



# GOLD WO INTERNATIONAL HOLDINGS LIMITED

## (金禾國際控股有限公司)\*

(Incorporated in Bermuda with limited liability)

### ISSUE OF UP TO US\$12,000,000 1.5% UNLISTED REDEEMABLE CONVERTIBLE NOTES

On 4th January, 2002, the Company and the Subscribers entered into the Subscription Agreement. Under the Subscription Agreement the Company conditionally agreed to issue and the Subscribers conditionally agreed to subscribe for the Notes with an aggregate principal amount of up to US\$12,000,000 (equivalent to approximately HK\$93,600,000) in two parts being the Initial Notes with an aggregate principal amount of US\$6,000,000 (equivalent to approximately HK\$46,800,000) with an option granted to the Subscribers to require the Company to issue the Additional Notes with an aggregate principal amount of up to US\$6,000,000 (equivalent to approximately HK\$46,800,000). The Notes bear interest at the rate of 1.5% per annum, subject to adjustments under certain circumstances.

At any time after the issue of the Notes and prior to maturity of the Notes, the Subscribers may convert any portion of the Conversion Amount into new Shares at a conversion price equal to the lower of (i) the Fixed Conversion Price (being 120% of the Base Price) which is equal to HK\$3.37 per Share or (ii) the Floating Conversion Price. The maximum number of Conversion Shares which may be issued upon conversion of the Notes is 220,000,000 new Shares.

The Notes shall mature on the third anniversary of the Completion Date. On maturity, unless converted, redeemed or cancelled earlier, all outstanding Notes will be redeemed by cash or converted into new Shares, at the option of the Company.

The Notes will not be listed on the Stock Exchange or any other stock exchanges.

The terms of the Subscription Agreement were negotiated on an arm's length basis and the Directors believe that the terms are fair and reasonable so far as the Company is concerned. The issue of the Conversion Shares upon the exercise of the conversion rights attached to the Notes is subject to approval of the Shareholders at a special general meeting of the Company to be convened for such purpose. A circular containing details of the Subscription Agreement and the Notes and a notice for the general meeting will be dispatched to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares was suspended with effect from 10:00 a.m. on 7th January, 2002, pending the release of this announcement. Applications have been made for the resumption of trading in the Shares with effect from 10:00 a.m. on 8th January, 2002.

#### SUBSCRIPTION AGREEMENT

**Date**  
4th January, 2002

**Issuer**  
The Company

**Subscribers**  
Marblegate Investments LLC and Deephaven Private Placement Trading Ltd are independent third parties not connected with any of the directors, chief executives or substantial shareholders of the Company and its subsidiaries or any of their respective associates (as defined under the Listing Rules). Marblegate Investments LLC is a limited liability company incorporated in the Cayman Islands and is principally engaged in investing in the global equity and corporate securities markets and Deephaven Private Placement Trading Ltd is a limited partnership organized in the British Virgin Islands and is principally engaged in investing in the global equity and corporate securities markets. The Subscribers did not have any shareholding interest in the Company prior to the date of the Subscription Agreement.

The table below shows the respective subscription amount of the Notes by the Subscribers.

The Subscribers	The Initial Notes US\$	The Additional Notes up to US\$	Initial allocation of the maximum number of the Conversion Shares
Marblegate Investments LLC	3,100,000	3,100,000	113,666,667
Deephaven Private Placement Trading Ltd	2,900,000	2,900,000	106,333,333
<b>Total</b>	<b>6,000,000</b>	<b>6,000,000</b>	<b>220,000,000</b>

**The Notes**  
The Notes shall be issued in up to 2 parts, being the Initial Notes and the Additional Notes.

**The Initial Notes**  
The Initial Notes, with an aggregate principal amount of US\$6,000,000 (equivalent to approximately HK\$46,800,000) shall be issued to the Subscribers on the Completion Date.

