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INTERCHINA HOLDINGS COMPANY LIMITED

中國控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 60% EQUITY INTEREST IN MONEY CAPTURE INVESTMENTS LIMITED

Trading in the shares of the Company has been suspended since 18 May 2007 pending the publication of an announcement regarding a major acquisition. The possible major transaction involves the acquisition of a PRC company, the shares of which were traded on the Shanghai Stock Exchange and the trading of which was suspended since 18 May 2006. Further information on the major transaction will be set out in an announcement to be published ("Major Transaction Announcement") as soon as practicable.

The Directors announce that, while pending release of the Major Transaction Announcement, the Company also entered into the S&P Agreement with the Vendor on 11 June 2007 in relation to the acquisition of a 60% equity interest in MCI together with the Vendor's interest in all the outstanding shareholder's loan to be advanced by the Vendor to MCI at a total consideration of HK\$195,039,455.

Since the relevant percentage ratios under Rule 14.07 of the Listing Rules are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company pursuant to Rule 14.06(2) of the Listing Rules. A circular containing, among other things, further details of the Acquisition, will be despatched to the Shareholders as soon as practicable.

Pending release of the Major Transaction Announcement, the trading in shares of the Company will remain suspended until the said announcement is published.

THE S&P AGREEMENT

Date

11 June 2007

Parties

Purchaser : the Company

Vendor : Li Gong Tao

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor is a third party independent of the Group and its connected persons (as defined in the Listing Rules). To the best knowledge of the Directors, each of the Vendor and his associates (as defined in the Listing Rules) does not hold any Share as at the date of this announcement.

Assets to be acquired

The Company shall acquire from the Vendor a 60% equity interest in MCI.

The principal asset of MCI is the entire interest in the Property, which is held through the Subsidiary.

Consideration

The total consideration for the Acquisition is HK\$195,039,455, out of which HK\$111,249,826 is the consideration for the Equity Interest and HK\$83,789,629 is the consideration for the Shareholder's Loan to be advanced by the Vendor to the Company prior to Completion.

The Consideration is payable in the following manner:

- (1) HK\$62,358,466 is payable by the Purchaser to the Vendor on the date of signing of the S&P Agreement as deposit (which has been settled by way of set-off against the amount due from the Vendor to the Purchaser, being HK\$57,000,000, plus accrued interest of HK\$5,358,466 as at 11 June 2007, which details are set out in the announcements of the Company dated 25 April 2005 and 19 July 2006) ; and
- (2) balance in the sum of HK\$132,680,989 is payable by the Purchaser to the Vendor in cash (or in such other manner as the Vendor may agree) within six months after signing of the S&P Agreement. It is anticipated that the said sum will be paid in one lump sum at the expiry of the six-month period.

The Consideration was determined after arm's length negotiations between the Company and the Vendor.

The consideration of HK\$111,249,826 for the Equity Interest was fixed by reference to the unaudited consolidated net asset value of MCI as at 31 March 2007 (being HK\$185,416,000) which represents approximately 60% of the total unaudited consolidated net asset value of MCI as at 31 March 2007.

Under the S&P Agreement, the Vendor agreed to advance a shareholder's loan of not less than HK\$83,789,629 (being the Shareholder's Loan) to MCI to settle 60% of the SLH Loan prior to Completion. The consideration of HK\$83,789,629 for the Shareholder's Loan was fixed by reference to the additional obligation to advance the Shareholder's Loan prior to Completion.

The Directors consider that the above basis for determining the Consideration is fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

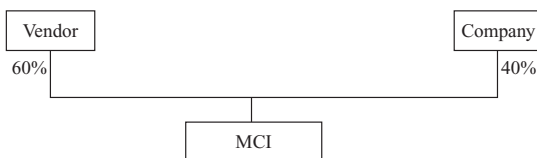
Completion

Completion will take place on the date when the Consideration is satisfied in full (or such later date as the parties may agree).

The S&P Agreement and the Completion are not subject to any condition precedent.

SHAREHOLDING STRUCTURE OF MCI

Before Completion, the shareholding structure of MCI is as follows:



INFORMATION ON MCI

MCI was incorporated in the British Virgin Islands on 8 May 2002. It is an investment holding company and its principal asset is its entire interest in the Property, which is held through the Subsidiary. The other subsidiary of MCI is Shanghai International Club Company Limited which is a limited liability company established in the PRC for the purpose of making financial arrangement for the group of companies of MCI, and in particular, the Property.

The following is the unaudited consolidated financial information on MCI for the two years ended 31 March 2007, which was prepared in accordance with HK GAAP:

	For the year ended 31 March 2007 (unaudited) (HK\$)	For the year ended 31 March 2006 (unaudited) (HK\$)
Net profit/(loss) before tax	(39,162,000)	(1,023,000)
Net profit/(loss) after tax	(39,162,000)	(1,023,000)
Net asset value	185,416,000	227,390,000

The unaudited consolidated net asset value of MCI has decreased due to the revaluation deficit of the investment property of approximately HK\$22 million and loan interest expenses of approximately HK\$18 million, resulting in a total decrease of approximately HK\$40 million.

To reduce the interest expense of the MCI, the Company and the Vendor have agreed that the Vendor will advance the Shareholder's Loan in the sum of HK\$83,789,629 to settle 60% of the SLH Loan prior to Completion. SLH is a company established in the PRC, which to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, is a third party independent of the Group and its connected persons (as defined in the Listing Rules). SLH, being a property development and investment company, has no other relationship with MCI other than the advance of the SLH Loan, such advance being made in June 2006 to re-finance existing loan.

