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## **INTERCHINA HOLDINGS COMPANY LIMITED**

**國 中 控 股 有 限 公 司**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 00202)**

### **ANNOUNCEMENT RESUMPTION OF TRADING**

Reference is made to the announcement of Interchina Holdings Company Limited (the “**Company**”) dated 27 April 2009 (the “**Announcement**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as those used in the Announcement.

The Board would like to provide the Shareholders with further information regarding the Complaint.

#### **FURTHER ALLEGATIONS**

##### *Allegations*

In addition to the allegations as set out in the Announcement, the Complaint also contains the following allegations (the “**Further Allegations**”) directing at Mr. Zhang Yang, an ex-Director (the “**Ex-Director**”):

- (a) the Company executed the Disposal because the Ex-Director owed more than 300 million dollars (currency unspecified) debts to the controller of the Purchaser, and the Ex-Director had illegally misappropriated the assets of the Company to settle his personal debts; and
- (b) that a judicial moratorium was imposed on the assets of CIC by Shanghai No.2 Intermediate People’s Court, Executive Bureau (上海市第二中級人民法院執行庭) (the “**Court Case**”) on 28 April 2008. The Ex-Director had concealed the Company and used his identity as the legal representative and director of CIC to sign a guarantee, which involved an amount of RMB1.4 billion regarding a debt which was not related to the Company (the “**Guarantee**”). The Ex-Director had reached a settlement with the creditor via pre-sale of the four towers of hotel erected on the Land, which are owned by CIC.

## *Actions taken by the Group*

The Company engaged the Advisers, being independent from the Group, to conduct an investigation on the Further Allegations and as legal representative to look into the matter. It was revealed by the Advisers that (i) CIC had signed a debt memorandum (the “**Debt Memorandum**”) which was the subject matter of the Court Case; (ii) at that time, the Ex-Director confirmed he was coerced to sign the Debt Memorandum under particular circumstances, which was illegal under the PRC laws; (iii) a judicial moratorium (司法凍結) was imposed on CIC’s assets by Shanghai No.2 Intermediate People’s Court (上海市第二中級人民法院) on 5 May 2008; and (iv) as a result of a settlement agreement entered into by the parties to the Debt Memorandum, the judicial moratorium imposed on CIC’s assets were subsequently released by the court on 28 May 2008. The Advisers attempted to obtain the related materials from the court regarding the Court Case. However, the Advisers were refused access to such materials by the relevant authorities in the PRC because the Advisers were not the original representatives of CIC in the Court Case. Since the Company and CIC were not aware of the Court Case at the material time, neither the Company nor CIC had attended nor appointed any legal representative to attend the Court Case. The Group was not possible to “re-appoint” anyone to review and copy any materials at the court relating to the Court Case.

The Advisers had contacted the purported parties to the Court Case to obtain the related materials. However, both parties refused to provide further information relating to the Court Case except for a waiver letter (the “**Waiver Letter**”) dated 2 February 2009 confirming the release of CIC’s obligations from the Debt Memorandum.

The Company had further instructed CIC to arrange its staff to obtain the materials relating to the Court Case. However, CIC’s request had also been rejected by the court due to the sensitive nature of the information.

The Directors and the Ex-Director confirmed that the Company is not in possession of any copy of the Guarantee or Debt Memorandum or other related materials.

As regards the Further Allegation set out in paragraph (a) above, the Ex-Director informed the Company that he did not owe or had not owed any debts to any of the Purchaser and/or its beneficial owner. As regards the Further Allegation set out in paragraph (b) above, the Ex-Director subsequently informed the Company that he had not seen the Debt Memorandum but had only signed certain documents (not on behalf of the Company). The Directors and the Ex-Director further confirmed that none of them were aware of the Guarantee or the Debt Memorandum, nor had any Directors or the Ex-Director in fact signed on any of these documents, nor had any of them authorised the signing the same. Accordingly, the Directors considered that neither the Company nor CIC was a party to the Debt Memorandum, nor were the Group bound by the Debt Memorandum.

