch group of companies).

In respect of each tranche of Bonds, the Company has also granted the Subscription Rights to Merrill Lynch to subscribe for new Shares up to 15 per cent. of the principal amount of the relevant Bonds issued divided by the Base Price, at a subscription price which is equal to the Fixed Conversion Price. The Subscription Rights in relation to each tranche of Bonds are non-transferable and are exercisable by Merrill Lynch at any time from and including the date of issue of the relevant tranche of Bonds up to and including the Maturity Date, irrespective of whether Merrill Lynch exercises its rights to convert the relevant tranche of Bonds into Shares.

The Shares which may fall to be issued upon conversion of the Tranche 1 Bonds are to be issued and exercise of the related Subscription Rights will be issued pursuant to the Existing General Mandate. Their issue is also conditional upon the Listing Committee of the Stock Exchange granting listing of and permission to deal in such Shares. In the event the number of Shares to be issued upon conversion of such tranches of the Bonds and/or the exercise of the related Subscription Rights does not fall within the Existing General Mandate, the Company shall immediately seek approval from the shareholders of the Company for the issue of such additional Shares.

The issue of the remainder of the Bonds and the grant of the related Subscription Rights is conditional upon shareholders approval of the Company being obtained if the proposed issue of Shares on conversion of the Bonds exceeds the number of Shares authorized to be issued under the general mandate to issue Shares granted by shareholders of the Company to the Directors from time to time and the requisite listing approval being obtained.

THE SUBSCRIPTION AGREEMENTS

On 10 February 2004, the Company entered into the Subscription Agreements with Merrill Lynch, containing the terms set out below.

Issuer:

The Company

Subscriber of the Bonds:

Merrill Lynch, which is not a connected person of the Company as defined in the Listing Rules.

Bonds to be issued:

Up to US\$45,000,000 1.5 per cent. unlisted and unsecured convertible bonds due 2009 to be issued in up to five tranches.

Tranche 1 Bonds:

The aggregate principal amount of the Tranche 1 Bonds is US\$10,000,000 (equivalent to approximately HK\$77,685,000), payable in cash by Merrill Lynch on the business day immediately following the fulfilment of the Initial Conditions.

Options for the issue of the Tranche 1a Bonds, Tranche 2a Bonds, Tranche 2b Bonds, Tranche 3a Bonds, Tranche 3b Bonds, Tranche 4a Bonds and Tranche 4b Bonds:

The Company agrees to issue an aggregate principal amount of up to US\$5,000,000 (equivalent to approximately HK\$38,842,500) of the Tranche 1a Bonds (with a minimum issue amount of US\$1,000,000) at any time from and including the 45th to and including the 150th day after the First Closing Date, subject to fulfilment of certain conditions as set out in the paragraph headed “Conditions”, and Merrill Lynch has agreed to subscribe for all of the Tranche 1a Bonds issued by the Company on the Tranche 1a Closing Date.

Subject to the fulfilment of certain conditions as set out in the paragraph headed “Conditions”, the Company (i) has the option to issue, and the Bondholders agree to subscribe for, if the Company exercises the option to issue, an aggregate principal amount of up to US\$5,000,000 (equivalent to approximately HK\$38,842,500) of the Tranche 2a Bonds at any time from and including the 151st to and including the 250th day after the First Closing Date; and (ii) has granted an option to the Bondholders under the Subscription Agreements to subscribe for any or all of the Tranche 2a Bonds at any time from and including the 151st to and including the 250th day after the First Closing Date.

Subject to the fulfilment of certain conditions as set out in the paragraph headed “Conditions”, the Company has granted options to the Bondholders under the Subscription Agreements to (i) subscribe for up to an aggregate principal amount of US\$5,000,000 (equivalent to approximately HK\$38,842,500) of the Tranche 3a Bonds at any time from and including the 251st to and including the 350th day after the First Closing Date; and (ii) subscribe for up to an aggregate principal amount of US\$5,000,000 (equivalent to approximately HK\$38,842,500) of the Tranche 4a Bonds at any time from and including the 351st to and including the 500th day after the First Closing Date.

