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# **RNA HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

## **PROPOSED ISSUE OF CONVERTIBLE BONDS**

The Directors are pleased to announce that the Company has entered into the Subscription Agreements with the Subscribers on 14 May 2002 pursuant to which the Company has conditionally agreed to issue the Convertible Bonds in the aggregate principal amount of up to HK\$88,000,000 to the respective Subscribers.

The Convertible Bonds are issued at zero coupon with an Initial Conversion Price of HK\$0.10 per Share with a maturity period of 3 years.

Completion of each Subscription Agreement is conditional upon fulfillment of the conditions listed in the section "Completion" below. None of the Subscription Agreements is conditional upon completion of the others.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be issued pursuant to the Convertible Bonds.

The SGM will be convened to approve, among other matters, the creation and issue of the Convertible Bonds. A circular containing, among other things, details of the Convertible Bonds and a notice convening the SGM will be sent to the Shareholders as soon as practicable.

### **THE SUBSCRIPTION AGREEMENTS**

The Directors are pleased to announce that the Company has entered into the Subscription Agreements with more than six Subscribers on 14 May 2002 pursuant to which the Company has conditionally agreed to issue the Convertible Bonds in the aggregate principal amount of up to HK\$88,000,000 to the respective Subscribers.

Completion of the Subscription Agreements will take place on or before the 7th Business Day after satisfaction of the conditions listed in the section "Completion" below. None of the Subscription Agreements is conditional upon completion of the others.

### **PRINCIPAL TERMS OF THE CONVERTIBLE BONDS**

The principal terms of the Convertible Bonds are summarized below:

#### **Amount of issue**

up to HK\$88,000,000 in principal amount

**Initial Conversion Price**

HK\$0.10 per Share, subject to adjustment

The Initial Conversion Price was determined on an arm's length basis between the Company and the Subscribers with reference to the par value of HK\$0.10 per Share. Such Initial Conversion Price represents a premium of approximately 63.93% to the closing price of HK\$0.061 per Share as quoted on the Stock Exchange on 14 May 2002, being the date of the Subscription Agreements. The Initial Conversion Price also represents a premium of approximately 78.57% to the average closing price of the Shares of HK\$0.056 per Share for the 10 trading-day period ended on 14 May 2002 (inclusive).

**Interest**

The Convertible Bonds are zero-coupon bonds.

**Maturity Date**

The maturity of the Convertible Bonds will be the date following 3 years from the Issue Date and it is expected to be in June 2005. Any unredeemed and unconverted Convertible Bonds will be redeemed at 103% of the outstanding principal amount in cash.

**Conversion provisions**

The Convertible Bonds are convertible in whole or in part at any time after the Issue Date at the Initial Conversion Price, subject to adjustment. Any partial conversion shall be made in amounts of not less than a whole multiple of HK\$1,000 and no fraction of a Share shall be issued on conversion.

**Redeemability**

The Bondholders can redeem the Convertible Bonds at any time after the Issue Date up to one week before the Maturity Date by giving the Company redemption request not more than 30 days' notice at the following redemption amount:

- (1) if the redemption request is made within the period of the first 12 months from the Issue Date, the Company may, instead of redeeming the Convertible Bonds in cash, elect to satisfy the redemption by the issue of such number of new Shares as shall equal the quotient of the sum total of (1) the principal amount of the Convertible Bonds to be redeemed and (2) a redemption premium at 100% of such principal amount, divided by the conversion price in effect on the redemption date specified by the Bondholder in the redemption request; or
- (2) if the redemption request is made within the period of the next 12 months commencing from the 13th month and ending on the 24th month from the Issue Date, the Company may, instead of redeeming the Convertible Bonds in cash, elect to satisfy the redemption by the issue of such number of new Shares as shall equal the quotient of the sum total of (1) the principal amount of the Convertible Bonds to be redeemed and (2) a redemption premium at 50% of such principal amount, divided by the conversion price in effect on the redemption date specified by the Bondholder in the redemption request; or
- (3) if the redemption request is made within the period of the next 12 months commencing from the 25th month and ending on the 36th month from the Issue Date, the Company may, instead of redeeming the Convertible Bonds in cash, elect to satisfy the redemption by the issue of such number of new Shares as shall equal the quotient of the principal amount of the Convertible Bonds to be redeemed divided by the conversion price in effect on the redemption date specified by the Bondholder in the redemption request.