The Advisers further advised that the Debt Memorandum had no legal effect under the PRC laws. The Advisers also advised the Group to report to the police of Changsha the PRC regarding the authenticity of the Debt Memorandum.

*No dissipation or misappropriation of assets of the Group*

The following were work done by the Group and its advisers. Based on such findings, the Company is satisfied that no assets of the Group had been dissipated or misappropriated:

- (i) the auditors of the Company has issued a confirmation confirming that the financial arrangement as set out in the Financial Agreement has not violated HKAS 27 (which relates to control and subsidiary) as regards the Company's control of CIC. Therefore, the Company is satisfied that CIC is still a subsidiary of the Company;
- (ii) the Company appointed the Advisers to investigate whether the four towers of the hotel had been sold. Based on the Advisers' investigation report dated 17 January 2009, no legally binding pre-sale agreement in relation to the four towers of the hotel had been signed;
- (iii) CIC and the Company had no record of any pre-sale agreement regarding the four towers of the hotel;
- (iv) as at the date of this announcement, the development project of CIC (including the four towers of the hotel and the Interchina Mall) has not yet been completed. Therefore, no title certificate has been issued for sale purpose – no sale could possibly be conducted nor any title could be passed in relation to these properties;
- (v) the title certificate of the Land (being the major assets of CIC, on which the four towers of the hotel and the Interchina Mall have been developing) is in the possession of CIC; and
- (vi) CIC has obtained the Waiver Letter confirming the release of CIC's obligations from the Debt Memorandum.

Based on the above and the PRC legal advice received by the Company, the Board considered that the Company and CIC have taken all meaningful and practicable actions, and there is no other practicable and legal alternative to investigate the Further Allegations except reporting the same to the police of Changsha, the PRC. The Board considers it inappropriate to report to the police of Changsha, the PRC at this juncture because the consequence of making such report might cause adverse effect on CIC's daily operations and creditability, which would eventually jeopardise the Disposal. Appropriate action will be taken after the Shareholders' meeting approving the Disposal has taken place.

**RESIGNATION OF THE EX-DIRECTOR**

As disclosed in the announcement of the Company dated 12 May 2009, the Ex-Director had resigned as an executive Director and chairman of the Company with effect from 11 May 2009 due to his personal reasons to devote more time to do his personal business and pursue further education. He also confirmed that he had no disagreement with the Board.

At the request of the Stock Exchange, the Board would like to state that pursuant to a letter from the Ex-Director to the Stock Exchange dated 1 June 2009, the Ex-Director re-confirmed the reason of his resignation as above and that he had no disagreement with the Board regarding his resignation. The Ex-Director further expressed his personal opinion in such letter, stating that in order to facilitate the Board to conduct the necessary procedures in relation to the Further Allegations completely and independently, in particular, to protect the interests of the minority Shareholders, and to eliminate any possible concerns of the Stock Exchange over his continuing directorship of the Company, he tendered his resignation to the Board. The Ex-Director further stressed to the Stock Exchange that the above statement was an expression of his personal feeling only, which was not the reason for his resignation.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 10 February 2009 pending the publication of an announcement to address the allegations of the Complaint (including the allegations of the Complaint disclosed in the Announcement and the Further Allegations disclosed in this announcement). Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 4 June 2009.

By Order of the Board  
**Interchina Holdings Company Limited**  
**Lam Cheung Shing, Richard**  
*Chairman*

Hong Kong, 3 June 2009

*As at the date of this announcement, the executive Directors are Mr. Lam Cheung Shing, Richard, Mr. Zhu Yongjun and Mr. Chan Wing Yuen, Hubert; and the independent non-executive Directors are Ms. Ha Ping, Mr. Ho Yiu Yue, Louis and Mr. Ko Ming Tung, Edward.*