In the event that Merrill Lynch exercises the option to subscribe for any or all of the Tranche 2a Bonds or, as the case may be, the Company exercises its option to issue any or all of the Tranche 2a Bonds, the Company shall have the option, on the Second Closing Date, to issue to the Bondholders any or all of the Tranche 2b Bonds, in which case the Bondholders shall subscribe and pay for all of the Tranche 2 Bonds issued on the Second Closing Date. In the event that Merrill Lynch exercises its option to require the Company to issue any or all of the Tranche 3a Bonds or as the case may be, the Tranche 4a Bonds, the Company shall have the option, on the Third Closing Date or the Fourth Closing Date, as the case may be, to issue to the Bondholders any or all of the Tranche 3b Bonds or, as the case may be, any or all of the Tranche 4b Bonds, in which case the Bondholders shall subscribe and pay for all of the Tranche 3 Bonds or as the case may be, the Tranche 4 Bonds, issued on the closing dates of the respective tranche of Bonds. The terms of these Bonds will be substantially the same as those for the Tranche 1 Bonds. The minimum amount of Bonds which are to be issued upon the exercise of the options is US\$1,000,000.

The Company will issue a further announcement as required by the Listing Rules if any further tranches of the Bonds are issued.

Principal terms of the Bonds:

Interest:

The Bonds bear interest from the closing dates in respect of which the relevant Bonds are issued to the Maturity Date (unless converted or redeemed) at the rate of 1.5 per cent. per annum.

Transferability:

Merrill Lynch has agreed with the Company that it will not assign or transfer any of the Bonds to any third party, other than to a subsidiary or holding company or subsidiary of such a holding company, without the prior written consent of the Company.

Conversion price:

The Bonds could be converted, at the option of Bondholder, either at (i) the Fixed Conversion Price (subject to adjustments) or (ii) the Floating Conversion Price, provided that the conversion price shall not be less than the par value (of HK\$0.50) 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 Bondholder, at any time if converted at the Fixed Conversion Price, from and including the First Closing Date in respect of the Tranche 1 Bonds (or the Tranche 1a Closing Date in respect of the Tranche 1a Bonds, the Second Closing Date in respect of the Tranche 2 Bonds, the Third Closing Date in respect of the Tranche 3 Bonds and the Fourth Closing Date in respect of the Tranche 4 Bonds (in each case, if issued)) up to the close of business on the day falling one week prior to the Maturity Date.

The Bonds may be converted, at the option of Bondholder, according to the following schedule if converted at the Floating Conversion Price. In respect of the Tranche 1 Bonds and Tranche 1a Bonds, the Bondholders may convert up to (i) US\$5,000,000 in aggregate principle amount from the First Closing Date to and including the 60th day after First Closing Date; (ii) US\$10,000,000 in aggregate principle amount from the First Closing Date to and including the 120th day after the First Closing Date; and (iii) US\$15,000,000 in aggregate principal amount at any time on or after the 121st day from the First Closing Date. In respect of the Tranche 2 Bonds, the Bondholders may convert up to (i) US\$5,000,000 in aggregate principle amount from the Second Closing Date to and including the 60th day after Second Closing Date; (ii) US\$7,500,000 in aggregate principle amount from the Second Closing Date to and including the 120th day after the Second Closing Date; and (iii) US\$10,000,000 in aggregate principal amount at any time on or after the 121st day from the Second Closing Date. In respect of the Tranche 3 Bonds, the Bondholders may convert up to (i) US\$5,000,000 in aggregate principle amount from the Third Closing Date to and including the 60th day after Third Closing Date; (ii) US\$7,500,000 in aggregate principle amount from the Third Closing Date to and including the 120th day after the Third Closing Date; and (iii) US\$10,000,000 in aggregate principal amount at any time on or after the 121st day from the

