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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: 202)**

### **ISSUE OF CONVERTIBLE NOTE**

#### **The Subscription Agreement**

The Company entered into the Subscription Agreement with the Subscriber before trading hours on 9 June 2009, pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe for the Convertible Note (in the principal amount of HK\$35,000,000). The Convertible Note was convertible into Conversion Shares at the Conversion Price, being HK\$0.1 (subject to adjustments) each.

Assuming the conversion rights attaching to the Convertible Note are exercised in full at the initial Conversion Price of HK\$0.1 per Conversion Share, a maximum of 350,000,000 Conversion Shares will be issued, representing approximately 1.73% of the issued share capital of the Company as at the date of this announcement and approximately 1.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

Completion is conditional upon the fulfilment of the conditions set out in the paragraph headed “Conditions” below.

The Conversion Shares will be issued under the General Mandate, which has not been utilised up to the date of this announcement.

The net proceeds from the issue of the Convertible Note will be approximately HK\$34,800,000 which is intended to be used as general working capital of the Group.

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

Before trading hours on 9 June 2009

### **Issuer**

The Company

### **Subscriber**

Favour City Limited, which is beneficially owned by Mr. Li Ji

To the best of the Directors' knowledge, information and belief, the principal business carried on by the Subscriber is investment holding. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner are third parties independent of the Group and independent of the connected persons (as defined in the Listing Rules) of the Group.

### **Issue Size**

The principal amount of the Convertible Note is HK\$35,000,000.

### **Conditions**

Completion is conditional upon:

- (a) granting of approval by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares either unconditionally or subject to conditions to which the Company does not object; and
- (b) the representations and warranties given by the Subscriber and the Company remaining true and accurate in all aspects and not misleading in any respect as of Completion by reference to the facts and circumstances subsisting as at Completion.

If the conditions set out above have not been fulfilled on or before the last day of three months from the date of the Subscription Agreement or such other date as may be agreed by the Company and the Subscriber in writing, the Subscription Agreement shall be terminated and the parties shall be released from all obligations under the Subscription Agreement, save for liabilities for any antecedent breaches thereof.

Notwithstanding the above, at the discretion of the Subscriber, the Subscriber may serve a notice in writing to the Company to terminate the Subscription Agreement on or before the Completion Date. Upon receiving such notice, the Subscription Agreement shall be terminated and all obligations and liabilities of the parties thereunder shall be released save for any antecedent breaches thereof.

## **Completion**

Completion shall take place on a day to be agreed in writing by the Company and the Subscriber, which shall fall on or before the fifth Business Day from the date on which the condition set out in paragraph (a) above has been fulfilled or such other date as may be agreed by the Company and the Subscriber in writing. The Subscriber shall be entitled to appoint one Director to sit on the Board after Completion.

## **Other term**

During the life of the Subscription Agreement, the Company shall maintain its consolidated net asset value of not less than HK\$1,700,000,000 and the total liabilities of not more than HK\$700,000,000 as shown by its latest audited consolidated balance sheet.

## **PRINCIPAL TERMS OF THE CONVERTIBLE NOTE**

The principal terms of the Convertible Note are summarised below:

### **Interest**

The Convertible Note will bear interest on the outstanding principal amount thereof from the date of issue at a rate of 5% per annum. Interest will be payable quarterly in arrears commencing three months after the date of issue of the Convertible Note.

### **Maturity Date**

Unless converted in accordance with the terms and conditions of the Convertible Note, the Company shall repay the outstanding principal amount of the Convertible Note together with any interest accrued thereon on the second anniversary of the date of issue of the Convertible Note subject to and in accordance with the terms of the Convertible Note.

### **Conversion rights**

The Noteholder will have the right to convert the principal amount of the Convertible Note (in amounts of not less than a whole multiple of HK\$500,000 on each conversion) into Conversion Shares at the Conversion Price at any time during the period commencing from the date of issue of the Convertible Note up to 4:00 p.m. on the third Business Day prior to the expiry of the Maturity Date.

### **Conversion Price**

The initial Conversion Price is equal to HK\$0.1 per Conversion Share, subject to such adjustment as may be made in the event of (i) consolidation or sub-division of Shares; (ii) capitalisation of profits or reserves of the Company; (iii) capital distribution made by the Company; (iv) rights issues of shares or

warrants, issues of other securities which are convertible into or exchangeable for or carrying rights of subscription for new Shares or modification to rights of conversion/exchange/subscription attaching to such securities; (v) issues of Shares wholly for cash or for the acquisition of assets as set out in the Convertible Note. The Company will make an announcement when there is any adjustment to the Conversion Price and the adjustment shall be certified either by the auditors of the Company or by an approved merchant bank.

The Conversion Price of HK\$0.1 (subject to adjustments mentioned above) represents (i) a premium of about 72.4% over the closing price of HK\$0.058 per Share as quoted on the Stock Exchange on 8 June 2009, being the date of the Subscription Agreement; (ii) a premium of about 103.3% over the average closing price of approximately HK\$0.0492 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 8 June 2009; and (iii) a premium of about 142.1% over the average closing price of approximately HK\$0.0413 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including 8 June 2009.