**The Additional Notes**  
The Subscribers shall have the right (but not the obligation) at any time during the period commencing on the business day immediately following the Completion Date and ending on the anniversary of the Completion Date to subscribe for any of the Additional Notes with an aggregate principal amount of up to but not exceeding US\$6,000,000 (equivalent to approximately HK\$46,800,000). The applicable Additional Notes shall be issued to the Subscribers on the relevant Additional Notes completion date, being the second business day after the receipt by the Company of the relevant subscription notice from the Subscriber, subject to, among other conditions, the conditions precedent set out below and the condition that the closing price of the Shares on each of the 2 business days immediately preceding the relevant Additional Notes completion date being no less than the par value of the Shares.

All the Notes to be issued under the Subscription Agreement shall, if issued, be on the same terms (other than as to the date of issuance and principal amount) and denominated in a multiple of US\$100,000.

#### Principal terms of the Notes

**Interest**  
The Notes bear interest at the rate of 1.5% per annum, subject to adjustment as described below. Interest is payable quarterly in arrears on 31st March, 30th June, 30th September and 31st December in each year.

Pursuant to the terms of the Note, the interest rate of the Notes shall increase to 10.0% per annum if, inter alia, any of the following triggering events occur:

- the closing price of the Shares equals or being less than HK\$0.65 per Share (subject to adjustment for any subdivision, consolidation, capitalization issue, scrip issue and any other similar transactions of the Company) for a period of 10 consecutive trading days, suspension from trading or failure of the Shares to be listed on the Stock Exchange for a period of 6 consecutive trading days or for more than 25 trading days in any 365-day period;
- failure of the Company to effect conversion of the Notes pursuant to the terms of the Notes on a conversion initiated by any Noteholder; and
- where there are three or more Noteholders, failure of the Company to pay to the Noteholders any amount of principal, interest, late charges or other amount for more than 10 business days after the relevant due date or, where there are less than three Noteholders, failure of the Company to meet its payment obligations under the Notes for more than 5 business days after the relevant due date.

The interest rate of the Notes shall fall back to 1.5% per annum after the relevant triggering event is cured.

**Transferability**  
The Subscribers may assign or transfer all or any of their rights under the Notes among themselves and their affiliates (excluding connected persons of the Company as defined under the Listing Rules) but may not assign or transfer any of their rights under the Notes to any other third party without the prior written consent of the Company.

The Company and its Directors has undertaken to the Stock Exchange that they will inform the Stock Exchange of any dealings with any connected persons (as defined under the Listing Rules) of the Company or their respective associates (as defined in the Listing Rules) in respect of the Notes from time to time immediately upon the Company becoming aware of any such dealings.

**Conversion**  
At any time after the issue of the Notes and prior to maturity of the relevant Notes, the Subscribers may convert any portion of the Notes (the Conversion Amount) into new Shares. The conversion price for the issue of the Conversion Shares is the lower of (i) the "Fixed Conversion Price" (being 120% of the Base Price) which is equal to HK\$3.37 per Share; or (ii) the "Floating Conversion Price" which is the product of a conversion percentage, being 93%, and the arithmetic average of any five closing prices of the Shares (to be chosen at the sole discretion of the Noteholders) during the 30 consecutive trading days immediately prior to the relevant conversion.

During the life of the Notes, if the Company issues or sells (or is deemed to have issued or sold) any Shares, of which the relevant issue price is less than the higher of (i) the closing price of the Shares on the date of such issuance or sale; or (ii) the Fixed Conversion Price (the "Applicable Price"), the Fixed Conversion Price of the Notes shall be reduced to an amount equal to:

$$\text{the prevailing Fixed Conversion Price} \times \frac{(\text{the Applicable Price} \times \text{number of issued Shares prior to such issue or sale}) + \text{consideration of such issue or sale}}{\text{the Applicable Price} \times \text{number of issued Shares as enlarged by such issue or sale}}$$

Subject to the terms of the Notes, any Shares which may be issued upon the exercise of any options granted by the Company (excluding any employee benefit plan pursuant to which Shares may be issued to the employees of the Group), or the exercise of the conversion rights attached to any convertible securities issued by the Company shall be, for the purpose of the adjustment of the Fixed Conversion Price as described above, deemed to be outstanding and to have been issued or sold by the Company at the time when the relevant option or convertible securities are granted or issued.

