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**HANNY HOLDINGS LIMITED**

**錦興集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 275)**



**ITC CORPORATION LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 372)**

**(1) PROPOSED CAPITAL  
REORGANISATION;  
(2) CHANGE OF BOARD LOT SIZE;  
(3) PROPOSED RIGHTS ISSUE ON  
THE BASIS OF FOUR RIGHTS  
SHARES FOR EVERY REORGANISED  
SHARE HELD ON THE RECORD  
DATE (WITH WARRANTS TO BE  
ISSUED IN THE PROPORTION OF  
ONE WARRANT FOR EVERY FOUR  
RIGHTS SHARES SUBSCRIBED FOR);  
AND  
(4) RESUMPTION OF TRADING**

**DISCLOSEABLE TRANSACTION**

**Financial adviser to Hanny Holdings Limited**



**Underwriter to the Rights Issue**



**PROPOSED CAPITAL REORGANISATION**

The Company intended to put forward for approval by the Shareholders to effect the Capital Reorganisation which involves the following:

- (a) every fifty issued Shares of HK\$0.01 each will be consolidated into one Consolidated Share of HK\$0.50;

\* for identification purpose only

- (b) the paid-up capital of the Consolidated Shares will be reduced from HK\$0.50 to HK\$0.01 each by cancelling HK\$0.49 thereof so as to form Reorganised Shares of HK\$0.01 each; and
- (c) the credit arising in the books of the Company from the reduction of the paid-up capital as aforesaid in the aggregate amount of approximately HK\$49,125,668.43 will be credited to the contributed surplus account of the Company and the Directors will be authorised to apply such surplus in any manner permitted by the laws of Bermuda and the Bye-Laws.

The unissued share capital of the Company before and after the Capital Reorganisation will remain as ordinary shares of HK\$0.01 each. The Board currently has no plan as to the use of the amount to be transferred to the contributed surplus account of the Company upon the Capital Reorganisation becoming effective.

#### **CHANGE IN BOARD LOT SIZE**

The Shares are currently traded in board lots of 8,000 Shares each. The Board proposes that upon the Capital Reorganisation becoming effective, the board lot size of the Shares for trading on the Stock Exchange will be changed from 8,000 Shares to 2,000 Reorganised Shares. The board lot size of the Rights Shares in both their nil-paid and fully paid forms for trading on the Stock Exchange will be 2,000 Rights Shares.

Assuming the Change in Board Lot Size becomes effective, the Reorganised Shares will be traded in board lots of 2,000 Reorganised Shares and the estimated market value per board lot of the Reorganised Shares will be approximately HK\$2,140, based on the theoretical ex-right price after completion of the Rights Issue of HK\$1.07 per Reorganised Share (based on the closing price of HK\$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day).

#### **PROPOSED RIGHTS ISSUE**

The Company proposes to raise not less than approximately HK\$200.5 million but not more than approximately HK\$231.2 million before expenses, by way of the Rights Issue of not less than 401,025,864 Right Shares (with Warrants) (assuming no rights attaching to the 2011 Convertible Notes are exercised before the Record Date) but not more than 462,386,736 Rights Shares (with Warrants) (assuming full exercise of the rights attaching to the 2011 Convertible Notes, other than those held by ITC's subsidiaries and Dr. Chan, before the Record Date) at the Subscription Price of HK\$0.50 per Rights Share on the basis of four Rights Shares for every Reorganised Share held at the close of business on the Record Date, with Warrants to subscribe for Reorganised Shares in the proportion of one Warrant for every four Rights Shares subscribed.

The estimated net proceeds from the Rights Issue (with Warrants) will be not less than approximately HK\$194.0 million but not more than approximately HK\$224.2 million and are intended to be used as the general working capital of the Group.

Upon full exercise of the maximum number of 115,596,684 Warrants, the Company will receive approximately HK\$138.7 million before expenses (assuming that the exercise price per Warrant is not adjusted). The Company intends to apply the proceeds raised from the exercise of the Warrants for the general working capital of the Group.

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and be a Qualifying Shareholder. In order to be registered as members of the Company on the Record Date, all transfers must be lodged (together with the relevant share certificate(s)) with the Registrar by 4:30 p.m. (Hong Kong time) on 28 October 2008.

The Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus (without the PAL and EAF), for information only, to the Excluded Shareholders on the Posting Date.

#### **WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS SHARES**

**Shareholders and potential investors of the Company should note that the Rights Issue is conditional, inter alia, upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-paragraph headed “Termination of the Underwriting Agreement” below). Accordingly, the Rights Issue may or may not proceed.**

**Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, the Reorganised Shares or the Rights Shares in their nil-paid form, and if they are in any doubt about their position, they should consult their professional advisers.**

**Shareholders should note that the Shares will be dealt in on an ex-rights basis commencing from 27 October 2008. The Rights Shares will be dealt in their nil-paid form from 7 November 2008 to 14 November 2008, both dates inclusive. Shareholders should note that dealings in such Reorganised Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Reorganised Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be 24 November 2008), and dealing in the Rights Shares in their nil-paid form, will accordingly bear the risk that the Rights Issue will not become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares or Reorganised Shares (as the case may be) or the Rights Shares in their nil-paid form, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.**

## **GENERAL**

As the applicable percentage ratio in respect of the Participation exceeds 5% but is less than 25%, the Participation will constitute a discloseable transaction for ITC under Chapter 14 of the Listing Rules. A circular containing, among other things, further details of the Participation will be despatched by ITC to its shareholders in accordance with the requirements of the Listing Rules.

In accordance with Rule 7.19(6) of the Listing Rules, as the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to the approval of the Shareholders at the SGM by way of poll. Pursuant to Rule 7.19(6)(a) of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue. As at the date of this announcement, ITC, Dr. Chan, Dr. Yap and their respective associates hold an aggregate of 2,565,197,436 Shares, representing approximately 51.17% of the existing issued share capital of the Company. Consequently, ITC, Dr. Chan, Dr. Yap and their respective associates will be required to abstain from voting in favour of the proposed resolution approving the Rights Issue at the SGM.

An independent board committee of the Company comprising all the independent non-executive Directors will be established to make recommendations to the Independent Shareholders in respect of the Rights Issue. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard.

The Circular containing, among other things, (i) further details about the Capital Reorganisation, the Change in Board Lot Size, the Rights Issue and the terms and conditions of the Warrants; (ii) a letter of recommendation from the independent board committee of the Company to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders on the Rights Issue; and (iv) the notice convening the SGM, will be despatched by the Company to the Shareholders as soon as practicable.

After the passing of the resolutions approving the Capital Reorganisation and the Rights Issue by the Shareholders and the Independent Shareholders respectively at the SGM and the Capital Reorganisation becoming effective, the Prospectus Documents will be despatched to the Qualifying Shareholders, and the Prospectus will be despatched to the Excluded Shareholders for information only, on the Posting Date.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 10 September 2008 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 16 September 2008.

## **PROPOSED CAPITAL REORGANISATION**

The Company intended to put forward for approval by the Shareholders to effect the Capital Reorganisation which involves the following:

- (a) every fifty issued Shares of HK\$0.01 each will be consolidated into one Consolidated Share of HK\$0.50;
- (b) the paid-up capital of the Consolidated Shares will be reduced from HK\$0.50 to HK\$0.01 each by cancelling HK\$0.49 thereof so as to form Reorganised Shares of HK\$0.01 each; and
- (c) the credit arising in the books of the Company from the reduction of the paid-up capital as aforesaid in the aggregate amount of approximately HK\$49,125,668.43 will be credited to the contributed surplus account of the Company and the Directors will be authorised to apply such surplus in any manner permitted by the laws of Bermuda and the Bye-Laws.