The initial Conversion Price of HK\$0.1 per Conversion Share was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length negotiation between the Company and the Subscriber.

### **Conversion Shares**

Assuming the conversion rights attaching to the Convertible Note are exercised in full at the initial Conversion Price of HK\$0.1 per Conversion Share, a maximum of 350,000,000 Conversion Shares will be issued, representing approximately 1.73% of the issued share capital of the Company as at the date of this announcement and approximately 1.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

The Conversion Shares will be issued under the general mandate (the "**General Mandate**") granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 6 September 2008 (the "**AGM**") subject to the limit of up to 20% of the issued share capital of the Company as at the date of the AGM. The maximum number of Shares to be issued under the General Mandate is 4,057,238,726 Shares. The General Mandate has not been utilised since the date of passing of the relevant resolution and up to the date of this announcement. The Conversion Shares will, upon issue, rank pari passu in all respects with the Shares in issue as at the date of its allotment and issue.

### **Redemption**

The Company and the Subscriber shall not be entitled to redeem any part of the outstanding principal amount of the Convertible Note prior to the Maturity Date.

### **Voting**

The Noteholder will not be entitled to attend or vote at any meetings of the Company by reason only of it being a Noteholder.

## Transferability

Assignment or transfer of the Convertible Note may only be made if:

- (i) it is made to person(s) who are not connected persons (as such term is defined in Rule 1.01 and as extended by Rule 14A.11 of the Listing Rules) of the Group;
- (ii) prior written approval of the Stock Exchange (if applicable) and the Company shall have been obtained in respect thereof; and
- (iii) the principal amount to be transferred or assigned is at least HK\$500,000 and integral multiples of HK\$500,000.

## Listing

No application will be made for a listing of, or permission to deal in, the Convertible Note on the Stock Exchange or any other stock exchange. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Conversion Shares.

## SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the exercise of the conversion rights attaching to the Convertible Note in full is as follows:

	Shareholding as at the date of this announcement		Shareholding immediately after the issue of the Conversion Shares	
	Number of Shares (approximate)	%	Number of Shares (approximate)	%
Mr. Zhang Yang	3,739,865,000	18.44	3,739,865,000	18.12
Mr. Chan Tim Shing	1,565,000,000	7.71	1,565,000,000	7.58
The Subscriber	0	0	350,000,000	1.7
Other public Shareholders	14,981,328,632	73.85	14,981,328,632	72.60
Total	<u>20,286,193,632</u>	<u>100</u>	<u>20,636,193,632</u>	<u>100</u>

## REASONS FOR THE TRANSACTION AND USE OF NET PROCEEDS

The Group is principally engaged in the investment in environmental and water treatment operation, property investment operation, securities and financial operation, and city development and investment operation as well as strategic investment in Hong Kong and the PRC. The Directors consider that the issue of the Convertible Note will provide the Company with immediate funding without immediate dilution of the shareholding of the existing Shareholders and, if the conversion rights attaching to the Convertible Note are exercised, the capital base of the Company will be enlarged.

The net proceeds from the issue of the Convertible Note will be approximately HK\$34,800,000 which is intended to be used as general working capital of the Group.

The Directors consider that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable based on the current market conditions and are in the interests of the Company and the Shareholders as a whole.

## **EQUITY FUND-RAISING CONDUCTED IN THE 12-MONTH PERIOD IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT**

The Company had not conducted any equity fund raising activities in the 12 months prior to the date of this announcement.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Business Day”	a day (other than Saturday and Sunday) on which licensed banks in Hong Kong are generally open for business during their normal business hours in Hong Kong
“Company”	Interchina Holdings Company Limited, a company incorporated in Hong Kong with limited liability and the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the subscription of the Convertible Note pursuant to the Subscription Agreement
“Completion Date”	the date of completion of the Subscription Agreement
“Conversion Price”	HK\$0.1, being the price at which each Conversion Share will be issued upon a conversion of all or part of the Convertible Note (subject to adjustments)
“Conversion Shares”	new Shares to be issued upon conversion of the Convertible Note
“Convertible Note”	the convertible note in the principal amount of HK\$35,000,000
“Directors”	the directors of the Company

“General Mandate”	has the meaning ascribed to it in the sub-paragraph headed “Conversion Shares” of the paragraph headed “Principal terms of the Convertible Note” of this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling on the second anniversary of the date of issue of the Convertible Note
“Noteholder(s)”	holder(s) of the Convertible Note
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	share(s) of a nominal value of HK\$0.10 each in the capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Favour City Limited
“Subscription Agreement”	the conditional subscription agreement dated 8 June 2009 entered into between the Company as the issuer and the Subscriber as subscriber in respect of the issue of the Convertible Note
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 9 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.*