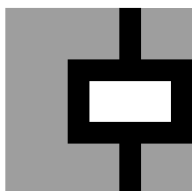


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# **INTERCHINA HOLDINGS COMPANY LIMITED**

## **國 中 控 股 有 限 公 司**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 202)**

### **TERMINATION AGREEMENT**

#### **IN RELATION TO**

**THE DISPOSAL OF THE ENTIRE EQUITY INTEREST  
IN AND SHAREHOLDER LOANS DUE FROM  
BURLINGAME (SHANGHAI) INVESTMENT LIMITED**

**AND**

**THE DISPOSAL OF THE ENTIRE INTEREST  
IN AND SHAREHOLDER LOAN DUE FROM  
INTERCHINA (CHANGSHA) INVESTMENT AND  
MANAGEMENT COMPANY LIMITED**

**AND**

**THE DISPOSAL OF 38.9% EQUITY INTEREST IN  
長沙國中星城置業有限公司**

**(CHANGSHA INTERCHINA STAR CITY COMPANY LIMITED)**

**AND**

### **DISCLOSEABLE TRANSACTION**

The Directors announce that the Company, SLHG, BIC, CAI, Mr. Zhang and TWI entered into an agreement on 28 March 2007 to terminate the Framework Agreement, the BSI Agreement and the ICIM & CIC Agreement.

On 28 March 2007, the Company also entered into a new agreement with SLHG for the sale and purchase of the entire interest in BSI, the BIC Shareholder Loan and the CAI Shareholder Loan at a total consideration of HK\$206,000,000.

Pursuant to the Head S&P Agreement, BIC, CAI and Mr. Zhang entered into a new agreement on 28 March 2007 regarding the sale and purchase of the entire interest in BSI, the BIC Shareholder Loan and the CAI Shareholder Loan.

Since the relevant percentage ratios under Rule 14.07 of the Listing Rules are more than 5% but less than 25%, the BSI Disposal 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 BSI Disposal, will be despatched to the Shareholders as soon as practicable.

Reference is made to the announcement of the Company dated 20 October 2006 and the circular of the Company dated 5 January 2007 in relation to the Framework Agreement, the BSI Agreement and the ICIM & CIC Agreement for disposals of certain subsidiaries of the Group having interest in properties in Shanghai and Changsha in the PRC.

For the reasons set out in the paragraph headed “Reasons for the Termination and the BSI Disposal” in this announcement, the Termination Agreement and the New BSI Agreement were entered into, the major terms of which are summarised below.

## **THE TERMINATION AGREEMENT**

### **Date**

28 March 2007

### **Parties**

The Company, SLHG, BIC, CAI, Mr. Zhang and TWI, being the parties to the Framework Agreement, the BSI Agreement and the ICIM & CIC Agreement.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, each of SLHG and its ultimate beneficial owners, Mr. Zhang and TWI and its ultimate beneficial owners are third parties independent of the Group and its connected persons (as defined in the Listing Rules). To the best knowledge of the Directors, each of SLHG, Mr. Zhang, TWI and their respective associates (as defined in the Listing Rules) does not hold any Share as at the date of this announcement.

### **Termination**

The parties to the Termination Agreement agree to terminate the Framework Agreement, the BSI Agreement and the ICIM & CIC Agreement.

### **Subject Matter of Termination**

The subject matter for disposal under the Framework Agreement, the BSI Agreement and the ICIM & CIC Agreement, as disclosed in the Announcement, is:

- (1) Regarding BSI
  - (a) 100% equity interest in the capital of BSI;
  - (b) a non-interest bearing shareholder loan owing by BSI to BIC as at the completion of the BSI Agreement; and
  - (c) a non-interest bearing shareholder loan owing by BSI to CAI as at the completion of the BSI Agreement.
- (2) Regarding ICIM
  - (a) 100% equity interest in the capital of ICIM; and
  - (b) a non-interest bearing shareholder loan owing by ICIM to the Company as at the completion of the ICIM & CIC Agreement.
- (3) Regarding CIC
  - 38.9% equity interest in the capital of CIC.

The principal asset of ICIM is the 61.1% equity interest in the capital of CIC. The ultimate purpose of disposing 100% equity interest in the capital of ICIM under the Framework Agreement is for disposing the entire equity interest in CIC. The main asset of CIC is the CIC Leasehold Land, which is still under construction.