Third Closing Date. In respect of the Tranche 4 Bonds, the Bondholders may convert up to (i) US\$5,000,000 in aggregate principle amount from the Fourth Closing Date to and including the 60th day after Fourth Closing Date; (ii) US\$7,500,000 in aggregate principle amount from the Fourth Closing Date to and including the 120th day after the Fourth Closing Date; and (iii) US\$10,000,000 in aggregate principal amount at any time on or after the 121st day from the Fourth Closing Date.

Conversion shares:

The Bonds may be converted into Shares which shall rank pari passu in all respects with the Shares in issue on the respective date(s) of issue of such Shares.

Maturity:

All the Bonds mature on 31 March 2009

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each outstanding Bond at 100 per cent. of its principal amount on the Maturity Date.

Early Redemption:

The Company may, at any time prior to 30 March 2007, redeem the Bonds at an amount equal to 108 per cent. of the principal amount of the Bonds plus accrued interest, provided that the closing price of the Shares has remained below HK\$0.60 per share for at least 10 consecutive trading days, by giving written notice to the Bondholders in accordance with the Subscription Agreements.

At the written request of Merrill Lynch, the Bonds may also be early redeemed at an amount equal to 108 per cent. of its principal amount of the Bonds plus accrued interest at any time (i) after the First Closing Date if the closing price per Share has remained below HK\$0.60 for at least 10 consecutive trading days immediately preceding the date on which Merrill Lynch exercises its right of redemption in accordance with the Subscription Agreements; or (ii) on or prior to 2 September 2004 if the aggregate number of Shares held by EganaGoldpfeil at any time falls below 220 million Shares; or (iii) after 2 September 2004 if the aggregate number of Shares held by EganaGoldpfeil at any time falls below 200 million Shares.

Subscription Rights:

Subject to fulfilment of certain conditions as outlined below, the Company also granted to Merrill Lynch the following Subscription Rights in respect of each of the tranche of the Bonds on the following terms:-

- (1) *Exercise period:* the Subscription Rights are exercisable from and including the date of first issue of the relevant Bonds, up to and including the Maturity Date.
- (2) *Exercise price:* the price at which each new Share may be subscribed is the Fixed Conversion Price, subject to adjustment.

- (3) *Maximum amount of Shares to be subscribed:* Merrill Lynch may subscribe for shares representing up to 15 per cent. of the principal amount of the relevant Bonds issued divided by the Base Price.
- (4) *Transferability:* The Subscription Rights are personal to Merrill Lynch and is not transferable.

Conditions:

The issue of the Tranche 1 Bonds and the grant of the related Subscription Rights are conditional on, among other things, the satisfaction of certain conditions, including the obtaining of the approval from the Listing Committee of the Stock Exchange for listing of and permission to deal in the new Shares which fall to be issued upon conversion of the Tranche 1 Bonds and the exercise of the related Subscription Rights by Merrill Lynch. Such approval is anticipated to be obtained on or before 24 February 2004.

The issue of each of the Tranche 1a Bonds, Tranche 2a Bonds, Tranche 2b Bonds, Tranche 3a Bonds, Tranche 3b Bonds, Tranche 4a Bonds, the Tranche 4b Bonds and the grant of the related Subscription Rights are conditional on, among other things, the satisfaction of certain conditions, including:

- (i) the obtaining of the approval from Listing Committee of the Stock Exchange for listing of and permission to deal in the new Shares which fall to be issued upon conversion of the relevant tranche of the Bonds and the exercise of the related Subscription Rights; and
- (ii) the obtaining of the approval from the shareholders of the Company for the issue of the relevant tranche of the Bonds and the issue and allotment of the new Shares which fall to be issued upon conversion of those Bonds and the exercise of the related Subscription Rights if the proposed issue of Shares on conversion of the Bonds and exercise of the related Subscription Rights exceeds the number of Shares authorized to be issued under the general mandate to issue Shares granted by shareholders of the Company to the Directors from time to time.