The Company shall also have the right (subject to any applicable restrictions in favour of the Bondholders who are the parties to the Subscription Agreements) at any time to redeem the whole or any relevant part of the outstanding Convertible Bonds at the redemption amount which is 100% of the principal amount of the Convertible Bonds by giving to the Bondholders 30 days' notice of its intention to make such redemption if the closing price published in the Stock Exchange's daily quotations sheet for one Share for each of the 20 consecutive dealing days ending on the dealing day immediately preceding the issue date of the redemption notice shall be equal to or greater than 150% of the conversion price then in effect.

### **Shares issued upon conversion or redemption**

Based on an Initial Conversion Price of HK\$0.10 per Conversion Share, the number of Conversion Shares to be issued upon full conversion or in satisfaction of the redemption of all the Convertible Bonds will be as follows:

	<b>Redemption premium</b>	<b>No. of Conversion Shares to be issued</b>	<b>Approximate % to existing ordinary share capital</b>	<b>Approximate % to enlarged ordinary share capital</b>
Within the first 12 months	100%	1,760,000,000	21.76%	17.87%
From the 13th month ending on the 24th month	50%	1,320,000,000	16.32%	14.03%
From the 25th month ending on the 36th month	0%	880,000,000	10.88%	9.81%

The Conversion Shares, when issued, will rank pari passu with the Shares then in issue.

### **Voting**

Bondholders will not be entitled to receive notice of, attend or vote at any general meeting of the Company.

### **Transferability**

The Convertible Bonds will be freely assignable or transferable from the Issue Date to any party. A Bondholder shall notify the Company for any transfer of the Convertible Bonds.

The Company undertakes to the Stock Exchange that it will disclose to the Stock Exchange any dealings in the Convertible Bonds by any connected persons or their associates.

### **COMPLETION**

Completion of the Subscription Agreements is conditional on the following conditions being satisfied:

- (1) the passing by the Shareholders of an ordinary resolution at the SGM approving the creation and issue of the Convertible Bonds and authorising the Board to allot and issue the Shares to be issued pursuant to the exercise of Conversion Rights attaching to the Convertible Bonds or in satisfaction of any redemption of the Convertible Bonds pursuant to the conditions;
- (2) the Listing Committee of the Stock Exchange having granted listing of and permission to deal in the Shares to be issued upon the exercise of Conversion Rights attaching to the Convertible Bonds or in satisfaction of any redemption of the Convertible Bonds pursuant to the conditions;
- (3) none of the Warranties having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect; and

- (4) all requisite consents or confirmations of no objection (if necessary) or filings at, any governmental or competent authorities for the transactions contemplated hereunder having been obtained by the Company from any third parties or effected by the Company.

Completion of the Subscription Agreements will take place on or before the 7th Business Day after satisfaction of all the conditions listed above, which are expected to be fulfilled on or about 13 July 2002 (or such later date(s) as may be agreed between the parties to the Subscription Agreements in writing). If any of the above conditions has not been satisfied or waived on or before such date, the Subscription Agreements shall lapse.

### **REASONS FOR THE ISSUE OF THE CONVERTIBLE BONDS**

The Convertible Bonds are to be issued for reducing certain existing debts of the Group so as to reduce interest burden, thereby strengthening the Company's financial position. Accordingly, the Board considers that the issue of the Convertible Bonds is in the best interests of the Shareholders.

### **SHARE CAPITAL**

As at the date of this announcement, the issued ordinary share capital of the Company is HK\$808,911,236.80 comprising 8,089,112,368 Shares. In addition, there are in issue (a) 10,819,583 convertible preference shares with notional value HK\$5.00 each convertible at the initial conversion price of HK\$0.2418 each (as announced by the Company on 4 April 2001, 17 April 2001 and 19 September 2001) and (b) 67,800,000 convertible preference shares of par value HK\$1.00 each convertible at the initial conversion price of HK\$0.10 each (as announced by the Company on 19 September 2001).