The maximum number of Conversion Shares which may be issued by the Company upon conversion of the Notes is 220,000,000, subject to adjustment for any subdivision, consolidation, capitalization issue, scrip issue and any other similar transactions of the Company, representing (i) approximately 55% of the existing issued share capital of the Company and (ii) approximately 35.5% of the enlarged issued share capital of the Company. Please refer to the paragraph headed "Subscriber" for the initial allocation of the maximum number of the Conversion Shares. In the event that any Noteholder shall sell or otherwise transfer any or all of the relevant Notes, the transferee shall be allocated a pro-rata portion of such Noteholder's available amount of the maximum number of Conversion Shares allocated to it as at the time of such sale or transfer. If a Noteholder exercises the Conversion rights attached to the Notes which would require the Company to issue new Shares in excess of the maximum amount of Conversion Shares allowed to be issued under the Subscription Agreement, the Company is require to redeem the relevant excess portion of the Notes at 120% of the relevant outstanding portion of the Conversion Amount by cash.

Shares which fall to be issued on conversion of the Notes shall rank pari passu in all respects with the Shares in issue on the date of issue of such Conversion Shares; provided that no such Shares shall be issued at a price below the par value of the Shares.

**Maturity**  
The Notes shall mature on the third anniversary of the Completion Date. On maturity, unless previously redeemed, converted or cancelled, the Conversion Amount may at the option of the Company, be redeemed by cash at par or converted into new Shares. The Company may not require conversion which would, result in any Subscriber holding a notifiable interest in the Company under the Securities (Disclosure of Interests) Ordinance upon any such mandatory conversion without such Subscriber's consent.

Should the Company elect to convert the Notes at maturity, any portion of the outstanding Conversion Amount that cannot be converted into new Shares due to the restriction on the maximum number of the Conversion Shares (as set out above), shall be repaid in cash at par.

**Redemption right**  
Early redemption rights of the Noteholders:

A Noteholder shall have the right to require the Company to redeem any portion of the Note by cash at a price equal to,

- in case of the occurrence of a triggering event (as described above), the higher of (A) 120% of the Conversion Amount or (B) the product of (x) the quotient of the Conversion Amount divided by the conversion price at the date when the Noteholder delivers a redemption notice or the date on which the Noteholder becomes aware of the triggering event, whichever is earlier and (y) the closing price of the Shares on the date immediately preceding such triggering event; and
- in case of the occurrence of a change of control event defined under the terms of the Note, including consolidation, merger or other business combination, the sale or transfer of all or substantially all of the Company's assets, and a purchase, tender or exchange offer made to and accepted by more than 50% of the Shareholders, the higher of (A) 125% of the Conversion Amount or (B) the product of (x) the quotient of the Conversion Amount divided by the conversion price in effect immediately prior to the public announcement of the change of control event and (y) the closing price of the Shares at the date when the Noteholders are notified by the Company in respect of such change of control event.

Early redemption rights of the Company:

At any time during the life of the Notes, in the event that the closing price of the Shares in any 10 consecutive trading days is less than 40% of the Base Price, the Company shall have the right to redeem any portion of the Notes at a price equal to 120% of the Conversion Amount, subject to certain terms of the Notes including, inter alia, no triggering events or change of control shall have occurred during the period beginning on the Completion Date and ending on the relevant redemption date.

#### Conditions precedent

Subscriptions of the Notes by the Subscribers are conditional upon the satisfaction or waiver of the following major conditions, including, inter alia:

- approval from the board of Directors in respect of the Subscription Agreement (and related agreements) the issue of the Notes and the Shares to be issued upon the exercise of the conversion rights attached to the Notes;
- approval of the Shareholders in respect of the issue of the Notes and/or the Shares to be issued upon the exercise of the conversion rights attached to the Notes;
- approval from the Stock Exchange for the issue of the Notes (if necessary) and the listing of and the permission to deal in the Shares to be issued upon the exercise of the conversion rights attached to the Notes;