### **Conditions**

Termination of the Framework Agreement, the BSI Agreement and the ICIM & CIC Agreement shall take effect when all the following conditions are fulfilled:

1. the Head S&P Agreement and the New BSI Agreement having been entered into for disposal of the entire interest in BSI, the BIC Shareholder Loan and the CAI Shareholder Loan; and
2. all the monies paid under the BSI Agreement and the ICIM & CIC Agreement in the sum of approximately HK\$124,188,000 having been applied to settle the deposits payable under the New BSI Agreement.

As at the date of this announcement, all the above conditions are fulfilled.

Under the BSI Agreement and the ICIM & CIC Agreement, the deposits due and payable is HK\$308,935,000, but the Group only received a total sum of approximately HK\$124,188,000 from SLHG up to the date of the Termination Agreement. The Framework Agreement, the BSI Agreement and the ICIM & CIC Agreement do not provide for penalty in default of payment of deposits.

### **Reimbursement**

Under the Termination Agreement, SLHG agree to reimburse the reasonable costs and expenses incurred by the Company, BIC, CAI in connection with the entering into the Framework Agreement, the BSI Agreement, ICIM & CIC Agreement and the Termination Agreement.

## **THE HEAD S&P AGREEMENT**

### **Date**

28 March 2007

### **Parties**

Party A : the Company

Party B : SLHG

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, SLHG and its ultimate beneficial owners are third parties independent of the Group and its connected persons (as defined in the Listing Rules). To the best knowledge of the Directors, each of SLHG and its associates (as defined in the Listing Rules) does not hold any Share as at the date of this announcement.

As informed by SLHG, SLHG is a private company whose principal activities are property development, construction, property transaction consultation service, construction materials, goods and technology import and export.

### **Assets to be disposed**

- (1) 100% equity interest in the capital of BSI;
- (2) a non-interest bearing shareholder loan owing by BSI to BIC as at the Completion, which as at the date of this announcement amounts to approximately HK\$112,703,000; and
- (3) a non-interest bearing shareholder loan owing by BSI to CAI as at the Completion, which as at the date of this announcement amounts to approximately HK\$9,468,000.

### **Consideration**

The total consideration for the BSI Sale Interest, the BIC Shareholder Loan and the CAI Shareholder Loan is HK\$206,000,000.

The Consideration is subject to adjustment and is payable in the manner set forth in the paragraph headed "Payment and Adjustment of Consideration" in this announcement.

### **Reason for entering into the Head S&P Agreement**

The Head S&P Agreement serves as the master agreement for the BSI Disposal, under which the Company is liable to sell, and SLHG is liable to acquire, the BSI Sale Interest, the BIC Shareholder Loan and the CAI Shareholder Loan. As BIC and CAI, both being subsidiaries of the Company, are the respective owners of the BSI Sale Interest, the BIC Shareholder Loan and the CAI Shareholder Loan, it is necessary to bind BIC and CAI by signing of the New BSI Agreement. SLHG requested the New BSI Agreement be signed by Mr. Zhang as the assigned transferee of SLHG. SLHG is responsible for Mr. Zhang's due performance of the New BSI Agreement. If Mr. Zhang defaults in completion of the New BSI Agreement, SLHG has the obligation to complete purchase of the BSI Sale Interest, the BIC Shareholder Loan and the CAI Shareholder Loan on the same terms under the New BSI Agreement. As informed by SLHG, Mr. Zhang engages in business of commercial property development in the PRC and is a business associate of SLHG in certain business transactions for years, and he is not a shareholder or a director of SLHG.

## THE NEW BSI AGREEMENT

### Date

28 March 2007

### Parties

Vendors : BIC and CAI

Purchaser : Mr. Zhang

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Mr. Zhang 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 Mr. Zhang and his associates (as defined in the Listing Rules) does not hold any Share as at the date of this announcement.

### Assets to be disposed

The BSI Sale Interest, the BIC Shareholder Loan and the CAI Shareholder Loan.

### Payment and Adjustment of Consideration

The Consideration, being HK\$206,000,000, is payable in the following manner:

- (1) approximately HK\$124,188,000, being approximately 60.29% of the Consideration, is payable in cash on the signing of the New BSI Agreement; and
- (2) approximately HK\$81,812,000, being the balance of the Consideration, is payable in cash within 5 business days after signing of the New BSI Agreement.