The Property is for rental purpose only with the occupancy rate of 100%. For the years ended 31 March 2006 and 31 March 2007, the rental income derived from the Property amounted to approximately HK\$1.4 million and HK\$5 million respectively. According to the valuation report issued by an independent valuer in the PRC, the Property was valued at RMB310 million (equivalent to approximately HK\$313.13 million) as at 31 March 2007, which is equivalent to the book value of MCI as at the same date.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the investment in environmental and water treatment operation and city development and investment operation as well as strategic investment in Hong Kong and the PRC.

The 60% equity interest of MCI was sold to the Vendor by the Company in April 2005, details of such disposal is set out in the announcements of the Company dated 25 April 2005 and 19 July 2006 respectively. The Vendor has been in default of payment of the balance of consideration for the aforesaid disposal in the sum of HK\$57,000,000 since 31 December 2006. Since then, the Company made numerous requests for the payment of the outstanding balance. The Vendor and the Company have also been negotiating for alternative resolutions regarding the aforesaid default and finally agreed that the 60% equity interest of MCI should be sold back to the Company. Having considered the increase in rental income of the Property in Shanghai, the PRC, the Directors expect that the Acquisition will maximise the return on the Group's assets and enable the Company to take leverage on the possible inflation of RMB by holding prestigious real estate property in Shanghai. The Directors consider that the terms and conditions of S&P Agreement are fair and reasonable, and the Acquisition is in the best interest of the Company and its Shareholders as a whole. Upon Completion, MCI will become a wholly owned subsidiary of the Company.

While the Board intends to concentrate its resources on the core operations (being environmental and water treatment operation and city development and investment operation as well as strategic investment in Hong Kong and the PRC) of the Group, the Board believes that acquiring the 60% equity interest of MCI can resolve the long outstanding payment from the Vendor from the last disposal and can maximise the return on the Group's asset.

GENERAL

Since the relevant percentage ratios under Rule 14.07 of the Listing Rules are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company pursuant to Rule 14.06(2) of the Listing Rules. A circular containing, among other things, further details of the Acquisition, will be despatched to the Shareholders as soon as practicable.

LATEST DEVELOPMENT OF THE COMPANY

Trading in the shares of the Company has been suspended since 18 May 2007 pending the publication of an announcement in relation to a major transaction. The Company has been contemplating a possible major acquisition of a PRC company, the shares of which were traded on the Shanghai Stock Exchange and have been suspended since 18 May 2006. The Company intends to restructure the PRC Company's business operations to facilitate the resumption of the trading in the A shares of the PRC Company. The Company is presently preparing the restructuring proposal to be submitted to the Shanghai Stock Exchange for approval. Pending finalisation of such restructuring proposal and approval of such proposal by the Shanghai Stock Exchange, further information on the major transaction will be set out in an announcement to be published as soon as practicable.

Shareholders of the Company and public investors should note that there is no assurance as to whether or when the proposed major transaction will proceed, or whether it will be completely successfully. In the meantime, the trading in the shares of the Company will remain suspended until the said announcement is published.

DEFINITIONS

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

"Acquisition"	the acquisition of the Equity Interest together with the Vendor's interest in all the Shareholder's Loan advanced by the Vendor to MCI pursuant to the S&P Agreement
"Board"	the board of Directors
"business day"	a day (other than Saturdays) on which banks in Hong Kong are generally open for the transaction of normal banking business
"Company"	Interchina Holdings Company Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Stock Exchange
"Completion"	completion of the Acquisition
"Consideration"	the total consideration for the Acquisition, being HK\$195,039,455
"Directors"	the directors of the Company
"Equity Interest"	the 60% equity interest in MCI to be acquired by the Company from the Vendor pursuant to the S&P Agreement
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK GAAP"	the general accepted accounting principles in Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"MCI"	Money Capture Investments Limited, a company incorporated in the British Virgin Islands, which is owned as to 60% by the Vendor and 40% by the Company
"Property"	the second basement, the first basement, the first floor and second floor of No 1546 Dalian Road, Yangpu District, Shanghai, the PRC (上海市大連路1546號裙房地下二層、地下一層、一層及二層房產) of a total building area of approximately 18,370.15 square metres

“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
“RMB”	Renminbi, the lawful currency of the PRC
“S&P Agreement”	the agreement dated 11 June 2007 entered into between the Company and the Vendor
“Shares”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Shareholder’s Loan”	the shareholder’s loan then owed by the Company to the Vendor and to be acquired by the Company from the Vendor pursuant to the S&P Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	Equal Smart Profits Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of MCI
“SLH”	上海臨江控股(集團)有限公司 (Shanghai Lam Hong (Group) Company Limited)
“SLH Loan”	the loan due from MCI to SLH
“Vendor”	Li Gong Tao (李功韜)
“%”	per cent.

Conversion of RMB into HK\$ is based on the exchange rate of RMB0.99 = HK\$1.00.

By Order of the Board of
Interchina Holdings Company Limited
Lam Cheung Shing, Richard
Director and Company Secretary

Hong Kong, 15 June 2007

As at the date of this announcement, the executive Directors are Mr. Zhang Yang, Mr. Chan Wing Yuen, Hubert and Mr. Lam Cheung Shing, Richard and the independent non-executive Directors are Mr. Wong Hon Sum, Ms. Ha Ping and Dr. Tang Tin Sek.

Please also refer to the published version of this announcement in The Standard.