Authority for the issue of the Bonds and the grant of the Subscription Rights:

The shares which may fall to be issued upon conversion of the Tranche 1 Bonds and exercise of the related Subscription Rights will be issued pursuant to the Existing General Mandate. In the event the number of Shares to be issued upon conversion of such tranches of the Bonds and/or the exercise of the related Subscription Rights does not fall within the Existing General Mandate, the Company shall immediately seek approval from the shareholders of the Company for the issue of such additional Shares. The issue of the Tranche 1a Bonds, the Tranche 2a Bonds, the Tranche 2b Bonds, the Tranche 3a Bonds, the Tranche 3b Bonds, the Tranche 4a Bonds and the Tranche 4b Bonds, and the grant of related Subscription Rights are subject to the approval of the shareholders of the Company if the proposed issue of Shares on conversion of the Bonds and exercise of the related Subscription Rights exceeds the number of Shares authorized to be issued under the general mandate to issue Shares granted by shareholders of the Company to the Directors from time to time. The

maximum number of new Shares which may be issued upon full conversion of each tranche of the Bonds based on the Assumed Floating Conversion Price, and the full exercise of the Subscription Rights relating thereto based on the Base Price, in each case based on the Relevant Exchange Rate are as follows:-

	(1) Maximum number of Shares which fall to be issued (note 1)	(2) Percentage of issued ordinary share capital (note 2)	(3) Percentage of enlarged issued ordinary share capital (note 3)
Tranche 1 Bonds	43,399,441	14.0	12.3
Subscription Rights relating to Tranche 1 Bonds	5,548,928	1.8	1.8
Tranche 1a Bonds	21,699,720	7.0	6.5
Subscription Rights relating to Tranche 1a Bonds	2,774,464	0.9	0.9
Tranche 2a Bonds	21,699,720	7.0	6.5
Subscription Rights relating to Tranche 2a Bonds	2,774,464	0.9	0.9
Tranche 2b Bonds	21,699,720	7.0	6.5
Subscription Rights relating to Tranche 2b Bonds	2,774,464	0.9	0.9
Tranche 3a Bonds	21,699,720	7.0	6.5
Subscription Rights relating to Tranche 3a Bonds	2,774,464	0.9	0.9
Tranche 3b Bonds	21,699,720	7.0	6.5
Subscription Rights relating to Tranche 3b Bonds	2,774,464	0.9	0.9
Tranche 4a Bonds	21,699,720	7.0	6.5
Subscription Rights relating to Tranche 4a Bonds	2,774,464	0.9	0.9
Tranche 4b Bonds	21,699,720	7.0	6.5
Subscription Rights relating to Tranche 4b Bonds	2,774,464	0.9	0.9

Notes:

1. Assumes exercise in full of the conversion rights of the Bonds based on the Assumed Floating Conversion Price or (as the case may be) the Subscription Rights in respect of the relevant tranche of the Bonds based on the Base Price, in each case based on the Relevant Exchange Rate.
2. The total issued ordinary share capital of the Company as at the date of this announcement is 310,205,869 Shares.
3. The enlarged issued ordinary share capital used for such calculations is the aggregate of the existing issued ordinary share capital of the Company and the maximum number of Shares which could be issued pursuant to the relevant tranche of the Bonds or the Subscription Rights (as the case may be), and no change otherwise to the issued ordinary share capital of the Company.

Based on the assumptions set out above, the maximum number of Shares which could be issued upon the full conversion of all the Bonds and the full exercise related Subscription Rights are 220,267,660 Shares, representing 71.0% of the existing issued share capital of the Company and 41.5% of the issued share capital of the Company enlarged by the issue of such Shares.

