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WING HING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 621)



CAPITAL REORGANIZATION AND MEMORANDUM OF UNDERSTANDING

Financial adviser to Wing Hing International (Holdings) Limited



CHINA EVERBRIGHT CAPITAL LIMITED

CAPITAL REORGANIZATION

The Board proposes to put forward for approval by Shareholders the Capital Reorganization which will involve (i) a reduction in the par value of the issued Shares from HK\$1.00 each to HK\$0.10 each; (ii) a subdivision of each authorized but unissued Share into ten (10) New Shares of HK\$0.10 each; and (iii) the cancellation of the entire amount standing to the credit of the share premium account of the Company whereby the credit arising from the Capital Reduction and the Share Premium Cancellation will be applied to set-off against the Company's accumulated losses in the manner permitted by the laws of Bermuda and the Bye-Laws. The Capital Reorganization is subject to the Shareholders' approval at the SGM.

MEMORANDUM OF UNDERSTANDING

The Board announces that on 7 October 2009, the Company entered into the MOU with the Vendor in relation to a possible acquisition by the Group of the entire issued share capital of the Target Company. The Possible Acquisition is subject to, among other things, the execution of the Formal S&P. The Possible Acquisition, if materialised, may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules and the Company will comply with the relevant requirements under the Listing Rules where appropriate. Further announcement(s) will be made as and when appropriate in accordance with the Listing Rules or when there is material development on the Possible Acquisition.

The Board wishes to emphasize that the Possible Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, pass the resolution(s) to approve the Capital Reorganization. As no Shareholder has material interest in the Capital Reorganization which is different from other Shareholders, no Shareholder is required to abstain from voting in respect of the proposed resolution(s) to approve the Capital Reorganization at the SGM. A circular containing, amongst other things, further details of (i) the Capital Reorganization and (ii) a notice of the SGM will be despatched to the Shareholders as soon as practicable.

(I) PROPOSED CAPITAL REORGANIZATION

Background

As at the Announcement Date, the authorized share capital of the Company is HK\$150,000,000 divided into 150,000,000 Shares, of which 103,660,000 have been issued and are fully paid or credited as fully paid. The issued share capital of the Company is HK\$103,660,000. On 25 September 2009, the Company published an announcement relating to the Subscription. Upon completion of the Subscription, the issued share capital of the Company will become HK\$115,660,000 divided into 115,660,000 Shares.

The Board proposes to implement the Capital Reorganization, which involves the Capital Reduction, the Share Subdivision and the Share Premium Cancellation.

Capital Reduction

The issued share capital of the Company shall be reduced by cancelling the paid-up capital to the extent of HK\$0.90 on each issued Share such that the par value of each issued Share will be reduced from HK\$1.00 to HK\$0.10.

Share Subdivision

The Share Subdivision will involve the sub-division of each authorized but unissued Share into ten (10) New Shares.

Share Premium Cancellation

Upon the Capital Reduction and the Share Subdivision becoming effective, the entire amount of HK\$54,326,000 standing to the credit of the share premium account of the Company as at 31 March 2009 will be cancelled.

On the assumption that the Subscription is completed and a total number of 12,000,000 new Shares have been issued and allotted before the Capital Reorganization becoming effective, a credit of HK\$104,094,000 will arise from the Capital Reduction. The credit amount arising from both the Capital Reduction and the Share Premium Cancellation will be transferred to the contributed surplus account of the Company where it will be utilized by the Company in such manner as is permitted by the laws of Bermuda and the Bye-Laws.

Conditions of the Capital Reorganization

The completion of the Capital Reorganization is conditional upon:

- (i) the passing of the relevant resolution(s) by the Shareholders approving the Capital Reorganization at the SGM;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares in issue arising from the Capital Reorganization;
- (iii) compliance with the relevant legal procedures and requirements under the laws of Bermuda to effect the Capital Reorganization; and
- (iv) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganization.

Assuming the above conditions are fulfilled, it is expected that the Capital Reorganization will become effective on the Business Day following the date of passing the relevant resolution(s) approving the Capital Reorganization.