The unissued share capital of the Company before and after the Capital Reorganisation will remain as ordinary shares of HK\$0.01 each. The Board currently has no plan as to the use of the amount to be transferred to the contributed surplus account of the Company upon the Capital Reorganisation becoming effective.

Any fraction of Reorganised 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 Reorganised Shares will rank pari passu in all respects with each other.

In order to alleviate the difficulties arising from the existence of odd lots of Reorganised Shares arising from the Capital Reorganisation, the Company will appoint an agent to stand in the market to provide matching services for the odd lots of Reorganised Shares on a best effort basis. Further details in respect of the odd lots arrangement and the free exchange of new share certificates will be set out in the Circular.

### **Conditions of the Capital Reorganisation**

The Capital Reorganisation (which will be effected in accordance with the Bye-Laws and the Companies Act) is conditional upon:

- (i) the passing of a special resolution by the Shareholders approving the Capital Reorganisation at the SGM;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Reorganised Shares in issue arising from the Capital Reorganisation; and
- (iii) the compliance with the requirements of section 46(2) of the Companies Act, including (a) publication of a notice in relation to the Capital Reorganisation in an appointed newspaper in Bermuda on a date not more than thirty days and not less than fifteen days before the date on which the Capital Reorganisation is to take effect; and (b) that on the date of the Capital Reorganisation is to be effected, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation, would be unable to pay its liabilities as they become due.

Assuming the above conditions are fulfilled, it is expected that the Capital Reorganisation will become effective after the trading hours of the day of passing the relevant resolution approving the Capital Reorganisation. The legal advisers to the Company as to Bermuda law have confirmed that, subject to the conditions of the Capital Reorganisation as set out above being satisfied, the Capital Reorganisation will be in compliance with the laws of Bermuda. The Capital Reorganisation is not conditional upon the Rights Issue being approved by the Independent Shareholders at the SGM.

### **Effects of the Capital Reorganisation**

Implementation of the Capital Reorganisation will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders, except for the payment of the related expenses. The Board believes that the Capital Reorganisation will not have any adverse effect on the financial position of the Group and the Board believes that on the date the Capital Reorganisation is to be effected, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due. No capital will be lost as a result of the Capital Reorganisation and, except for the expenses involved in relation to the Capital Reorganisation which are expected to be insignificant in the context of the net asset value of the Company, the net asset value of the Company will remain unchanged before and after the Capital Reorganisation becoming effective. The Capital Reorganisation does not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid up capital of the Company nor will it result in any change in the relative rights of the Shareholders.



## **Reasons for the Capital Reorganisation**

The Board believes that the Capital Reorganisation is beneficial to the Company and the Shareholders as a whole. The Board is of the opinion that the Capital Reorganisation will provide the Company with greater flexibility for the issue of new Reorganised Shares in the future and the credit in the contributed surplus account arising as a result of the Capital Reorganisation may, in appropriate circumstances, be applied in the future for distribution to the Shareholders. The Board currently has no intention to make any distributions to the Shareholders.

## **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 Reorganised Shares arising from the Capital Reorganisation.

The Reorganised 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 Reorganised Shares on the Stock Exchange, the Reorganised 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 Reorganised 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.

## **CHANGE IN BOARD LOT SIZE**

The Shares are currently traded in board lots of 8,000 Shares each. The Board proposes that upon the Capital Reorganisation becoming effective, the board lot size of the Shares for trading on the Stock Exchange will be changed from 8,000 Shares to 2,000 Reorganised Shares. The board lot size of the Rights Shares in both their nil-paid and fully paid forms for trading on the Stock Exchange will be 2,000 Rights Shares.

Assuming the Change in Board Lot Size becomes effective, the Reorganised Shares will be traded in board lots of 2,000 Reorganised Shares and the estimated market value per board lot of the Reorganised Shares will be approximately HK\$2,140, based on the theoretical ex-right price after completion of the Rights Issue of HK\$1.07 per Reorganised Share (based on the closing price of HK\$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day).

### **Free exchange of share certificates**

Subject to the Capital Reorganisation becoming effective, Shareholders may submit existing certificates for Shares to the Registrar from 4 November 2008 to 16 December 2008 (both dates inclusive) to exchange, at the expense of the Company, for certificates for the Reorganised Shares in board lots of 2,000 Reorganised Shares. Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each share certificate of the Shares cancelled or each new share certificate issued for the Reorganised Shares, whichever number of certificates cancelled/issued is higher. Nevertheless, certificates for the Shares will continue to be good evidence of legal title and will be valid for dealings, trading and settlement purpose after the Capital Reorganisation has become effective and may be exchanged for certificates for the Reorganised Shares at any time in accordance with the foregoing.

The effect of the Capital Reorganisation on the share capital of the Company is summarised below:

	<b>Prior to the Capital Reorganisation</b>	<b>Immediately following the Capital Reorganisation becoming effective (Note)</b>
Nominal value of each share	HK\$0.01	HK\$0.01
Number of authorised shares	20,000,000,000	20,000,000,000
Authorised share capital	HK\$200,000,000	HK\$200,000,000
Number of shares in issue	5,012,823,309	100,256,466.18
Issued and fully paid up share capital	HK\$50,128,233.09	HK\$1,002,564.6618
Balance of the Group's contributed surplus account	HK\$1,448,201,355	HK\$1,497,327,023

*Note:* The issued share capital immediately prior to the Capital Reorganisation becoming effective is presented here on the assumption that no further Shares would be issued as a result of any exercise of the rights attaching to the outstanding 2011 Convertible Notes after the date of this announcement but prior to the date of the Capital Reorganisation becoming effective.

### **PROPOSED RIGHTS ISSUE**

The Rights Issue is proposed to take place after the Capital Reorganisation becoming effective.



**Issue statistics**

Basis of the Rights Issue	:	Four Rights Shares for every Reorganised Share held at the close of business on the Record Date (with Warrants to subscribe for Reorganised Shares in the proportion of one Warrant for every four Rights Shares subscribed)
Subscription Price	:	HK\$0.50 per Rights Share
Number of Shares in issue as at the date of this announcement	:	5,012,823,309 Shares
Number of Reorganised Shares in issue upon the Capital Reorganisation becoming effective	:	100,256,466 Reorganised Shares (assuming no rights attaching to the 2011 Convertible Notes are exercised before the Record Date) or 115,596,684 Reorganised Shares (assuming full exercise of the rights attaching to the 2011 Convertible Notes (except those held by ITC's subsidiaries and Dr. Chan) before the Record Date) ( <i>Note 1</i> )
Number of Rights Shares	:	Not less than 401,025,864 Rights Shares (with Warrants) but not more than 462,386,736 Rights Shares (with Warrants)
Number of Warrants	:	Not less than 100,256,466 Warrants but not more than 115,596,684 Warrants
Maximum number of Warrant Shares to be issued upon exercise of Warrants in full	:	115,596,684 Warrant Shares at the exercise price of HK\$1.20 per Warrant Share (subject to adjustment)
Total Number of Reorganised Shares in issue immediately after completion of the Rights Issue	:	Not less than 501,282,330 Reorganised Shares but not more than 577,983,420 Reorganised Shares

*Note:*

1. As at the date of this announcement, (i) Dr. Chan is interested in the CC Convertible Notes in the principal amount of HK\$2,841,810 with conversion rights to convert into 4,241,507 Shares at the conversion price of HK\$0.67 per Share (subject to adjustment); and (ii) ITC, through its wholly-owned subsidiaries, is interested in the ITC Convertible Notes in the principal amount of HK\$189,959,670 with conversion rights to convert into 283,521,894 Shares at the conversion price of HK\$0.67 per Share (subject to adjustment).