USE OF PROCEEDS AND REASON FOR THE BONDS ISSUE

The net proceeds of approximately HK\$75,000,000 derived from the issue of the Tranche 1 Bonds will be used entirely for general working capital purpose. The Company currently has no specific plan for the use of the proceeds. Net proceeds derived from the Tranche 1a Bonds, the Tranche 2a Bonds, the Tranche 2b Bonds, the Tranche 3a Bonds, the Tranche 3b Bonds, the Tranche 4a Bonds and the Tranche 4b Bonds (if issued) will, depending on the extent those Bonds are issued, be used for extending distribution network in the PRC and the Far East and for working capital purposes. The Company has not undertaken similar fund raising exercise in the past 12 months.

The Directors having considered (i) the low interest rate at which the Company could obtain funding from the issue of the Bonds; and (ii) the strategic value of having Merrill Lynch as its shareholder and thereby broadening the shareholder base of the Company, believe that the Company's commitment to such Bond issue is in the interests of the Company. The Directors consider that the terms of the Bonds, including the grant of the Subscription Rights, are fair and reasonable so far as the Company is concerned.

SHAREHOLDING STRUCTURE

As at the date of this announcement, the issued ordinary share capital of the Company is HK\$155,102,935 comprising 310,205,869 Shares. EganaGoldpfeil, the single largest shareholder of the Company, currently holds approximately 74 per cent. of the existing issued ordinary share capital of the Company.

The shareholding structure of the Company after the conversion of the Tranche 1 Bonds based on the Assumed Floating Conversion Price and the exercise of the related Subscription Rights at the date of this announcement, in each case based on the Relevant Exchange Rate will be as follows:

**Approximate percentage of enlarged
issued ordinary share capital (note 1):**

Assuming exercise in full of conversion of the tranches of the Bonds and (as the case may be) the Subscription Rights specified below	EganaGoldpfeil (note 2)	Merrill Lynch (note 3)	Existing public shareholding (excluding Merrill Lynch)
Tranche 1 Bonds only	64.9	12.3	22.8
Tranche 1 Bonds and related Subscription Rights	63.9	13.6	22.5
Tranche 1 Bonds and related Subscription Rights and Tranche 1a Bonds	60.2	18.5	21.2
Tranche 1 and 1a Bonds and related Subscription Rights	59.8	19.1	21.1
Tranche 1 and 1a Bonds and related Subscription Rights and Tranche 2 Bonds	53.7	27.4	18.9
Tranche 1, 1a and 2 Bonds and related Subscription Rights	53.0	28.3	18.7
Tranche 1, 1a, 2 Bonds and related Subscription Rights and Tranche 3 Bonds	48.2	34.8	17.0
Tranche 1, 1a, 2 and 3 Bonds and related Subscription Rights	47.7	35.6	16.8
Tranche 1, 1a, 2, 3 Bonds and related Subscription Rights and Tranche 4 Bonds	43.7	40.9	15.4
Tranche 1, 1a, 2, 3 and 4 Bonds and related Subscription Rights	43.3	41.5	15.2

Notes:

1. The enlarged issued ordinary share capital used for the calculations in the above table is the aggregate of the existing issued ordinary share capital of the Company and the maximum number of shares which could be issued pursuant to the relevant Bonds or exercise of the related Subscription Rights (as the case may be), and no change otherwise to the issued ordinary share capital of the Company.
2. Assumes EganaGoldpfeil will not acquire and/or dispose of any Shares.
3. Assumes that save for the Shares mentioned herein, no other Shares are acquired by Merrill Lynch and Merrill Lynch does not dispose of any Shares received pursuant to any conversion of the Bonds or exercise of the related Subscription Rights.

Based on the above assumptions, upon the full conversion of all the Bonds and the full exercise of the related Subscription Rights, EganaGoldpfeil's shareholding will be reduced to 43.3% and the existing public shareholder's aggregate shareholding will be reduced to 15.2%, of the enlarged issued share capital of the Company.