Effects of the Capital Reorganization

The following table sets out the effect of the Capital Reorganization on the share capital of the Company before and immediately after the Capital Reorganization becoming effective as well as the amount of credit arising from the Capital Reduction, assuming a further 12,000,000 Shares will be issued upon completion of the Subscription:–

	Before the Capital Reorganization becoming effective	Immediately after the Capital Reorganization becoming effective	Amount of credit arising from the Capital Reorganization
Authorized share capital	HK\$150,000,000 divided into 150,000,000 Shares	HK\$150,000,000 divided into 1,500,000,000 New Shares	N.A.
Unissued share capital as at the Announcement Date	HK\$46,340,000 divided into 46,340,000 Shares	HK\$139,634,000 divided into 1,396,340,000 New Shares	N.A.
Issued share capital as at the Announcement Date	HK\$103,660,000 divided into 103,660,000 Shares	HK\$10,366,000 divided into 103,660,000 New Shares	HK\$93,294,000
Issued share capital after completion of the Subscription	HK\$115,660,000 divided into 115,660,000 Shares	HK\$11,566,000 divided into 115,660,000 New Shares	HK\$104,094,000

According to the audited financial statements of the Company for the year ended 31 March 2009, the amounts standing to the credit of the share premium account and the contributed surplus account were approximately HK\$54,326,000 and HK\$51,562,000 respectively as at 31 March 2009 and the amount of accumulated losses of the Company was approximately HK\$42,850,000 as at 31 March 2009. The Board proposes to apply part of the amount standing to the credit of the contributed surplus account to set off against the accumulated losses of the Company. On the basis of the audited balance of the accumulated losses of the Company as at 31 March 2009, the balance of the total amount standing to the credit of the contributed surplus account of the Company is expected to be approximately HK\$167,132,000 (assuming the Subscription is duly completed) after setting off in full the accumulated losses of the Company.

The New Shares will rank pari passu in all respects with each other. Other than the expenses incurred in relation to the Capital Reorganization, the Directors consider that the implementation of the Capital Reorganization will not alter the underlying assets, business operations, management or financial position of the Company or the relative interests or rights of the Shareholders. The Board believes that the Capital Reorganization itself will not have any adverse effect on the financial position of the Company.

Reasons for the Capital Reorganization

The Board is of the opinion that the Capital Reduction and the Share Subdivision will provide the Company with greater flexibility in pricing the issue of New Shares in the future. Further, the credit arising from the Capital Reduction and the Share Premium Cancellation will enable the Company to eliminate the accumulated losses of the Company, which in turn will facilitate the Company's payment of dividends to the Shareholders as and when the Directors consider it appropriate in the future. In light of the above, the Board believes that the Capital Reorganization is beneficial to the Company and the Shareholders as a whole.

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 New Shares arising from the Capital Reorganization.

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

Free exchange of share certificates

The arrangement for the free exchange of New Share certificates and the expected timetable for the Capital Reorganization will be disclosed in the circular in relation to the Capital Reorganization.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, pass the resolution(s) to approve the Capital Reorganization. As no Shareholder has material interest in the Capital Reorganization which is different from other Shareholders, no Shareholder is required to abstain from voting in respect of the proposed resolution(s) to approve the Capital Reorganization at the SGM. A circular containing, amongst other things, further details of (i) the Capital Reorganization and (ii) the notice of the SGM will be despatched to the Shareholders as soon as practicable.

(II) MEMORANDUM OF UNDERSTANDING

On 7 October 2009, the Company entered into a MOU with the Vendor in relation to a possible acquisition by the Group of the entire issued share capital of the Target Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor is an Independent Third Party.

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is wholly owned by the Vendor. According to the Vendor:

- (a) the Target Company, through its subsidiary, is engaged in, among others, the provision of consultation services in relation to coalbed methane, coke thermal energy, coal further processing and energy saving technology; and
- (b) the subsidiary of the Target Company will acquire controlling equity interests in the Operating Companies for the purpose of engaging in the coal related businesses.

Detailed terms (including the consideration and payment terms) of the Possible Acquisition are still subject to ongoing negotiations. Completion of the Possible Acquisition will be conditional upon, among other things:

- (a) the due diligence review (including but not limited to the legal, financial and commercial aspects) on the Target Company and its subsidiaries, the Operating Companies and their respective subsidiaries having been completed to the satisfaction of the Group;
- (b) all the relevant sale and purchase agreements and documents (in a form satisfactory to the Group) in relation to the PRC Acquisition have been duly executed and the PRC Acquisition having been completed;
- (c) the Group having obtained a PRC legal opinion (in a form satisfactory to the Group) from the PRC legal advisers;

- (d) the passing of the relevant resolution(s) by the Shareholders approving the Formal S&P and the transactions contemplated thereunder at the general meeting of Shareholders (if applicable); and
- (e) such other condition precedents as may be contained in the Formal S&P.

