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# EGANA GOLDPFEIL

(H O L D I N G S) L I M I T E D

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

(Stock code: 48)

## PROPOSED CAPITAL REDUCTION

Financial adviser to EganaGoldpfeil (Holdings) Limited



### **Capital reduction**

The Board proposes the Capital Reduction, pursuant to which the issued share capital of the Company will be reduced by HK\$0.99 per Existing Share by cancelling an equivalent amount of paid-up capital per Existing Share so that the par value of each New Share in issue will be HK\$0.01. Immediately upon the Capital Reduction taking effect, and on the basis that the Company does not allot or issue any further Existing Shares prior thereto, the authorised share capital of the Company shall be HK\$20,000,000 comprising 2,000,000,000 New Shares. The Company's issued share capital shall be HK\$14,640,015.24 comprising 1,464,001,524 New Shares, each with a par value of HK\$0.01.

The Capital Reduction is subject to, among other things, the approval of the Shareholders at the EGM. A circular containing, among other things, details of the proposed Capital Reduction and the notice of the EGM, will be despatched to the Shareholders as soon as practicable.

### **General**

At the request of the Company, trading in Shares was suspended with effect from 9:30 a.m. on 12 September 2007 and will remain suspended until further notice.

**Shareholders and investors should exercise caution when dealing in the securities of the Company.**

## **CAPITAL REDUCTION**

Pursuant to the Capital Reduction, the issued share capital of the Company will be reduced by HK\$0.99 per Existing Share by cancelling an equivalent amount of paid-up capital per Existing Share so that the par value of each New Share in issue will be HK\$0.01.

### **Reasons for the Capital Reduction**

There are three reasons for effecting the Capital Reduction. In order of priority:

- (i) The Capital Reduction is necessary to ensure that the Company's share capital accurately reflects the Company's net asset position. The net assets of the Company have been substantially depleted by accumulated losses of approximately HK\$2.016 billion as at 31 May 2007 (as specified in the audited accounts of the Company for the year ended 31 May 2007), and further losses of approximately HK\$0.710 billion as specified in the Company's unaudited interim accounts for the six months ended 30 November 2007;
- (ii) The Capital Reduction will facilitate future fund raising exercises by the Company through the issuance of New Shares. Presently, the Shares have a par value of HK\$1, which means that, pursuant to the Companies Law, the minimum price at which a new Share can be issued is HK\$1. In the light of the Company's current financial condition, the Directors consider that it is not realistic for such a minimum price to be achieved, and that the Company will not be able to raise any equity funds unless the price is set at a level substantially below HK\$1 per Share. Shareholders should note that a reduction of the par value of the Shares to HK\$0.01 does not require the Company to issue New Shares at that price. The Directors will continue to endeavour to obtain the best possible issue price for the Shares in the interests of the Shareholders. The Capital Reduction will provide the Company with maximum flexibility in future fund raising exercises through new Share issues; and
- (iii) The Capital Reduction is necessary to enable the restructuring proposal (the "Restructuring Proposal") referred to in the Company's announcement dated 29 January 2008 (the "Announcement") to proceed. As stated in the Announcement, one of the terms of the Restructuring Proposal, which is subject to execution of definitive legal documentation, is that the Capital Reduction will be implemented.

The terms of the Restructuring Proposal, if and when finalized, will be fully disclosed in further announcements by the Company and will be set out in full in a circular to the Shareholders in accordance with the Listing Rules. Shareholders will have an opportunity at that time to vote on the final terms of the Restructuring Proposal as agreed with Lifestyle and the Group's financial creditors. Consequently, a vote in favour of the Capital Reduction does

not bind the Shareholders to support the Restructuring Proposal, if and when announced. The Capital Reduction is being proposed at this time because, as set out in the expected timetable below, the necessary procedures in the Cayman Islands (where the Company is incorporated) for effecting the Capital Reduction are time consuming and likely to delay completion of the Restructuring Proposal if not initiated well in advance. A delay in completion of the Restructuring Proposal could jeopardise the continuing operations of the Group.

Further announcements in respect of the Restructuring Proposal will be made by the Company as and when appropriate in accordance with the Listing Rules.

### **Effects of the Capital Reduction**

As at the date of this announcement, the authorised share capital of the Company amounted to HK\$2,000,000,000 divided into 2,000,000,000 Existing Shares, of which 1,464,001,524 Existing Shares had been allotted and issued as fully paid.