Merrill Lynch has agreed that it will not, at any time hold more than 20 per cent. of the total outstanding Shares of the Company nor will Merrill Lynch make a general offer to the holders of the Shares to acquire 30 per cent. or more of the voting rights of the Company (unless required to do so under the Hong Kong Code on Takeovers and Mergers) or seek to appoint any directors to the board of the Company. Merrill Lynch is not and is not anticipated to be a connected person of the Company (as defined in the Listing Rules). The Company undertakes to maintain the minimum public float as required under rule 8.08 of the Listing Rules from time to time.

LISTING

No application will be made for the listing of, or permission to deal in, the Bonds or the Subscription Rights 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, all the Shares that may be issued upon conversion of the Tranche 1 Bonds and upon exercise of the related Subscription Rights.

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 an announcement as and when Merrill Lynch exercises its option to subscribe for further Bonds.

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 the 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.

“Assumed Floating Conversion Price”	HK\$1.79, being 90 per cent. of the average of the lowest five closing prices per Share during the 30 consecutive trading days up to and including 9 February 2004;
“Base Price”	the closing price per Share on 9 February 2004, being HK\$2.10;
“Bonds”	Tranche 1 Bonds, Tranche 1a Bonds, Tranche 2 Bonds, Tranche 3 Bonds and Tranche 4 Bonds and the expression “tranche of Bonds” means any one of them;
“Bondholder(s)”	holder(s) of the Bonds;
“business day”	a day on which the banks are open for business in London, New York City and Hong Kong;
“Closing price”	the closing price published in the Stock Exchange’s Daily Quotation Sheet for one Share;
“Company”	Egana Jewellery & Pearls 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;
“EganaGoldpfeil”	EganaGoldpfeil (Holdings) Limited, the single largest shareholder of the Company and the shares of which are listed on the Stock Exchange, and its subsidiaries;
“Existing General Mandate”	the general mandate (to issue or otherwise deal in 20 per cent. of the issued ordinary 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 20 November 2003, pursuant to which a maximum of 62,041,174 new Shares may be issued as at the date of this announcement;
“First Closing Date”	the date on which the Tranche 1 Bonds are issued;

“Fixed Conversion Price”	the Fixed Conversion Price in relation to (i) the Tranche 1 Bonds, the Tranche 1a Bonds and the Tranche 2 Bonds, respectively, means the price which is set at 122 per cent. of the closing price of the Shares on the trading day immediately preceding the First Closing Date, and (ii) the Tranche 3 Bonds and Tranche 4 Bonds, respectively, means the price which is set at the lower of: (a) the daily volume weighted average price of the Shares during the 30 consecutive trading days immediately preceding the Third Closing Date or the Fourth Closing Date (as the case may be) and (b) HK\$2.50;
“Floating Conversion Price”	the conversion price of the Tranche 1 Bonds or, as the case may be, the Tranche 1a Bonds, the Tranche 2 Bonds, the Tranche 3 Bonds or the Tranche 4 Bonds into the Shares which is set at 90 per cent. of the average of any five closing prices per Share as selected by Bondholder during the 30 consecutive trading days immediately prior to the date on which a conversion notice is received by the Company and such price shall not be less than the par value of the Shares (of HK\$0.50) on the date of conversion;
“Fourth Closing Date”	the first issue date of the Tranche 4 Bonds (if applicable);
”Further Conditions”	the conditions precedent which must be fulfilled before the Tranche 1a Bonds, Tranche 2 Bonds, Tranche 3 Bonds and Tranche 4 Bonds could be issued and the relevant Subscription Rights are granted, as referred to in the paragraph headed “Conditions”;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Initial Conditions”	the conditions precedent which must be fulfilled before the Tranche 1 Bonds could be issued and the relevant Subscription Rights are granted, as referred to in the paragraph headed “Conditions”;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Maturity Date”	31 March 2009, the date on which all the Bonds mature;
“Merrill Lynch”	Merrill Lynch International;
“Relevant Exchange Rate”	the exchange rate of US\$1.00 to HK\$7.7685;