Assuming no rights attaching to the 2011 Convertible Notes are exercised before the Record Date, the Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represent four times of the Company's issued share capital upon implementation of the Capital Reorganisation and approximately 80% of the Company's issued share capital upon implementation of the Capital Reorganisation and as enlarged by the issue of the Rights Shares.

As at the date of this announcement, there are outstanding 2011 Convertible Notes with an aggregate principal amount of approximately HK\$706.7 million convertible into 1,054,774,305 Shares upon exercise in full at the conversion price of HK\$0.67 per Share (subject to adjustment).

Save for the 2011 Convertible Notes, the Company has no outstanding convertible securities, options or warrants in issue which entitle the holders thereof to subscribe for or convert into any Shares nor has entered into any agreement to do any of the foregoing as at the date of this announcement.

### **Qualifying Shareholders**

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and be a Qualifying Shareholder. In order to be registered as members of the Company on the Record Date, all transfers must be lodged (together with the relevant share certificate(s)) with the Registrar by 4:30 p.m. (Hong Kong time) on 28 October 2008. The branch share registrar of the Company in Hong Kong is:

Tricor Secretaries Limited  
26th Floor, Tesbury Centre,  
28 Queen's Road East, Wanchai, Hong Kong

### **Rights of Overseas Shareholders**

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda.

The Company is currently making enquiries pursuant to Rule 13.36(2) of the Listing Rules regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Issue will not be available to such Overseas Shareholders. Further information in this connection will be set out in a form of formal announcement or in the Circular and in the Prospectus. The Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus (without the PAL and EAF), for information only, to the Excluded Shareholders on the Posting Date.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Excluded Shareholders. The Company will retain individual amounts of HK\$100 or less for the benefits of the Company. Any unsold entitlement of the Excluded Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by the Qualifying Shareholders.

### **Closure of register of members**

The register of members of the Company will be closed from 29 October 2008 to 3 November 2008, both dates inclusive. No transfer of any issued share capital of the Company will be registered during this period.

### **Basis of provisional allotments**

Four Rights Shares (in nil-paid form) for every Reorganised Share held by the Qualifying Shareholders as at the close of business on the Record Date (with Warrants in the proportion of one Warrant for every four Rights Shares subscribed for) to the Qualifying Shareholders at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents.

### **Subscription Price**

HK\$0.50 per Rights Share payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares (with Warrants) under the Rights Issue or application for excess Rights Shares (with Warrants) or when a renouncee of any provisional allotment of the Rights Shares (with Warrants) or a transferee of nil-paid Rights Shares (with Warrants) applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 85.07% to the theoretical closing price of HK\$3.35 per Reorganised Share, based on the closing price of HK\$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effect of the Capital Reorganisation;
- (ii) a discount of approximately 53.27% to the theoretical ex-rights price of approximately HK\$1.07 per Reorganised Share, based on the closing price of HK\$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effect of the Capital Reorganisation; and

- (iii) a discount of approximately 85.38% to the average theoretical closing price of approximately HK\$3.42 per Reorganised Share, based on the average closing price of HK\$0.0684 per Share as quoted on the Stock Exchange from 2 September 2008 to 8 September 2008, both days inclusive, being the last five trading days immediately before the date of the Underwriting Agreement and adjusted taking into account the effect of the Capital Reorganisation.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions. The Directors (excluding the independent non-executive Directors who will give their view on the Rights Issue after taking into account the advice of the independent financial adviser) consider that the discount of the Subscription Price would encourage Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future growth of the Group and the terms of the Rights Issue (including the rate of commission) to be fair and reasonable and in the interests of the Group and the Shareholders as a whole.

### **Terms of the Warrants**

#### *Exercise price*

The exercise price for the Warrant is HK\$1.20 per Warrant Share (subject to adjustment), which represents:

- (i) a discount of approximately 64.18% to the theoretical closing price of HK\$3.35 per Reorganised Share, based on the closing price of HK\$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effect of the Capital Reorganisation;
- (ii) a premium of approximately 12.15% to the theoretical ex-rights price of approximately HK\$1.07 per Reorganised Share, based on the closing price of HK\$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effect of the Capital Reorganisation; and
- (iii) a discount of approximately 64.91% to the average theoretical closing price of approximately HK\$3.42 per Reorganised Share, based on the average closing price of HK\$0.0684 per Share as quoted on the Stock Exchange from 2 September 2008 to 8 September 2008, both days inclusive, being the last five trading days immediately before the date of the Underwriting Agreement and adjusted taking into account the effect of the Capital Reorganisation.

The exercise price for the Warrant was determined with reference to the current market price of the Shares. The Directors (excluding the independent non-executive Directors who will give their view on the Rights Issue after taking into account the advice of the independent financial adviser) consider the terms of the Warrants, including the exercise price thereof, are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The exercise price for the Warrants is subject to anti-dilutive adjustments under certain circumstances, including consolidation or subdivision of Reorganised Shares, capitalization of profits or reserves or capital distribution.

#### *Exercise period*

The subscription rights attaching to the Warrants may be exercised in whole or in part(s) within the Exercise Period. Based on the maximum number of Warrants that may be issued under the Rights Issue, a maximum of 115,596,684 Warrant Shares may fall to be issued upon full exercise of the subscription rights attached to the Warrants, representing approximately 115.30% of the existing issued share capital of the Company upon the implementation of the Capital Reorganisation and approximately 20% of the issued share capital of the Company upon the implementation of the Capital Reorganisation and as enlarged by the issue of a maximum number of 462,386,736 Rights Shares. Any subscription rights attaching to the Warrants which have not been exercised on or before the last day of the Exercise Period will lapse and the Warrants will cease to be valid for all purposes. The Warrants are freely transferable.

The Warrant Shares proposed to be issued upon full exercise of the subscription rights attaching to the Warrants, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, will not exceed 20% of the total issued share capital of the Company at the time the Warrants are issued. The Exercise Period for the Warrants is 18 months from the date of issue of the Warrants (which is expected to be from 27 November 2008 to 26 May 2010, both dates inclusive) and the expected market capitalisation of the Warrants will be approximately HK\$15.89 million, which is calculated based on, among others, the premium determined by the Directors with reference to the common market practice. Accordingly, the proposed issue of the Warrants complies with Rules 8.09(4) and 15.02 of the Listing Rules. The Company also confirms that the issue of the Warrants complies with Rules 8.08(2), 8.08(3), 8.13A(1) and 12.03(5) of the Listing Rules and is in conformity with the laws of Bermuda and the Bye-Laws pursuant to Rule 8.14 of the Listing Rules.

