

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



INTERCHINA HOLDINGS COMPANY LIMITED

國 中 控 股 有 限 公 司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

PROPOSED CAPITAL REORGANISATION AND INCREASE IN AUTHORISED SHARE CAPITAL

Financial adviser to Interchina Holdings Company Limited



KINGSTON CORPORATE FINANCE LIMITED

SUMMARY

The Board proposes to put forward to the Shareholders a proposal to effect the Capital Reorganisation involving the Capital Reduction and the Share Consolidation. The Capital Reorganisation is conditional upon, among other things, the approval by the Shareholders at the EGM and the confirmation of the Capital Reduction by the Court.

Upon the Capital Reorganisation becoming effective, the Board proposes that the authorised share capital of the Company be increased from HK\$400,000,000 divided into 4,000,000,000 Consolidated Shares to HK\$1,000,000,000 divided into 10,000,000,000 Consolidated Shares by the creation of an additional 6,000,000,000 new Consolidated Shares.

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Reorganisation and the Increase in Authorised Share Capital. A circular containing further details of, among other things, the Capital Reorganisation and the Increase in Authorised Share Capital together with a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

I. CAPITAL REORGANISATION

The Board proposes that the Company implements the Capital Reorganisation which will involve the Capital Reduction and the Share Consolidation.

Capital Reduction

The Capital Reduction will be effected pursuant to the Companies Ordinance and the Articles of Association. As at the date of this announcement, the authorised share capital of the Company is HK\$4,000,000,000 divided into 40,000,000,000 Shares, of which 20,286,193,632 Shares have been issued and are fully paid.

The Board proposes to reduce the authorised share capital of the Company from HK\$4,000,000,000 divided into 40,000,000,000 Shares to HK\$400,000,000 divided into 40,000,000,000 Reduced Shares by cancelling the issued and paid up capital to the extent of HK\$0.09 on each of the Share in issue as at the date of this announcement and any further Shares which may be issued prior to the date on which the petition for the confirmation of the Capital Reduction is heard by the Court and by reducing the nominal value of all the issued and unissued Shares from HK\$0.10 to HK\$0.01 each.

Assuming that no new Shares will be issued after the date of this announcement and prior to the Capital Reduction becoming effective, a credit of approximately HK\$1,825,757,427 will arise as a result of the Capital Reduction. Subject to the approval of and to the extent permitted by the Court, the credit arising from the Capital Reduction will be utilised to set off the Accumulated Losses. After setting off the Accumulated Losses, all or part of the balance of the credit arising from the Capital Reduction will be transferred to the Capital Reduction Reserve Account(s) and/or such other account(s) of the Company in such ways as the Court may direct. The amount standing to the credit of the Capital Reduction Reserve Account(s) and/or such other account(s) of the Company will be dealt with and applied in accordance with such directions and subject to such conditions as the Court may impose (if any), and/or in such manners as the Board considers appropriate.

Share Consolidation

Upon the Capital Reduction becoming effective, every ten (10) Reduced Shares will be consolidated into one (1) Consolidated Share. Any fraction of the Consolidated Shares arising from the Capital Reorganisation will not be issued to the Shareholders but will be aggregated and sold (if a premium, net of expenses, can be obtained) for the benefit of the Company. The Consolidated Shares will rank pari passu in all respects with each other.

CONDITIONS OF THE CAPITAL REORGANISATION

The implementation of the Capital Reorganisation is conditional upon, among other things:

- (i) the passing of a special resolution or relevant resolutions (as appropriate) by the Shareholders approving the Capital Reorganisation at the EGM;

- (ii) the Listing Committee of the Stock Exchange granting of the listing of, and permission to deal in, the Consolidated Shares in issue upon the Capital Reorganisation becoming effective;
- (iii) the Court making an order confirming the Capital Reduction pursuant to sections 58 to 60 of the Companies Ordinance;
- (iv) the registration by the Registrar of Companies in Hong Kong of a copy of the order of the Court confirming the Capital Reduction and a copy of the minute containing the particulars required under section 61 of the Companies Ordinance duly approved by the Court; and
- (v) the compliance with any conditions as may be imposed by the Court in relation to the Capital Reduction.

Assuming that all the above conditions are fulfilled, the Capital Reorganisation will become effective on the registration of the court order and the minute as referred to in condition (iv) above.

The effective date of the Capital Reorganisation is not ascertainable at present as the Capital Reduction, which forms part of the Capital Reorganisation, will depend upon the timetable of the Court. At this stage, it is anticipated that the Capital Reorganisation would become effective around November 2009. An application will be made to the Court for the approval of the Capital Reduction as soon as practicable after the same is approved by the Shareholders by way of a special resolution at the EGM. Further announcement(s) (if any) will be made to inform the Shareholders of the progress of the matter as and when appropriate.