As at the date of this announcement, the sum of approximately HK\$124,188,000, being 60.29% of the Consideration, is paid by way of transferring all the deposit monies paid under the BSI Agreement and the ICIM & CIC Agreement.

The Consideration is subject to adjustment downward when the difference between the amount of the consolidated net assets of BSI shown in the management accounts as at 31 January 2007 and shown in the audited accounts for the same period is more than 5%. Completion of such audited accounts should not be later than 31 July 2007. The formula for adjustment of the Consideration is:

$$A = C - (M \times 95\% - N)$$

Where: A = adjusted Consideration  
C = the Consideration (that is, HK\$206,000,000)  
M = the amount of the consolidated net assets of BSI shown in the management accounts as at 31 January 2007  
N = the amount of the consolidated net assets of BSI shown in the audited accounts as at 31 January 2007

The Directors consider that such adjustment is in line with the market practice and is fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

The Consideration is determined by reference to the adjusted UCNV of BSI of approximately HK\$197,094,000 as at 31 January 2007 which is calculated on the basis of the UCNV of BSI of approximately HK\$30,527,000 plus (i) the estimated market value of the BSI Leasehold Land of RMB300,000,000 (equivalent to approximately HK\$297,030,000), which is valued by the independent Valuer on 31 January 2007, less the book value of the BSI Leasehold Land of HK\$285,014,000, (ii) interest cost incurred for the development of the BSI Leasehold Land by the Group of approximately HK\$32,380,000, and (iii) finally adding the BIC Shareholder Loan and the CAI Shareholder Loan of approximately HK\$122,171,000. The Consideration represents a premium of approximately 4.52% of the said adjusted UCNV of BSI.

Although the Consideration is less than the previous consideration of HK\$219,000,000 payable under the BSI Agreement, however, the disposal gain will be roughly the same.

The Consideration are determined after arm's length negotiations and 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

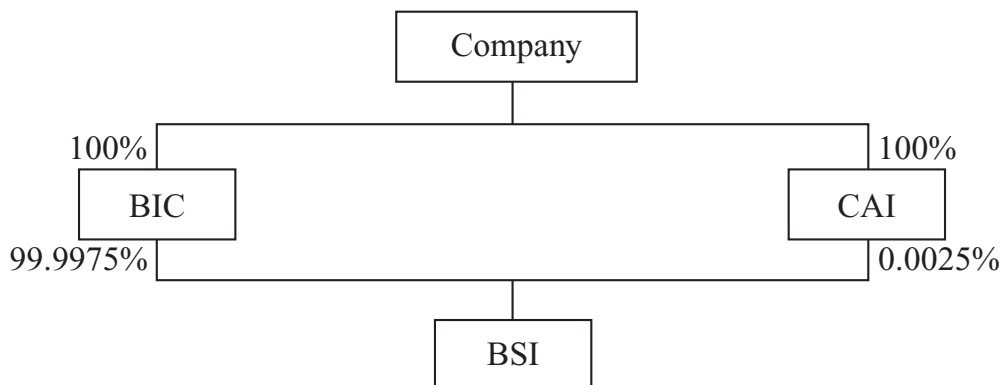
Completion will take place on the 5th business day after signing of the New BSI Agreement (or such other day as the parties may agree) and after the balance of the Consideration is paid.

Under the New BSI Agreement, there is no condition precedent which Completion is subject to.

If BIC or CAI disposes the BSI Sale Interest to any third party or do not proceed to Completion in accordance with the terms of the New BSI Agreement, the Company shall pay an amount equivalent to 10% of the Consideration (subject to adjustment) as default payment and return all parts of the Consideration received to Mr. Zhang. The New BSI Agreement does not contain provision for payment of penalty if Mr. Zhang does not proceed to Completion.

## SHAREHOLDING STRUCTURE OF BSI

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



## INFORMATION ON BSI

BSI was incorporated in Hong Kong on 1 December 1989. It is an investment holding company which subsidiary is principally engaged in property investment and development in the PRC. As at the date of this announcement, the main asset of the group of BSI is the BSI Leasehold Land, being the leasehold land under resettlement of original inhabitants in progress of a site area of approximately 8,910 square meters and situated in Qiu 6/1, No.81 Jiefang, Tilanqiao Jiedao, Dongdaming Road, Honghau District, Shanghai, PRC.