#### **Cost of subscription of Rights Shares (with Warrants)**

The Warrants will be issued to the subscribers of the Rights Shares by way of bonus issue. On the basis that one Warrant will be issued for every four Rights Shares subscribed for, and the Subscription Price of HK\$0.50 per Rights Share and the exercise price of HK\$1.20 per Warrant Share (subject to adjustment), the aggregate of the subscription money payable by the Qualifying Shareholders for 462,386,736 Rights Shares and 115,596,684 Warrant Shares (upon full exercise of the subscription rights attaching to the 115,596,684 Warrants) would be approximately HK\$369.9 million, or an average of approximately HK\$0.64 per Reorganised Share, which represents:

- (i) a discount of approximately 80.90% to the theoretical closing price of HK\$3.35 per Reorganised Share, based on the closing price of HK\$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effect of the Capital Reorganisation;

- (ii) a discount of approximately 40.19% to the theoretical ex-rights price of approximately HK\$1.07 per Reorganised Share, based on the closing price of HK\$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effect of the Capital Reorganisation; and
- (iii) a discount of approximately 81.29% to the average theoretical closing price of approximately HK\$3.42 per Reorganised Share, based on the average closing price of HK\$0.0684 per Share as quoted on the Stock Exchange from 2 September 2008 to 8 September 2008, both days inclusive, being the last five trading days immediately before the date of the Underwriting Agreement and adjusted taking into account the effect of the Capital Reorganisation.

### **Status of the Rights Shares and Warrant Shares**

The Rights Shares and the Warrant Shares (when allotted, issued and fully paid) will rank pari passu with the Reorganised Shares in issue on the date of issue of the fully-paid Rights Shares and Warrant Shares in all respects. Holders of fully-paid Rights Shares and Warrant Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the fully-paid Rights Shares and Warrant Shares as the case may be.

### **Certificates for the Rights Shares and Warrants**

Subject to the fulfillment or the waiver in whole or in part by the Underwriter of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares and Warrants are expected to be posted on or before 27 November 2008 to those Qualifying Shareholders who have paid for and have accepted the Rights Shares (with Warrants), at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (with Warrants) are also expected to be posted on or before 27 November 2008 at such Shareholders' own risk.

### **Fractions of the Rights Shares**

The Company will not provisionally allot fractions of Rights Shares (with Warrants) in nil-paid form. All fractions of Rights Shares (with Warrants) will be aggregated and all nil-paid Rights Shares (with Warrants) arising from such aggregation will be sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any unsold fractions of Rights Shares (with Warrants) will be made available for excess application.

### **Application for excess Rights Shares (with Warrants)**

Qualifying Shareholders may apply for any unsold Rights Shares (with Warrants) provisionally allotted but not accepted by the Qualifying Shareholders and any unsold entitlement of the Excluded Shareholders. Application may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares (with Warrants) being applied for. The Directors will allocate the excess Rights Shares (with Warrants), at their discretion, but on a fair and reasonable basis on the following principles:



- (1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse this mechanism; and
- (2) subject to availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to the Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied by them (i.e. Qualifying Shareholders applying for smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive less number of Rights Shares; whereas Qualifying Shareholders applying for larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive higher number of Rights Shares) and with board lot allocations to be made on a best effort basis.

Shareholders whose Shares are held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares (with Warrants) will not be extended to beneficial owners individually.

Shareholders whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company must lodge all necessary documents, with the Registrar for completion of the relevant registration by 4:30 p.m. on 28 October 2008.

### **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms, the Warrants and the Warrant Shares. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms, the Warrants and the Warrant Shares on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms, the Warrants and the Warrant Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms, the Warrants and the Warrant Shares on the Stock Exchange or such other dates 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.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms (both in board lots of 2,000), the Warrants (in board lots of 16,000) and the Warrant Shares which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

### **Undertakings by Dr. Chan, Dr. Yap and ITC**

As at the date of this announcement, Dr. Chan is interested in:

- (i) 23,941,600 Shares, representing approximately 0.48% of the existing entire issued share capital of the Company; and
- (ii) the 2011 Convertible Notes in the principal amount of HK\$2,841,810 with conversion rights to convert into 4,241,507 Shares at the conversion price of HK\$0.67 per Share (subject to adjustment).

Dr. Chan has agreed, inter alia, to accept, or procure the acceptance of, the provisional allotment of the CC Shares in full under the Rights Issue, and not to exercise, and to procure the non-exercise of, the conversion rights under the CC Convertible Notes pursuant to and subject to the terms of the CC Undertaking Letter.

As at the date of this announcement, Dr. Yap is interested in 39,726,384 Shares, representing approximately 0.79% of the existing issued share capital of the Company. Dr. Yap has agreed, inter alia, to accept, or procure the acceptance of, the provisional allotment of the AY Shares in full under the Rights Issue pursuant to and subject to the terms of the AY Undertaking Letter.

As at the date of this announcement, ITC, through its wholly-owned subsidiaries, is interested in:-

- (i) 2,501,529,452 Shares, representing approximately 49.90% of the existing entire issued share capital of the Company; and
- (ii) the 2011 Convertible Notes in the principal amount of HK\$189,959,670 with conversion rights to convert into 283,521,894 Shares at the conversion price of HK\$0.67 per Share (subject to adjustment).

ITC has agreed, inter alia, to accept, and procure the acceptance of, the provisional allotment of the ITC Shares in full under the Rights Issue and not to exercise, and to procure the non-exercise of, the conversion rights under the ITC Convertible Notes pursuant to and subject to the terms of the ITC Undertaking Letter.

## Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

- a. the passing of the requisite resolutions by the Shareholders (other than those persons, if any, who are precluded from voting under the Listing Rules or other applicable rules, regulations or codes) at the SGM approving;
  - (i) the Rights Issue and authorising the Directors to allot and issue the Rights Shares (in their nil-paid and fully-paid forms); and
  - (ii) the creation, issue and grant of the Warrants and authorising the Directors to allot and issue the Warrant Shares upon exercise of the subscription rights attaching to the Warrants pursuant to the terms and conditions of the Warrant Instrument,each in accordance with the Bye-Laws, the Listing Rules and the Takeovers Code (if applicable) on or before the Record Date;
- b. the delivery to the Stock Exchange and the filing with and registration by the Registrar of Companies in Hong Kong respectively on or prior to the Posting Date of one copy of each of the Prospectus Documents in compliance with the requirements of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and the Listing Rules;
- c. the filing of the Prospectus Documents with the Registrar of Companies in Bermuda in compliance with the Companies Act on or before the Posting Date;
- d. the posting on the Posting Date of copies of the Prospectus Documents to the Qualifying Shareholders and of the Prospectus marked “**For information only**” to the Excluded Shareholders;
- e. the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) the listing of, and permission to deal in, all the Rights Shares in both their nil-paid and fully-paid forms before 9:00 a.m. on the Nil-paid Rights Shares Trading Date, the Warrants and the Warrant Shares before 9:00 a.m. on the respective dates of commencement of dealings in the Warrants and the Warrant Shares, either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) and not having withdrawn or revoked such listing and permission;
- f. the due execution of the CC Undertaking Letter by Dr. Chan, the AY Undertaking Letter by Dr. Yap and the ITC Undertaking Letter by ITC;
- g. the Capital Reorganisation becoming effective;
- h. obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms thereof; and

- i. if necessary, the consent or permission from the Bermuda Monetary Authority in respect of the issue of the Rights Shares and the Warrant Shares on or before the Posting Date.

If the conditions of the Rights Issue have not been satisfied or waived (as applicable) in accordance with the Underwriting Agreement on or before 4:30 p.m. on the Settlement Date, all obligations of the parties thereto shall cease and determine and neither party shall have any claim against the other save that all such reasonable costs, fees and other out-of-pocket expenses (excluding sub-underwriting fees and related expenses) as have been reasonably and properly incurred by the Underwriter in connection with the underwriting of the Underwritten Shares by the Underwriter shall, to the extent agreed by the Company, be borne by the Company, and the Rights Issue will not proceed.