### **CONVERTIBLE DEBTS OF THE COMPANY**

As at the date of this announcement, the Company has the following outstanding convertible debts:

	<b>Coupon rate</b>	<b>Maturity date</b>	<b>Original principal amount</b>	<b>Outstanding principal amount</b>	<b>Date of announcement</b>
5% Notes	5%	28 April 2003	US\$30,000,000	US\$19,300,000	27 March 1998 14 April 1998 and 22 April 1998
2% Bonds	2%	6 January 2005	HK\$116,780,000	HK\$56,900,000	30 November 2001

The HK\$50,044,000 zero coupon convertible bonds of the Company due on 7 May 2005 issued by the Company (as announced by the Company on 24 April 2002) has been fully redeemed as of the date of this announcement.

## IMPACT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The effect on the shareholding structure of the Company upon full conversion of the Convertible Bonds are as follows:

### Scenario 1 (Assume full conversion of the Convertible Bonds from the Issue Date to 12th months with redemption premium of 100%)

	Existing shareholding		Assume full conversion or redemption of the Convertible Bonds		Assume full conversion or redemption of the Convertible Bonds, 5% Notes, 2% Bonds and Preference Shares	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Falcon	1,017,500	0.01	1,017,500	0.01	1,017,500	0.01
Regent	1,912,500	0.02	1,912,500	0.02	1,912,500	0.02
Admiralty	1,912,500	0.02	1,912,500	0.02	1,912,500	0.02
Raymond Chan	123,270,000	1.52	123,270,000	1.25	123,270,000	1.03
Alexander Chan	123,270,000	1.52	123,270,000	1.25	123,270,000	1.03
Subscribers	–	–	1,760,000,000	17.87	1,760,000,000	14.75
Public	7,837,729,868	96.91	7,837,729,868	79.58	9,923,927,341	83.14
	<u>8,089,112,368</u>	<u>100.00</u>	<u>9,849,112,368</u>	<u>100.00</u>	<u>11,935,309,841</u>	<u>100.00</u>

### Scenario 2 (Assume full conversion of the Convertible Bonds from the 13th month to 24th month after the Issue Date with redemption premium of 50%)

	Existing shareholding		Assume full conversion or redemption of the Convertible Bonds		Assume full conversion or redemption of the Convertible Bonds, 5% Notes, 2% Bonds and Preference Shares	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Falcon	1,017,500	0.01	1,017,500	0.01	1,017,500	0.01
Regent	1,912,500	0.02	1,912,500	0.02	1,912,500	0.02
Admiralty	1,912,500	0.02	1,912,500	0.02	1,912,500	0.02
Raymond Chan	123,270,000	1.52	123,270,000	1.31	123,270,000	1.07
Alexander Chan	123,270,000	1.52	123,270,000	1.31	123,270,000	1.07
Subscribers	–	–	1,320,000,000	14.03	1,320,000,000	11.48
Public	7,837,729,868	96.91	7,837,729,868	83.30	9,923,927,341	86.33
	<u>8,089,112,368</u>	<u>100.00</u>	<u>9,409,112,368</u>	<u>100.00</u>	<u>11,495,309,841</u>	<u>100.00</u>



**Scenario 3 (Assume full conversion of the Convertible Bonds from the 25th month to 36th month after the Issue Date with no redemption premium)**