“Second Closing Date”	the first issue date of the Tranche 2 Bonds (if applicable);
“Share(s)”	ordinary share(s) of HK\$0.50 each in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Agreements”	the two agreements both dated 10 February 2004 entered into between the Company and Merrill Lynch relating to the subscription of the Bonds and the Subscription Rights;
“Subscription Rights”	the option granted by the Company to Merrill Lynch in respect of each of the Tranche 1 Bonds, the Tranche 1a Bonds, the Tranche 2 Bonds, the Tranche 3 Bonds and the Tranche 4 Bonds for the subscription of further new Shares at the Fixed Conversion Price;
“Third Closing Date”	the first issue date of the Tranche 3 Bonds (if applicable);
“trading day”	any day on which the Stock Exchange is open for trading in Hong Kong and on which there does not exist any suspension for a whole day or part thereof or limitation imposed on trading or dealing in the Shares by the Stock Exchange or otherwise;
“Tranche 1 Bonds”	convertible bonds with an aggregate principal amount of US\$10,000,000 due 2009 to be issued by the Company to Merrill Lynch pursuant to the Subscription Agreements;
“Tranche 1a Bonds”	convertible bonds with an aggregate principal amount of US\$5,000,000 which are to be issued by the Company to Merrill Lynch on substantially the same terms as in the Tranche 1 Bonds pursuant to an undertaking given by Merrill Lynch to the Company under the Subscription Agreements;
“Tranche 2a Bonds”	convertible bonds with an aggregate principal amount of US\$5,000,000 which are to be issued by the Company to Merrill Lynch on substantially the same terms as in the Tranche 1 Bonds pursuant to the terms of the Subscription Agreements;
“Tranche 2b Bonds”	convertible bonds with an aggregate principal amount of US\$5,000,000 which are to be issued by the Company to Merrill Lynch on substantially the same terms as in the Tranche 1 Bonds pursuant to an option granted to the Company by Merrill Lynch under the Subscription Agreements;
“Tranche 2 Bonds”	the Tranche 2a Bonds and the Tranche 2b Bonds;

“Tranche 3a Bonds”	convertible bonds with an aggregate principal amount of US\$5,000,000 which are to be issued by the Company to Merrill Lynch on substantially the same terms as in the Tranche 1 Bonds pursuant to an option granted by the Company to Merrill Lynch under the Subscription Agreements;
“Tranche 3b Bonds”	convertible bonds with an aggregate principal amount of US\$5,000,000 which are to be issued by the Company to Merrill Lynch on substantially the same terms as in the Tranche 1 Bonds pursuant to an option granted to the Company by Merrill Lynch under the Subscription Agreements;
“Tranche 3 Bonds”	the Tranche 3a Bonds and the Tranche 3b Bonds;
“Tranche 4a Bonds”	convertible bonds with an aggregate principal amount of US\$5,000,000 which are to be issued by the Company to Merrill Lynch on substantially the same terms as in the Tranche 1 Bonds pursuant to an option granted by the Company to Merrill Lynch under the Subscription Agreements;
“Tranche 4b Bonds”	convertible bonds with an aggregate principal amount of US\$5,000,000 which are to be issued by the Company to Merrill Lynch on substantially the same terms as in the Tranche 1 Bonds pursuant to an option granted to the Company by Merrill Lynch under the Subscription Agreements;
“Tranche 4 Bonds”	the Tranche 4a Bonds and the Tranche 4b Bonds;
“Tranche 1a Closing Date”	the date on which the Tranche 1a Bonds are issued (if applicable);

Unless otherwise specified in this announcement, US\$1.00 = HK\$7.7685. 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, 10 February 2004

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