### **The Underwriting Agreement**

Date	:	9 September 2008
Underwriter	:	Get Nice Securities Limited. To the best of the Directors' knowledge and information, Get Nice Securities Limited and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons
Total number of Rights Shares being underwritten by the Underwriter	:	The Underwriter has conditionally agreed pursuant to the Underwriting Agreement to underwrite the balance of the Rights Shares (less the CC Shares, the AY Shares and the ITC Shares) not subscribed by the Shareholders on a fully underwritten basis, (i) being 195,810,076 Rights Shares in the event that no rights attaching to the 2011 Convertible Notes are exercised before the Record Date; or (ii) being 257,170,948 Rights Shares in the event that all rights attaching to the 2011 Convertible Notes (excluding those held by ITC's subsidiaries and Dr. Chan) are exercised in full before the Record Date, subject to the terms and conditions of the Underwriting Agreement
Commission	:	2.5% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares as determined on the Record Date

The Board considers the terms of the Underwriting Agreement including the commission rate accord with the market practice and are fair and reasonable so far as the Company and the Shareholders are concerned.

### **Termination of the Underwriting Agreement**

**If, prior to 4:30 p.m. on the Settlement Date, one or more of the following events or matters (whether or not forming part of a series of events) shall occur, arise, exist, or come into effect:**

- (i) the Underwriter shall become aware of the fact that, or shall, in its reasonable opinion, believe that any of the warranties contained in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same represents or is likely to represent (in the reasonable opinion of the Underwriter) a material and adverse change in the business, financial or trading position or prospects of the Group as a whole or is otherwise likely to have a material and adverse effect on the Rights Issue;**
- (ii) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement;**
- (iii) (a) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;**
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, currency, epidemic or other nature (whether or not sui generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict);**
  - (c) any change in local, national or international equity securities or currency markets (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise);**
  - (d) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;**
  - (e) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere which shall or may materially and adversely affect the Group or a material proportion of the shareholders in their capacity as such;**

- (f) any withdrawal of the current listing of the Shares or suspension in the trading of the Shares on the Stock Exchange for more than 14 consecutive trading days (save for the purposes of clearing the Announcement or any other announcements or circulars relating to the Underwriting Agreement and the ancillary agreements thereto) or indication being received from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to in connection with the terms of the Underwriting Agreement or for any other reason;
- (g) any change occurs in the circumstances of the Company or any member of the Group,

which event or events is or are in the reasonable opinion of the Underwriter:

- (1) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole; or
- (2) likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares “taken up”; or
- (3) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then, and in such case the Underwriter may in its absolute discretion, in addition to and without prejudice to any other remedies to which the Underwriter may be entitled, by notice in writing given to the Company on or before 4:30 p.m. on the Settlement Date terminate the Underwriting Agreement.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the fees as may then be agreed by the parties. If the Underwriter exercises such right, the Rights Issue will not proceed.

#### **EXPECTED TIMETABLE**

The expected timetable for the Capital Reorganisation and Rights Issue is set out below:

*2008*

Expected date of despatch of the Circular . . . . . Wednesday, 8 October

Last day of dealings in Shares  
on a cum-rights basis. . . . . Friday, 24 October



First day of dealings in Shares on an ex-rights basis . . . . .	Monday, 27 October
Latest time for lodging transfers of Shares in order to qualify for Rights Issue . . . . .	4:30 p.m., Tuesday, 28 October
Register of members to be closed . . . . .	Wednesday, 29 October to Monday, 3 November (both dates inclusive)
Latest time for return of proxy form for the SGM (not less than 48 hours) . . . . .	10:00 a.m., Saturday, 1 November
Date of SGM. . . . .	10:00 a.m., Monday, 3 November
Effective date of the Capital Reorganisation and the Change in Board Lot Size. . . . .	after the trading hours Monday, 3 November
Record date. . . . .	Monday, 3 November
Register of members to be re-opened . . . . .	Tuesday, 4 November
Prospectus Documents to be posted . . . . .	Tuesday, 4 November
Commencement of dealings in Reorganised Shares. . . . .	Tuesday, 4 November
Original counter for trading in Shares (in board lots of 8,000 Shares) to be closed. . . . .	9:30 a.m., Tuesday, 4 November
Temporary counter for trading in Reorganised Shares in board lots of 160 Reorganised Shares (in form of existing share certificates) to be opened. . . . .	9:30 a.m., Tuesday, 4 November
Free exchange of existing share certificates for new share certificates for the Reorganised Shares commences. . . . .	Tuesday, 4 November
First day of dealings in nil-paid Rights Shares . . . . .	Friday, 7 November
Latest time for splitting of nil-paid Rights Shares. . . . .	4:30 p.m., Tuesday, 11 November
Last day of dealings in nil-paid Rights Shares . . . . .	Friday, 14 November

Original counter for trading in Reorganised Shares  
(in board lots of 2,000 Reorganised Shares)  
to be re-opened . . . . . 9:30 a.m., Tuesday, 18 November

Parallel trading in Reorganised Shares  
(in form of new certificate and existing  
certificate) begins . . . . . 9:30 a.m., Tuesday, 18 November

Designated broker starts to stand in the market  
to provide matching services for the sale and  
purchase of odd lots of Reorganised Shares. . . . . 9:30 a.m., Tuesday, 18 November

Latest time for payment for and acceptance of  
Rights Shares . . . . . 4:00 p.m., Wednesday, 19 November

Rights Issue expected to become  
unconditional. . . . . after 4:30 p.m., Monday, 24 November

Announcement of results of acceptance and  
excess application of the Rights Issue . . . . . Wednesday, 26 November

Refund cheques for wholly and partially  
unsuccessful excess applications expected  
to be posted on or before. . . . . Thursday, 27 November

Certificates for fully-paid Rights Shares and  
certificates for the Warrants expected to be  
despatched on or before. . . . . Thursday, 27 November

First day of dealings in the fully-paid Rights Shares  
and the Warrants . . . . . Monday, 1 December

Temporary counter for trading in Reorganised Shares  
in board lots of 160 Reorganised Shares in form  
of existing share certificates) to be closed. . . . . 4:10 p.m., Monday, 8 December

Parallel trading in Reorganised Shares (in form of  
new certificate and existing certificate) ends . . . . . 4:10 p.m., Monday, 8 December

Designated broker ceases to stand in the market  
to provide matching services for the sale and  
purchase of odd lots of Reorganised Shares. . . . . 4:10 p.m., Monday, 8 December

Free exchange of existing share certificates  
for new share certificates for the Reorganised  
Shares ends . . . . . 4:30 p.m., Tuesday, 16 December

All references to time in this announcement are references to Hong Kong time.