	Existing shareholding		Assume full conversion or redemption of the Convertible Bonds		Assume full conversion or redemption of the Convertible Bonds, 5% Notes, 2% Bonds and Preference Shares	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Falcon	1,017,500	0.01	1,017,500	0.01	1,017,500	0.01
Regent	1,912,500	0.02	1,912,500	0.02	1,912,500	0.02
Admiralty	1,912,500	0.02	1,912,500	0.02	1,912,500	0.02
Raymond Chan	123,270,000	1.52	123,270,000	1.37	123,270,000	1.12
Alexander Chan	123,270,000	1.52	123,270,000	1.37	123,270,000	1.12
Subscribers	–	–	880,000,000	9.81	880,000,000	7.96
Public	7,837,729,868	96.91	7,837,729,868	87.40	9,923,927,341	89.75
	<u>8,089,112,368</u>	<u>100.00</u>	<u>8,969,112,368</u>	<u>100.00</u>	<u>11,055,309,841</u>	<u>100.00</u>

To the best knowledge of the Directors, none of the Subscribers will become a substantial shareholder of the Company assuming the Convertible Bonds are converted in full with redemption premium of 100% based on the Company's issued capital as at the date of this announcement.

**APPLICATION FOR LISTING**

No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be issued pursuant to the Convertible Bonds.

**GENERAL**

A circular containing further details of the Subscription Agreements and the Convertible Bonds together with a notice to convene the SGM to approve, among other things, the creation and issue of the Convertible Bonds will be sent to the Shareholders as soon as practicable.

**DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“%”	per cent.
“2% Bonds”	HK\$116,780,000 2% convertible bonds issued by the Company due on 6 January 2005
“5% Notes”	US\$30,000,000 5% convertible notes issued by the Company due on 28 April 2003
“Admiralty”	Admiralty Investment Company Limited, a company incorporated in the BVI with limited liability which is wholly and beneficially owned by Alexander Chan
“Alexander Chan”	Mr. Chan Fat Leung, Alexander, the deputy chairman of the Company
“associate(s)”	shall have the same meaning as defined in the Listing Rules
“BVI”	the British Virgin Islands
“Board”	the board of Directors

“Bondholder(s)”	holder(s) of the Convertible Bonds from time to time
“Business Day”	a day (excluding Saturday) on which banks are open for business in Hong Kong
“Company”	RNA Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange
“Conversion Right”	the right of holder(s) of the Convertible Bonds to convert the whole or part of the principal amount of the Convertible Bonds into Shares subject to the terms and conditions of the Convertible Bonds
“Conversion Shares”	new Shares which will fall to be allotted and issued upon conversion or in satisfaction of any redemption of the Convertible Bonds
“Convertible Bonds”	the convertible bonds in the aggregate principal amount of up to HK\$88,000,000 to be issued by the Company under the Subscription Agreements
“Directors”	the directors of the Company
“Falcon”	Falcon Investment Company Limited, a company incorporated in the BVI with limited liability which is beneficially owned by Raymond Chan, Alexander Chan and their family members
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Initial Conversion Price”	HK\$0.10 per Conversion Share, subject to adjustment
“Issue Date”	the date of issue of the Convertible Bonds
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling 3 years after the Issue Date
“Preference Shares”	10,819,583 convertible preference shares of par value HK\$1.00 each with notional value of HK\$5.00 each and 67,800,000 convertible preference shares of par value HK\$1.00 each
“Raymond Chan”	Mr. Chan Fat Chu, Raymond, the chairman of the Company
“Regent”	Regent Investment Company Limited, a company incorporated in the BVI with limited liability which is wholly and beneficially owned by Raymond Chan
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the issue of the Convertible Bonds
“Share(s)”	ordinary share(s) of HK\$0.10 each in the existing share capital of the Company
“Shareholder(s)”	holder(s) for the time being of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscriber(s)” subscribers of the Convertible Bonds, who are independent of, and not connected with, the directors, chief executive and substantial shareholders of the Company or its subsidiaries or their respective associates (as defined in the Listing Rules)

“Subscription Agreements” the conditional subscription agreements entered into between the Company and the Subscribers dated 14 May 2002 in respect of the subscription of the Convertible Bonds

“US\$” the lawful currency of the United States of America

By Order of the Board  
**RNA Holdings Limited**  
**Chan Fat Chu, Raymond**  
*Chairman*

Hong Kong, 14 May 2002

Please also refer to the published version of this announcement in the China Daily.