EFFECTS OF THE CAPITAL REORGANISATION

Business

The business and management of the Company and the Group will not be changed as a result of the implementation of the Capital Reorganisation.

Financial position

Implementation of the Capital Reorganisation will not alter the business and underlying assets/liabilities or financial position of the Company and the Group, other than the payment of the professional expenses relating thereto.

Rights of the Shareholders

Implementation of the Capital Reduction will not affect the Shareholders' proportionate interests and voting rights in the Company. The Consolidated Shares will rank *pari passu* in all respect with each other.

Share Options

The Company adopted the share option scheme of the Company on 2 September 2002 (the “**Scheme**”). As at the date of this announcement, there are 78,000,000 outstanding share options granted by the Company under the Scheme entitling the holders thereof to subscribe for 78,000,000 Shares.

Subject to the Capital Reorganisation becoming effective, corresponding adjustments will be made on the basis that the proportion of the issued share capital of the Company to which a grantee of share options is entitled shall remain the same before and after such adjustments in accordance with the rules of the Scheme and the relevant supplementary guidelines issued by the Stock Exchange. The Company will make further announcement about the adjustments.

Convertible Notes

Pursuant to the subscription agreement dated 9 June 2009 (as supplemented by a supplemental agreement dated 10 June 2009), the Company has issued the Convertible Notes.

Subject to the Capital Reorganisation becoming effective, the conversion price and/or the number of Consolidated Shares fall to be issued upon exercise of the conversion rights attached to the Convertible Notes will be adjusted in accordance with the instruments creating the Convertible Notes. The Company will make further announcement about the adjustments.

Save as the aforesaid, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the date of this announcement.

Share Capital

The following table sets out the effect of the Capital Reorganisation on the share capital of the Company, that is, before and after the implementation of the Capital Reorganisation:

	Prior to the Capital Reorganisation	Immediately following the Capital Reorganisation becoming effective (Note)
Nominal value of each Share/Consolidated Share	HK\$0.10	HK\$0.10
Number of authorised Shares/Consolidated Shares	40,000,000,000	4,000,000,000
Authorised share capital	HK\$4,000,000,000	HK\$400,000,000
Number of Shares/Consolidated Shares in issue	20,286,193,632	2,028,619,363
Issued and fully paid-up share capital	HK\$2,028,619,363	HK\$202,861,936

Note: The issued share capital immediately after the Capital Reorganisation becoming effective is presented on the assumption that no further Shares would be issued or repurchased between the date of this announcement and the date of the EGM.

Board Lot Size

Upon the Capital Reorganisation becoming effective, the board lot size of the Consolidated Shares for trading on the Stock Exchange will remain unchanged at 5,000 Consolidated Shares per board lot, which is the same board lot size for trading in the Shares on the Stock Exchange.

REASONS FOR THE CAPITAL REORGANISATION

To facilitate future fund raising exercise of the Company

During the periods between 13 June 2005 to 7 February 2007 and 9 January 2008 to present, the Shares have generally been traded below its par value of HK\$0.10 per Share. Under section 50 of the Companies Ordinance, the Company is not permitted to issue new Shares at a discount to the par value of the Shares, unless, among other things, the issue is authorised by a resolution of the Shareholders and is sanctioned by the Court. Moreover, section 58 of the Companies Ordinance further provides that a company, the net assets of which are less than its paid-up share capital, may not effect a capital reduction to re-designate the nominal value of its shares unless, among other things, the capital reduction is sanctioned by the Court. These statutory requirements, coupled with the fact that the Shares have generally been traded below its par value of HK\$0.10 per Share, create difficulty for the Company to raise and to issue new equity capital as and when needed unless the Company proceeds with and obtains the sanction of the Court for the Capital Reduction.

The completion of the Capital Reduction will reduce the par value of the Shares to HK\$0.01 per Reduced Share. Following the Share Consolidation, the market price per Consolidated Share is expected to be higher than its par value as a result of the Capital Reorganisation, therefore providing the Company with greater flexibility in pricing its own shares which may be issued in any future equity fund raising exercise. In addition, the Share Consolidation will increase the nominal value of the then Reduced Shares and therefore will increase the trading price per board lot and hence reducing the overall transaction and handling costs for dealings in the Consolidated Shares.

In the circumstances, the Directors consider that the Capital Reorganisation is the most appropriate means of preparing the Company's capital structure for potential future fund raising exercises.

To eliminate the Accumulated Loss

As at 31 March 2009, being the date to which the last audited accounts of the Company were drawn up, the total amount of the unconsolidated accumulated losses of the Company, consisting of losses of both permanent and non-permanent in nature, was approximately HK\$655,359,000. The Capital Reorganisation will enable the Company to write off its Accumulated Losses. As a result of such writing-off of Accumulated Losses, the Company's capital and reserves will more closely reflect the available net assets of the Company and would give the Company a capital structure that should, subject to performance, permit the payment of dividends as and when the Directors consider it appropriate in the future. The Directors, therefore, consider that the Capital Reorganisation is in the interest of the Company and the Shareholders as a whole.

II. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company is HK\$4,000,000,000 divided into 40,000,000,000 Shares of which 20,286,193,632 Shares are in issue. In order to accommodate further expansion and growth of the Group, the Board proposes that immediately following the Capital Reorganisation becoming effective, the authorised share capital of the Company be increased from HK\$400,000,000 divided into 4,000,000,000 Consolidated Shares to HK\$1,000,000,000 divided into 10,000,000,000 Consolidated Shares by the creation of an additional 6,000,000,000 new Consolidated Shares.

The proposed increase in authorised share capital of the Company is conditional upon, among other things, (i) the Capital Reorganisation becoming effective and (ii) the passing of an ordinary resolution by the Shareholders approving the Increase in Authorised Share Capital at the EGM.

III. LISTING AND DEALINGS

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares arising from the Capital Reorganisation.

The Consolidated Shares will be identical in all respects and rank pari passu in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

IV. DEALINGS IN CONSOLIDATED SHARES AND THE FREE EXCHANGE OF SHARE CERTIFICATE

Arrangements will be made so that subject to the Capital Reorganisation becoming effective, the Shareholders may submit their existing certificates for the Shares to the Registrar in exchange for certificates for the Consolidated Shares free of charge during a certain period after the Capital Reorganisation has become effective. After the expiry of such period, certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 per share certificate (or such higher amount as allowed by the Stock Exchange from time to time). Existing certificates for the Shares will cease to be good for delivery but will continue to be good evidence of legal title to the Consolidated Shares. Details of such exchange arrangements will be set out in the circular of the Company to be despatched to the Shareholders.

V. ODD LOT ARRANGEMENTS

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company will appoint a licensed securities firm to provide matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Details of such arrangements will be disclosed in the circular of the Company to be despatched to the Shareholders.

VI. GENERAL

A circular containing, among other things, further details of the Capital Reorganisation and the Increase in Authorised Share Capital together with a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

TERMS AND DEFINITIONS

“Accumulated Losses”	such parts of the unconsolidated accumulated losses of the Company which the Court permit to be eliminated by the credit arising from the Capital Reduction
“Articles of Association”	the articles of association of the Company from time to time

“Board”	the board of Directors
“Capital Reduction”	the proposed reduction of the share capital of the Company by cancelling the issued and paid up capital to the extent of HK\$0.09 on each of the Shares in issue and by reducing the nominal value of all the unissued Shares from HK\$0.10 each to HK\$0.01 each
“Capital Reduction Reserve Account(s)”	the capital reduction reserve account(s) of the Company to be set up as the Court may approve upon the Capital Reduction becoming effective
“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company involving the Capital Reduction and the Share Consolidation, details of which are set out under the section headed “Capital Reorganisation” in this announcement
“CCASS”	the Central Clearing and Settlement System operated by HKSCC
“Companies Ordinance”	the Companies Ordinance, Cap. 32 of the Laws of Hong Kong
“Company”	Interchina Holdings Company Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“Consolidated Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company immediately after the Capital Reorganisation becoming effective
“Court”	The Court of First Instance of the High Court of Hong Kong
“Convertible Notes”	the unsecured convertible notes with principal value of HK\$35,000,000 issued by the Company on 15 June 2009, details of which are set out in the announcements issued by the Company dated 9 June 2009 and 10 June 2009
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Reorganisation
“Group”	the Company and its subsidiaries
“HKSCC”	the Hong Kong Securities Clearing Company Limited

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$400,000,000 divided into 4,000,000,000 Consolidated Shares to HK\$1,000,000,000 divided into 10,000,000,000 Consolidated Shares by the creation of an additional 6,000,000,000 new Consolidated Shares upon the Capital Reorganisation becoming effective
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Reduced Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately after the Capital Reduction but before the Share Consolidation
“Registrar”	Tricor Tengis Limited
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company prior to the Capital Reorganisation becoming effective
“Shareholder(s)”	holder(s) of the Share(s) or the Reduced Share(s) or the Consolidated Share(s) (as the case may be)
“Share Consolidation”	the proposed consolidation of every ten (10) Reduced Shares into one (1) Consolidated Share
“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
Interchina Holdings Company Limited
Lam Cheung Shing, Richard
Chief Executive Officer and Executive Director

Hong Kong, 24 July 2009

As at the date of this announcement, the executive Directors are Ms. Wing Man Yi, Mr. Lam Cheung Shing, Richard, Mr. Zhu Yongjun and Dr. Mu Simon Xinming, and the independent non-executive Directors are Ms. Ha Ping, Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Dr. Fu Tao.