Dates or deadlines specified in this announcement are indicative only and may be varied by agreement between the Company and the Underwriter. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

## CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Set out below is the shareholding structure of the Company assuming that (i) the Capital Reorganisation has become effective; (ii) there is no change in the shareholding structure of the Company from the date of this announcement to immediately before completion of the Rights Issue save pursuant to the exercise of the conversion rights under the 2011 Convertible Notes (excluding those held by ITC's subsidiaries and Dr. Chan):

### Scenario 1:

Assuming there is no conversion of the 2011 Convertible Notes on or before the Record Date

	As at the date of this announcement		Immediately after the Capital Reorganisation but before completion of the Rights Issue		Immediately after completion of the Rights Issue (assuming all Rights Shares are taken up by the Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming no Rights Shares are taken up by the Qualifying Shareholders (other than the Rights Shares which ITC, Dr. Chan and Dr. Yap have undertaken to subscribe))	
	No. of Shares	Approximate %	No. of Reorganised Shares	Approximate %	No. of Reorganised Shares	Approximate %	No. of Reorganised Shares	Approximate %
ITC and its subsidiary (Note 1)	2,501,529,452	49.90	50,030,588	49.90	250,152,940	49.90	250,152,940	49.90
Dr. Chan (Note 2)	23,941,600	0.48	478,832	0.48	2,394,160	0.48	2,394,160	0.48
Dr. Yap (Note 2)	39,726,384	0.79	794,527	0.79	3,972,635	0.79	3,972,635	0.79
Sub-total	2,565,197,436	51.17	51,303,947	51.17	256,519,735	51.17	256,519,735	51.17
Underwriter (Note 3)	–	–	–	–	–	–	195,810,076	39.06
Public (Note 4)	2,447,625,873	48.83	48,952,519	48.83	244,762,595	48.83	48,952,519	9.77
<b>Total</b>	<b>5,012,823,309</b>	<b>100.00</b>	<b>100,256,466</b>	<b>100.00</b>	<b>501,282,330</b>	<b>100.00</b>	<b>501,282,330</b>	<b>100.00</b>

## Scenario 2:

Assuming exercise in full of the conversion rights under the 2011 Convertible Notes (excluding those held by ITC's subsidiaries and Dr. Chan) on or before the Record Date

	As at the date of this announcement		Immediately after the Capital Reorganisation but before completion of the Rights Issue		Immediately after completion of the Rights Issue (assuming all Rights Shares are taken up by the Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming no Rights Shares are taken up by the Qualifying Shareholders (other than the Rights Shares which ITC, Dr. Chan and Dr. Yap have undertaken to subscribe))	
	No. of Shares	Approximate %	No. of Reorganised Shares	Approximate %	No. of Reorganised Shares	Approximate %	No. of Reorganised Shares	Approximate %
ITC and its subsidiary (Note 1)	2,501,529,452	49.90	50,030,588	43.28	250,152,940	43.28	250,152,940	43.28
Dr. Chan (Note 2)	23,941,600	0.48	478,832	0.41	2,394,160	0.41	2,394,160	0.41
Dr. Yap (Note 2)	39,726,384	0.79	794,527	0.69	3,972,635	0.69	3,972,635	0.69
Sub-total	2,565,197,436	51.17	51,303,947	44.38	256,519,735	44.38	256,519,735	44.38
Underwriter (Note 3)	-	-	-	-	-	-	257,170,948	44.50
Public: (Note 4)								
2011 Convertible Notes holders (excluding those held by ITC's subsidiaries and Dr. Chan)	-	-	15,340,218	13.27	76,701,090	13.27	15,340,218	2.65
Others	2,447,625,873	48.83	48,952,519	42.35	244,762,595	42.35	48,952,519	8.47
<b>Total</b>	<b>5,012,823,309</b>	<b>100.00</b>	<b>115,596,684</b>	<b>100.00</b>	<b>577,983,420</b>	<b>100.00</b>	<b>577,983,420</b>	<b>100.00</b>

### Notes:

- These Shares are held by Famex Investment Limited which is a wholly-owned subsidiary of Mankar Assets Limited. Mankar Assets Limited is a wholly-owned subsidiary of ITC Investment Holdings Limited, which in turn is a wholly-owned subsidiary of ITC. ITC is deemed to be a controlled corporation of Dr. Chan.
- Dr. Chan and Dr. Yap are the executive Directors.

3. The Underwriter has sub-underwritten its underwriting obligations under the Underwriting Agreement to sub-underwriters such that each of the Underwriter and the sub-underwriters (together with their respective parties acting in concert as defined in the Takeovers Code) will not own 30% or more of the issued share capital of the Company after completion of the Rights Issue (for both scenarios 1 and 2 referred above). Each of the Underwriter and the sub-underwriters (and their respective ultimate beneficial owners) (i) is not a party acting in concert with each other; and (ii) is not a party acting in concert with ITC, ITC's subsidiaries and their respective parties acting in concert. Each of the Underwriter and the sub-underwriters and their respective ultimate beneficial owners do not have any shareholding in the Company and are not connected persons of the Company.

In the event that the Underwriter or any of the sub-underwriters is required to take up the Rights Shares pursuant to its underwriting obligations under the Underwriting Agreement, the Underwriter or such sub-underwriter will procure independent placees to take up such number of Rights Shares as may be necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with. It is expected none of such placees will become substantial Shareholders as a result of the Rights Issue.

4. Assuming none of the Qualifying Shareholders takes up the provisional allotment of the Rights Shares, the public float of the Reorganised Shares may drop to approximately 9.77% (for scenario 1) or approximately 11.12% (for scenario 2) upon completion of the Rights Issue, which is below the minimum 25% requirement under Rule 8.08 of the Listing Rules. The Company and the controlling Shareholder undertake to the Stock Exchange that they will use their respective reasonable endeavours to make prior arrangements (including but not limited to the placing of Reorganised Shares to independent third parties) to ensure that the minimum public float is maintained upon completion of the Rights Issue.

## **REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS**

The Company is an investment holding company and the Group is principally engaged in trading of securities, holding of vessels for sand mining, industrial water supply business, property development and trading and other strategic investments including (i) a subsidiary whose issued shares are listed on the Australian Securities Exchange; (ii) an associated company whose issued shares are traded on the OTC Bulletin board in the United States of America; (iii) associated companies whose issued shares are listed on the Stock Exchange or the Singapore Exchange Limited and (iv) long term convertible notes issued by companies whose issued shares are listed on the Stock Exchange.

Given the recent sluggish Hong Kong stock market and the gloomy economic outlook, the Directors consider that the capability of the Company to raise additional funding in the foreseeable future is very uncertain. The Board has considered other means of fund raising in both the debt market and the equity market other than the Rights Issue. Fund raising through the debt market will increase the interest burden of the Group. Regarding the equity market, a private placement of Shares by its nature excludes existing Shareholders, and at the same time, result in immediate dilution of existing Shareholders' interest in the Company. The Board considers that the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position for future strategic investments as and when opportunities arise. The Rights Issue will

give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and, hence the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Rights Issue will be not less than approximately HK\$200.5 million (assuming no rights attaching to the 2011 Convertible Notes are exercised before the Record Date) but not more than approximately HK\$231.2 million (assuming full exercise of the rights attaching to the 2011 Convertible Notes (other than those held by the ITC's subsidiaries and Dr. Chan) before the Record Date). The estimated net proceeds from the Rights Issue (with Warrants) will be not less than approximately HK\$194.0 million but not more than approximately HK\$224.2 million and are intended to be used as the general working capital of the Group.

Upon full exercise of the maximum number of 115,596,684 Warrants, the Company will receive approximately HK\$138.7 million before expenses (assuming that the exercise price per Warrant is not adjusted). The Company intends to apply the proceeds raised from the exercise of the Warrants for the general working capital of the Group.