Pursuant to the MOU, the Company will pay to the Vendor the Earnest Sum within five (5) days from the date of the MOU. If the Company does not (i) proceed with the negotiations set out under the MOU or (ii) execute the Formal S&P within the Exclusivity Period, the Vendor shall, within three (3) days upon receipt of a written notice from the Company, refund the Earnest Sum, together with interests thereon calculated at 3% per annum, to the Company.

The parties to the MOU agreed to use best efforts to negotiate on the terms of the Possible Acquisition and entering into the Formal S&P within the Exclusivity Period. Otherwise the MOU will be terminated at the end of the Exclusivity Period. The Vendor has agreed not to negotiate or enter into any agreement or memorandum of understanding with any other parties in relation to the subject matter of the MOU during the Exclusivity Period.

The MOU is legally binding and the Possible Acquisition is subject to the execution of the Formal S&P. The Possible Acquisition, if materialised, may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules and the Company will comply with the relevant requirements under the Listing Rules where appropriate. Further announcement(s) will be made as and when appropriate in accordance with the Listing Rules or when there is material development on the Possible Acquisition.

The Board wishes to emphasize that the Possible Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

The following defined terms are used in this announcement:—

“Announcement Date”	7 October 2009, date of this announcement
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are open for general business other than a Saturday or Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon

“Bye-Laws”	the bye-laws of the Company from time to time
“Capital Reduction”	the proposed reduction of the issued share capital of the Company through a cancellation of the issued share capital of the Company to the extent of HK\$0.90 on each issued Share such that the par value of each issued Share will be reduced from HK\$1.00 to HK\$0.10
“Capital Reorganization”	the proposed reorganization of the share capital of the Company involving, inter alia, the Capital Reduction, the Share Subdivision and the Share Premium Cancellation, details of which are set out in the section entitled “Proposed Capital Reorganization” in this announcement
“CCASS”	the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited
“Company”	Wing Hing International (Holdings) Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Earnest Sum”	a refundable sum of HK\$8,000,000 to be paid by the Company to the Vendor
“Exclusivity Period”	six (6) months from the date of the MOU
“Formal S&P”	a formal sale and purchase agreement in relation to the Possible Acquisition
“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 Third Party”	a party which is not a connected person of the Company and is independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“MOU”	the memorandum of understanding dated 7 October 2009 entered into between the Company and the Vendor in relation to the Possible Acquisition
“New Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company upon the Capital Reorganization becoming effective
“Operating Companies”	two companies established in the PRC which are principally engaged in coking related business
“Possible Acquisition”	the possible acquisition of the entire issued share capital of the Target Company by the Group from the Vendor
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Acquisition”	the proposed acquisition of the controlling equity interests in the Operating Companies
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, pass the resolution(s) to approve, among other things, the Capital Reorganization
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company prior to the Capital Reorganization becoming effective
“Share Premium Cancellation”	the proposed cancellation of the entire amount standing in the share premium account of the Company upon the Capital Reduction and the Share Subdivision becoming effective
“Share Subdivision”	the proposed subdivision of each authorized but unissued Share of HK\$1.00 each into ten (10) New Shares of HK\$0.10 each
“Shareholder(s)”	holder(s) of the Share(s) or New Share(s) (as the case may be)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of new Shares by Cheever Capital Management (Asia) Limited, details of which are set out in the Company’s announcement published on 25 September 2009

“Target Company”	Richome Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability
“Vendor”	Ms. Ho Yuk Ling, an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By order of the Board
Wing Hing International (Holdings) Limited
Dr. Peter He
Chairman

Hong Kong, 7 October 2009

As at the date of this announcement, the Board comprises eight Directors. The executive Directors are Dr. Peter He, Ms. Leung Pui Kwan, Mr. Shen Junchen and Mr. Chan Wah Fan. The non-executive Director is Ms. Yuen Sau Ying, Christine. The independent non-executive Directors are Dr. Leung Wai Cheung, Mr. Hui Wah Tat, Anthony and Mr. Li Kam Chung.