The followings are audited consolidated financial information on BSI for the two years ended 31 March 2006 and unaudited consolidated financial information on BSI for the ten months ended 31 January 2007, which were prepared in accordance with HK GAAP:

	<b>For the ten months ended 31 January 2007</b> <i>(unaudited)</i> <i>(HK\$)</i>	<b>For the Year ended 31 March 2006</b> <i>(audited)</i> <i>(HK\$)</i>	<b>For the Year ended 31 March 2005</b> <i>(audited)</i> <i>(HK\$)</i>
Net profit/(loss) before tax	(11,457,000)	(2,646,281)	(7,982,534)
Net profit/(loss) after tax	(11,457,000)	(2,646,281)	(7,982,534)
Net asset value	30,527,000	45,405,353	49,141,105

## REASONS FOR THE TERMINATION AND THE BSI DISPOSAL

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.

Due to the advance made by the Group to ICIM and CIC during the period from 1 September 2006 up to 16 February 2007 in the total sum of approximately HK\$86,000,000 to settle the operating costs incurred (including but not limited to construction costs and bank borrowings) in the continuous development progress of the CIC Leasehold Land, SLHG was requested by the Company to repay the Group with such sum for completion of the ICIM & CIC Agreement. As a consequence, SLHG expressed that it would not proceed to completion of both the BSI Agreement and the ICIM & CIC Agreement and requested for alternative resolutions including termination of either the BSI Agreement or the ICIM & CIC Agreement.

As set out in the Announcement, the Directors are concerned about the uncertainty for favourable return which the Company may obtain from its investment in property development in the PRC after the introduction of new macroeconomic control measures on property developers in the PRC. Therefore, the Directors consider that to reduce investment in property development in the PRC is appropriate. At present, the Group will continue its investment in the CIC Leasehold Land through CIC. However, if a favourable offer comes up, the Company may consider disposal of the CIC Leasehold Land. Further announcement in accordance with the Listing Rules will be made as and when appropriate.

The Directors consider that the proceeds from the BSI Disposal will allow the Group additional working capital for the Group, while to retain the CIC Leasehold Land will contribute additional operating profit to the Group and enhance the earning base and investment value of the Group. Therefore, the Directors believe the Termination and the BSI Disposal are appropriate. The Directors consider that the terms and conditions of Termination Agreement, the Head S&P Agreement and the New BSI Agreement are fair and reasonable, and the Termination and the BSI Disposal are in the best interest of the Company and its Shareholders as a whole.

#### **FINANCIAL EFFECT OF THE BSI DISPOSAL**

Upon Completion, BSI will cease to be a subsidiary of the Company.

On the basis of the Consideration and the UCNAV of BSI as at 31 January 2007 plus interest cost for development of the BSI Leasehold Land paid by the Group, it is estimated that, upon Completion, the Group will record a net gain, less all related expenses, of approximately HK\$20,620,000, subject to audit adjustments (if any).

#### **USE OF PROCEEDS**

The Directors expect that approximately HK\$300,000 of the Consideration will be applied for payment of fees and expenses in connection with the BSI Disposal, such as legal fees and auditors fees. The remaining proceeds of the BSI Disposal will be approximately HK\$205,700,000 and will be used as general working capital of the Group.

#### **GENERAL**

Since the relevant percentage ratios under Rule 14.07 of the Listing Rules are more than 5% but less than 25%, the BSI Disposal 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 BSI Disposal, will be despatched to the Shareholders as soon as practicable.