The following table set out a summary of the audited consolidated financial results of the Company for the two financial years ended 31 March 2008:

	<b>For the year ended 31 March 2008 (audited) HK\$'000</b>	<b>For the year ended 31 March 2007 (audited) HK\$'000</b>
Revenue	<b>627,588</b>	358,573
Profit (loss) before tax ( <i>Note</i> )	<b>192,749</b>	(23,967)
Profit for the year	<b>47,986</b>	1,461,502
	<b>As at 31 March 2008 (audited) HK\$'000</b>	<b>As at 31 March 2007 (audited) HK\$'000</b>
Total assets	<b>5,193,985</b>	5,007,707
Total liabilities	<b>1,426,384</b>	1,808,595
Net assets	<b>3,767,601</b>	3,199,112



*Note:*

The profit before tax for the year ended 31 March 2008 increased critically from a loss before tax of approximately HK\$24.0 million for the year ended 31 March, 2007 to profit before tax of approximately HK\$192.7 million. The increase was mainly attributable to the gain on convertible notes converted into investments held for trading of approximately HK\$434.2 million while it was nil for the year ended 31 March 2007. However, such increase was offset by the loss on disposal and dilution/disposal of interest in an associate of HK\$268.5 million as compared to the gain of HK\$5.1 million for year ended 31 March 2007.

## **PARTICIPATION OF ITC IN THE RIGHTS ISSUE**

As at the date of this announcement, ITC, through its indirect wholly-owned subsidiary, holds 2,501,529,452 Shares, representing approximately 49.90% of the existing issued share capital of the Company. Pursuant to the ITC Undertaking Letter, ITC will accept, or procure the acceptance, in full of 200,122,352 Rights Shares, being its provisional entitlement under the Rights Issue subject to the terms and conditions of the Rights Issue. Immediately after the completion of the Rights Issue and assuming no exercise of the rights attaching to the 2011 Convertible Notes, ITC's indirect interest in the Company will be approximately 49.90%. The Subscription Price of HK\$0.50 per Rights Share to be acquired by ITC represents:

- (i) a discount of approximately 85.07% to the theoretical closing price of HK\$3.35 per Reorganised Share, based on the closing price of HK\$0.067 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effect of the Capital Reorganisation;
- (ii) a discount of approximately 85.38% to the average theoretical closing price of approximately HK\$3.42 per Reorganised Share, based on the average closing price of HK\$0.0684 per Share as quoted on the Stock Exchange from 2 September 2008 to 8 September 2008, both days inclusive, being the last five trading days immediately before the date of the Underwriting Agreement and adjusted taking into account the effect of the Capital Reorganisation; and
- (iii) a discount of approximately 85.57% to the average theoretical closing price of approximately HK\$3.465 per Reorganised Share, based on the average closing price of HK\$0.0693 per Share as quoted on the Stock Exchange from 26 August 2008 to 8 September 2008, both days inclusive, being the last ten trading days immediately before the date of the Underwriting Agreement and adjusted taking into account the effect of the Capital Reorganisation.

As at the date of this announcement, ITC has not yet considered whether to apply for any excess Rights Shares. However, ITC will comply with the Listing Rules requirements including the obtaining of its shareholders' approval (if required) before applying for any excess Rights Shares.

To the best of the knowledge, information and belief of the directors of ITC having made all reasonable enquiries, the Company is a third party independent of ITC and connected persons of ITC.

### **Reasons for the Participation**

ITC is an investment holding company which directly and indirectly holds strategic investments in a number of listed companies. The principal activities of ITC and its subsidiaries comprise investment holding, the provision of finance, property investment and treasury investment. As at the date of this announcement, ITC is interested in approximately 49.90% of the existing issued share capital of the Company.

The directors of ITC consider that the terms of the Participation are fair and reasonable as it will enable ITC and its subsidiaries to maintain its shareholding in the Company and share the benefit from the growth of the Group. Accordingly, the directors of ITC believe that the Participation is in the interests of ITC and its shareholders as a whole.

The directors of ITC further consider that the Rights Issue is on normal commercial terms and the Subscription Price is fair and reasonable and in the interests of ITC and its shareholders as a whole. The aggregate Subscription Price payable by ITC in respect of the Participation will be approximately HK\$100 million, which will be financed by internal resources of ITC.

### **POSSIBLE ADJUSTMENT TO THE 2011 CONVERTIBLE NOTES**

The Capital Reorganisation and the Rights Issue may lead to adjustments to the exercise price and/or the number of Shares or Reorganised Shares (as the case may be) to be issued upon conversion of the 2011 Convertible Notes. The Company will notify the holders thereof by the way of announcement regarding adjustments to be made (if any) pursuant to the terms of the 2011 Convertible Notes (as and when appropriate).

### **PREVIOUS FUND RAISING EXERCISE IN THE PRIOR 12-MONTH PERIOD**

The Company has not conducted any fund raising activities in the past twelve months before the date of this announcement.

### **WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS SHARES**

**Shareholders and potential investors of the Company should note that the Rights Issue is conditional, inter alia, upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-paragraph headed “Termination of the Underwriting Agreement” above). Accordingly, the Rights Issue may or may not proceed.**

**Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, the Reorganised Shares or the Rights Shares in their nil-paid form, and if they are in any doubt about their position, they should consult their professional advisers.**

**Shareholders should note that the Shares will be dealt in on an ex-rights basis commencing from 27 October 2008. The Rights Shares will be dealt in their nil-paid form from 7 November 2008 to 14 November 2008, both dates inclusive. Shareholders should note that dealings in such Reorganised Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Reorganised Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be 24 November 2008), and dealing in the Rights Shares in their nil-paid form, will accordingly bear the risk that the Rights Issue will not become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares or Reorganised Shares (as the case may be) or the Rights Shares in their nil-paid form, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.**

## **GENERAL**

As the applicable percentage ratio in respect of the Participation exceeds 5% but is less than 25%, the Participation will constitute a discloseable transaction for ITC under Chapter 14 of the Listing Rules. A circular containing, among other things, further details of the Participation will be despatched by ITC to its shareholders in accordance with the requirements of the Listing Rules.

In accordance with Rule 7.19(6) of the Listing Rules, as the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to the approval of the Shareholders at the SGM by way of poll. Pursuant to Rule 7.19(6)(a) of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue. As at the date of this announcement, ITC, Dr. Chan, Dr. Yap and their respective associates hold an aggregate of 2,565,197,436 Shares, representing approximately 51.17% of the existing issued share capital of the Company. Consequently, ITC, Dr. Chan, Dr. Yap and their respective associates will be required to abstain from voting in favour of the proposed resolution approving the Rights Issue at the SGM.

An independent board committee of the Company comprising all the independent non-executive Directors will be established to make recommendations to the Independent Shareholders in respect of the Rights Issue. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard.

The Circular containing, among other things, (i) further details about the Capital Reorganisation, the Change in Board Lot Size, the Rights Issue and the terms and conditions of the Warrants; (ii) a letter of recommendation from the independent board committee of the Company to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders on the Rights Issue; and (iv) the notice convening the SGM, will be despatched by the Company to the Shareholders as soon as practicable.

After the passing of the resolutions approving the Capital Reorganisation and the Rights Issue by the Shareholders and the Independent Shareholders respectively at the SGM and the Capital Reorganisation becoming effective, the Prospectus Documents will be despatched to the Qualifying Shareholders, and the Prospectus will be despatched to the Excluded Shareholders for information only, on the Posting Date.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in Shares on the Stock Exchange has been suspended from 9:30 a.m. on 10 September 2008 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 16 September 2008.