In order to effect the Capital Reduction, the Company will need to apply its accumulated losses to offset:

- (1) firstly, the credit balance of the share premium account which currently amounts to approximately HK\$0.815 billion; and
- (2) secondly, an amount of HK\$1,449,361,508.76 of the Company's existing share capital.

Immediately upon the Capital Reduction taking effect, and on the basis that the Company does not allot or issue any further Existing Shares prior thereto, the authorised share capital of the Company shall be HK\$20,000,000 comprising 2,000,000,000 New Shares. The Company's issued share capital shall be HK\$14,640,015.24 comprising 1,464,001,524 New Shares, each with a par value of HK\$0.01.

### **Status of the New Shares**

The New Shares will rank pari passu in all respects with each other and the Capital Reduction will not result in any change in the relative rights of the Shareholders.

### **Conditions of the Capital Reduction**

The implementation of the Capital Reduction and the listing of the New Shares are conditional upon:

- (1) the passing of a special resolution by the Shareholders at the EGM to approve the Capital Reduction;

- (2) an order being made by the Court approving the Capital Reduction, and the registration by the Registrar of Companies in the Cayman Islands of a copy of the sealed Court order and the minute containing the particulars required under the Companies Law;
- (3) compliance with any conditions which the Court may impose; and
- (4) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the New Shares.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the New Shares.

Upon the conditions mentioned above being fulfilled, the Capital Reduction and the listing of the New Shares will become effective. A further announcement will be made by the Company to inform the Shareholders of the arrangements of the free exchange of the New Share certificates for the Existing Share certificates.

#### **EXPECTED TIMETABLE**

Set out below is the expected timetable for the Capital Reduction:

2008

Latest time for lodging proxy forms for the EGM..... 10:30 a.m. on Wednesday, 26 March

Expected time and date of the EGM..... 10:30 a.m. on Friday, 28 March

Expected date on which the Capital Reduction is confirmed  
by the Court and a copy of the sealed Court order  
confirming the Capital Reduction and the minute  
containing the particulars required under the Companies  
Law are filed and registered with the Registrar of  
Companies in the Cayman Islands (*Note 2*)..... Wednesday/Thursday, 23/24 April

*Notes:*

- (1) All times in this timetable refer to Hong Kong time.
- (2) Registration is currently expected to take place between 9:00 a.m. and 5:00 p.m. on or about 23 April 2008 (Cayman Islands time) (equivalent to between 10:00 p.m. on 23 April 2008 and 6:00 a.m. on 24 April 2008 (Hong Kong time)). Accordingly, the registration is expected to take place on 23 April or 24 April 2008 (Hong Kong time).

- (3) Dates or deadlines specified in this announcement for events in the timetable for (or otherwise in relation to) the Capital Reduction are indicative only and may be extended or varied due to additional time required for compliance with the regulatory requirements in the Cayman Islands or varied by the Company. Any change to the expected timetable for the Capital Reduction will be published as and when appropriate.

## **GENERAL**

A circular containing, among other things, details of the proposed Capital Reduction and the notice of the EGM, will be despatched to the Shareholders as soon as practicable.

At the request of the Company, trading in Shares was suspended with effect from 9:30 a.m. on 12 September 2007 and will remain suspended until further notice.

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## **DEFINITIONS**

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

“Board”	board of the Directors
“Capital Reduction”	proposed capital reduction which involves the par value of each Existing Share in issue being reduced from HK\$1 to HK\$0.01
“Companies Law”	Cayman Islands Companies Law (2007) Revision
“Company”	EganaGoldpfeil (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Court”	the Grand Court of the Cayman Islands
“Director(s)”	director(s) of the Company
“EGM”	extraordinary general meeting of the Company to be held on Friday, 28 March 2008 to consider and, if thought fit, approve the special resolution in respect of the Capital Reduction

“Existing Share(s)”	existing ordinary share(s) of HK\$1 each in the capital of the Company prior to the Capital Reduction becoming effective
“Group”	the Company and its subsidiaries
“Lifestyle”	Lifestyle International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company upon the Capital Reduction becoming effective
“Share(s)”	the Existing Share(s) or, as the case may be, the New Share(s)
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board  
**EganaGoldpfeil (Holdings) Limited**  
**Peter Ka Yue LEE**  
*Deputy Chairman*

Hong Kong, 29 February 2008

*As at the date of this announcement, the Board comprises Messrs Peter Ka Yue LEE, Michael Richard POIX, Juergen Ludwig HOLZSCHUH and Wolfgang Heinz PFEIFER as executive directors and Professor Udo GLITTENBERG and Dr. Goetz Reiner WESTERMEYER as independent non-executive directors.*