#### **DEFINITIONS**

“Announcement”	the announcement of the Company dated 20 October 2006
“Board”	the board of Directors
“BIC”	Burlingame International Company Limited, a wholly owned subsidiary of the Company
“BIC Shareholder Loan”	a non-interest bearing shareholder loan owing by BSI to BIC as at the Completion
“BSI”	Burlingame (Shanghai) Investment Limited, a company incorporated in Hong Kong and an indirect wholly owned subsidiary of the Company, 99.9975% shareholding of which is owned by BIC and 0.0025% shareholding of which is owned by CAI
“BSI Agreement”	a conditional sale and purchase agreement entered into between BIC, CAI and Mr. Zhang on 19 October 2006 as disclosed in the Announcement
“BSI Disposal”	the disposal of the BSI Sale Interest together with the BIC Shareholder Loan and the CAI Shareholder Loan
“BSI Leasehold Land”	the leasehold land under resettlement of original inhabitants in progress of a site area of approximately 8,910 square meters and situated in Qiu 6/1, No.81 Jiefang, Tilanqiao Jiedao, Dongdaming Road, Honghau District, Shanghai, PRC, which is beneficially owned as to 90% by BSI through its 90% owned subsidiary, Shanghai Hung Tai Real Estate Co., Ltd.
“BSI Sale Interest”	100% equity interest in the capital of BSI

“business day”	a day (other than Saturdays and days on which a tropic cyclone warning No. 8 or above or a rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are generally open for the transaction of normal banking business
“CAI”	Chinese Asial Investments Limited, a wholly owned subsidiary of the Company
“CAI Shareholder Loan”	a non-interest bearing shareholder loan owing by BSI to CAI as at the Completion
“CIC”	長沙國中星城置業有限公司 (Changsha Interchina Star City Company Limited), a company incorporated in the PRC and a wholly owned subsidiary of the Company, 38.9% shareholding of which is owned directly by the Company and 61.1% shareholding of which is owned by ICIM
“CIC Leasehold Land”	the leasehold land of a total site area of approximately 237,281.96 square meters and situated in Land Parcels R-11 West, R-11 East, R-18 South and R-18 North, New Sports City, Yuhua District, Changsha City, Hunan Province, PRC, and the property under construction of an gross floor area of approximately 139,071.18 square meters upon completion of the construction work and situated in Interchina Mall and New Sports City Blocks 1-4 (for hotel and serviced apartment use), located at Land Parcel R-18 North New Sports City, Yuhua District, Changsha City, Hunan Province, PRC, all of which are owned by CIC
“Company”	Interchina Holdings Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the New BSI Agreement
“Consideration”	the total consideration for the purchase of the BSI Sale Interest, the BIC Shareholder Loan and the CAI Shareholder Loan, being HK\$206,000,000 (subject to adjustment)
“Directors”	the directors of the Company
“Framework Agreement”	a conditional framework agreement entered into between the Company and SLHG on 19 October 2006 as disclosed in the Announcement
“Group”	the Company and its subsidiaries
“Head S&P Agreement”	a conditional agreement entered into between the Company and SLHG on 28 March 2007 in relation to the BSI Disposal
“HK\$”	Hong Kong dollars
“HK GAAP”	the general accepted accounting principles in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICIM”	國中(長沙)體育新城投資項目管理有限公司 (Interchina (Changsha) Investments And Management Company Limited), a company incorporated in the PRC and is wholly owned by the Company
“ICIM & CIC Agreement”	a conditional sale and purchase agreement entered into between the Company and TWI on 19 October 2006 as disclosed in the Announcement
“ICIM & CIC Consideration”	the total consideration of HK\$398,870,000 payable under the ICIM & CIC Agreement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhang”	Zhang Bin (張贇), a PRC individual
“New BSI Agreement”	a conditional sale and purchase agreement entered into between BIC, CAI and Mr. Zhang on 28 March 2007 in relation to the disposals of BSI Sale Interest, the BIC Shareholder Loan and the CAI Shareholder Loan
“PRC”	The People’s Republic of China
“RMB”	Reminbi

“Shares”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholders”	the shareholders of the Company
“SLHG”	上海臨江控股(集團)有限公司(Shanghai Lam Hong (Group) Company Limited), a company incorporated in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TWI”	Tangible Wealth Investments Limited (富騰投資有限公司), a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of SLHG
“Termination”	termination of the Framework Agreement, the BSI Agreement and the ICIM & CIC Agreement
“UCNAV of BSI”	unaudited consolidated net asset value of BSI
“Valuer”	Shanghai Real Estate Appraisers Co. Ltd., a firm of professional property surveyors

Conversion of RMB into HK\$ is based on the exchange rate of RMB1.01 = HK\$1.00.

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

Hong Kong, 28 March 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.