## **DEFINITIONS**

“2011 Convertible Notes”	the 2% convertible notes due 2011 in the aggregate principal amount of HK\$770,973,210 issued by the Company in June 2006, of which an aggregate principal amount of HK\$706,698,786 remains outstanding as at the date of this announcement
“Acceptance Date”	the latest time as the Underwriter may agree in writing with the Company at which provisional allotments of the Rights Shares may be validly accepted as described in the Prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“AY Shares”	3,178,108 Rights Shares (with Warrants) to be taken up by Dr. Yap pursuant to the AY Undertaking Letter
“AY Undertaking Letter”	the irrevocable undertaking given by Dr. Yap on 9 September 2008 to, inter alia, accept or procure the acceptance of the AY Shares
“Board”	board of Directors

“Business Day”	a day, (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning is hoisted or in effect between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“Bye-Laws”	the bye-laws of the Company from time to time
“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company as set out in the section entitled “Proposed Capital Reorganisation” in this announcement
“CC Convertible Notes”	the 2011 Convertible Notes in the outstanding principal amount of HK\$2,841,810 held by Dr. Chan as at the date of this announcement
“CC Shares”	1,915,328 Rights Shares (with Warrants) to be taken up by Dr. Chan pursuant to the CC Undertaking Letter
“CC Undertaking Letter”	the irrevocable undertaking given by Dr. Chan on 9 September 2008, inter alia, to accept or procure the acceptance of the CC Shares and not to exercise, and to procure the non-exercise of, the conversion rights under the CC Convertible Notes on or before the close of business on the Record Date
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change of the board lot size of the Shares for trading on the Stock Exchange from 8,000 Shares to 2,000 Reorganised Shares immediately after the Capital Reorganisation becoming effective
“Circular”	the circular to be issued by the Company to the Shareholders giving details of, inter alia, the Capital Reorganisation, the Change in Board Lot Size and the Rights Issue and containing the notice convening the SGM
“Company”	Hanny Holdings Limited (Stock Code: 275), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange

“Companies Act”	the Companies Act 1981 of Bermuda
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.50 each in the issued share capital of the Company immediately following and arising from the consolidation of every fifty issued Shares
“Director(s)”	director(s) of the Company
“Dr. Chan”	Dr. Chan Kwok Keung, Charles, the controlling shareholder of ITC and the chairman and an executive director of ITC and the Company as at the date of this announcement
“Dr. Yap”	Dr. Yap, Allan, an executive Director as at the date of this announcement
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such usual form as may be agreed between the Company and the Underwriter
“Excluded Shareholder(s)”	Overseas Shareholder(s) in respect of whom the Directors, based on opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Overseas Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Exercise Period”	a period of 18 months from the date of the issue of the Warrants
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than ITC, Dr. Chan, Dr. Yap and their respective associates



“ITC”	ITC Corporation Limited (Stock Code: 372), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“ITC Convertible Notes”	the 2011 Convertible Notes in the outstanding principal amount of HK\$189,959,670 held by the wholly-owned subsidiaries of ITC as at the date of this announcement
“ITC Shares”	200,122,352 Rights Shares (with Warrants) to be taken up by ITC through its wholly-owned subsidiary pursuant to the ITC Undertaking Letter
“ITC Undertaking Letter”	the irrevocable undertaking given by ITC on 9 September 2008, inter alia, to accept or procure the acceptance of the ITC Shares and not to exercise, and to procure the non-exercise of, the conversion rights under the ITC Convertible Notes on or before the close of business on the Record Date
“Last Trading Day”	9 September 2008, being the last trading day for the Shares on the Stock Exchange before the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nil-paid Rights Shares Trading Date”	the first date of dealings in nil-paid Rights Shares on the Stock Exchange as set out in the Prospectus Documents (as may be supplemented from time to time by subsequent announcements of the Company in the agreed form)
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“Participation”	the proposed acceptance by ITC, through its indirectly wholly-owned subsidiary, of the provisional allotment of the ITC Shares, being its pro-rata entitlement under the Rights Issue, pursuant to the ITC Undertaking Letter

“Posting Date”	4 November 2008, being the date of despatch of the Prospectus Documents or the Prospectus only (as the case may be) to the Shareholders
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus to be despatched to the Shareholders on the Posting Date in connection with the Rights Issue in such form as may be agreed between the Company and the Underwriter
“Prospectus Documents”	the Prospectus, the PALs and the EAFs
“PAL(s)”	the provisional allotment letter(s) for the Rights Shares
“Qualifying Shareholder(s)”	Shareholder(s), whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date, other than the Excluded Shareholders
“Record Date”	the date by reference to which entitlements of the Shareholders to participate in the Rights Issue will be determined
“Registrar”	Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, the Company’s Hong Kong branch share registrar
“Reorganised Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately after the Capital Reorganisation becoming effective
“Rights Issue”	the issue by way of rights of the Rights Shares in the proportion of four Rights Shares for every Reorganised Share held on the Record Date at the Subscription Price with Warrants to be issued in the proportion of one Warrant for every four Rights Shares subscribed for, on the terms and subject to the conditions set out in the Prospectus Documents
“Rights Share(s)”	not less than 401,025,864 and not more than 462,386,736 Reorganised Shares to be allotted and issued pursuant to the Rights Issue

“Settlement Date”	the date being the third Business Day following the Acceptance Date
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve, inter alia, the proposed Capital Reorganisation and the Rights Issue
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company as at the date hereof and before the Capital Reorganisation becoming effective
“Shareholder(s)”	holder(s) of the Share(s), Consolidated Share(s) or Reorganised Share(s) (as the case may be)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.50 per Rights Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Get Nice Securities Limited, a corporation deemed licensed to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 9 September 2008 entered into between the Company and the Underwriter in relation to the Rights Issue
“Underwritten Shares”	not less than 195,810,076 and not more than 257,170,948 Rights Shares, being the Rights Shares (less the CC Shares, the AY Shares and the ITC Shares) underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement

“Warrants”	bonus warrants to be issued by the Company to successful applicants of the Rights Shares pursuant to the Rights Issue, represented by certificates, conferring the right in its registered form to the holders thereof to subscribe in cash, during the Exercise Period, for up to an aggregate of 115,596,684 Warrant Shares at an initial exercise price of HK\$1.20 per Warrant Share (subject to adjustment) on the terms and conditions set out in the Warrant Instrument
“Warrant Instrument”	instrument to be executed by the Company by way of a deed poll constituting the Warrants in agreed form
“Warrant Share(s)”	new Reorganised Share(s) falling to be issued by the Company upon exercise of the subscription rights attaching to the Warrant(s)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board  
**Hanny Holdings Limited**  
**Dr. Chan Kwok Keung, Charles**  
*Chairman*

By order of the board of directors  
**ITC Corporation Limited**  
**Dr. Chan Kwok Keung, Charles**  
*Chairman*

Hong Kong, 12 September 2008

*As at the date of this announcement, the Directors are as follows:*

*Executive Directors:*

*Dr. Chan Kwok Keung, Charles (Chairman)*  
*Dr. Yap, Allan (Managing Director)*  
*Mr. Lui Siu Tsuen, Richard*  
*(Deputy Managing Director)*

*Independent non-executive Directors:*

*Mr. Kwok Ka Lap, Alva*  
*Mr. Poon Kwok Hing, Albert*  
*Mr. Sin Chi Fai*

*As at the date of this announcement, the directors of ITC are as follows:*

*Executive directors:*

*Dr. Chan Kwok Keung, Charles (Chairman)*  
*Ms. Chau Mei Wah, Rosanna*  
*(Deputy Chairman and Managing Director)*  
*Mr. Chan Kwok Chuen, Augustine*  
*Mr. Chan Fut Yan*  
*Mr. Cheung Hon Kit*

*Independent non-executive directors:*

*Mr. Chuck, Winston Calptor*  
*Mr. Lee Kit Wah*  
*Hon. Shek Lai Him, Abraham, SBS, JP*