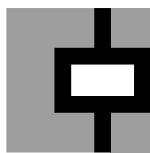


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INTERCHINA HOLDINGS COMPANY LIMITED

中國控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 202)

ISSUE OF CONVERTIBLE NOTES AND RESUMPTION OF TRADING

The Company entered into the Subscription Agreement with the Subscriber on 12 February 2007 under which the Company agreed to issue and the Subscriber agreed to subscribe for the Convertible Notes in an aggregate principal amount of up to HK\$111,698,000, which are comprised of (i) Tranche 1 Convertible Note in an aggregate principal amount of HK\$60,000,000 and (ii) Tranche 2 Convertible Note in an aggregate principal amount of HK\$51,698,000. The Convertible Notes are convertible into Shares at the Conversion Price of HK\$0.10 (subject to adjustment).

Assuming that the Convertible Notes are converted in full and the Conversion Price equals to HK\$0.10, a maximum of 1,116,980,000 Conversion Shares will fall to be issued which represent approximately 20% of the issued share capital of the Company as at the date of this announcement and approximately 16.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

Tranche 1 Completion and Tranche 2 Completion are conditional upon the fulfilment of their respective conditions set out in the paragraph headed "Conditions" below.

The Conversion Shares will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 26 August 2006, which has not been utilised up to the date of this announcement.

Trading in Shares was suspended from 9:30 a.m. on 12 February 2007 at the request of the Company pending the release of this announcement. Application has been made for trading in Shares to resume from 9:30 a.m. on 14 February 2007.

THE SUBSCRIPTION AGREEMENT DATED 12 FEBRUARY 2007

Issuer

The Company

Subscriber

Mr. Sun Yi Sun Yi, who is (i) not a party acting in concert with any Director or substantial shareholders of the Company; and (ii) to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, a third party independent of and not connected persons (as defined in the Listing Rules) of the Company and its subsidiaries. As at the date of this announcement, the Subscriber does not hold any shares in the capital of the Company or its subsidiaries.

Issue Size

The aggregate principal amount of the Convertible Notes is HK\$111,698,000, which are comprised of (i) Tranche 1 Convertible Note in an aggregate principal amount of HK\$60,000,000 and (ii) Tranche 2 Convertible Note in an aggregate principal amount of HK\$51,698,000.

Pursuant to the terms of the Subscription Agreement, the Company agreed to issue to the Subscriber and the Subscriber agreed to subscribe for the Tranche 1 Convertible Note at its full face value.

In addition, pursuant to the terms of the Subscription Agreement, the Company agreed to grant to the Subscriber an option (the "Option") to require the Company to issue the Tranche 2 Convertible Note to the Subscriber. The following provisions, among others, shall apply in respect of the Option:

- (a) The Option shall be exercisable by the Subscriber after the First Completion Date and will expire at 5:00 p.m. on the date which is 60 days after the date of the Subscription Agreement.

- (b) The exercise of the Option shall be made by written notice by the Subscriber to the Company (which notice, once given, shall be irrevocable).
- (c) The Company shall, upon receipt of a written notice mentioned in paragraph (b) above, take all reasonable steps to procure that the conditions precedent applicable to Tranche 2 Completion as set out in the section headed "Conditions" below are fulfilled as soon as practicable.

The Subscriber shall pay the Deposit at the amount of HK\$60,000,000 within three (3) business days following the Subscription Agreement, as a deposit and full payment of the issue price of the Tranche 1 Convertible Note to the Company who shall hold and apply such sum together with all interest accrued thereon until the settlement of the aggregate issue price of the Tranche 1 Convertible Note upon Tranche 1 Completion in accordance with the terms of the Subscription Agreement.

Further announcement will be made upon the exercise of the Option.

Conditions

Tranche 1 Completion is conditional upon the following conditions being fulfilled:

- (a) (if required) the Stock Exchange having approved the issue of the Tranche 1 Convertible Note either unconditionally or subject to conditions to which the Company does not object; and
- (b) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject to conditions to which neither the Company nor the Subscriber has any reasonable objection) the listing of and permission to deal in the Conversion Shares which may fall to be issued under Tranche 1 Convertible Note.

If the conditions precedent set out above are not fulfilled on or before 31 March 2007 or such other date as may be agreed by the Company in writing, the Subscription Agreement will lapse and become null and void and the parties thereto will be released from all obligations thereunder, save for liabilities for any antecedent breaches thereof. In such event, the Deposit (without interest) shall be returned to the Subscriber forthwith.

Tranche 2 Completion is conditional on the following conditions being fulfilled (or waived by the Subscriber in writing) at or before 5:00 p.m. (Hong Kong time) on the day immediately prior to the Second Completion Date:

- (a) Tranche 1 Completion having occurred in accordance with the terms and conditions of the Subscription Agreement;
- (b) the Company having committed no default or breach of any of the warranties (which relate to, among other matters, the share capital, financial and operational aspects of the Group) given by the Company as contained in the Subscription Agreement or default or breach of the Subscription Agreement or its obligations under the Tranche 1 Convertible Note;
- (c) the Listing Committee of the Stock Exchange having:
 - (i) (if required) approved the issue of the Tranche 2 Convertible Note either unconditionally or subject to conditions to which the Company does not object; and
 - (ii) granted (either unconditionally or subject to conditions to which neither the Company nor the Subscriber has any reasonable objection) the listing of and permission to deal in the Conversion Shares which may fall to be issued under Tranche 2 Convertible Note.

If any of the above conditions applicable to Tranche 2 Completion is not fulfilled by the date and time specified above, the Subscriber may, at any time thereafter by notice in writing to the Company, terminate its obligations under the Subscription Agreement in relation to the subscription of the Tranche 2 Convertible Note, whereupon such obligations shall forthwith cease and terminate and none of the Company and the Subscriber shall have any claim against the other of them to the extent such claim directly relates to such obligations as would arise on Tranche 2 Completion or otherwise in relation to the Tranche 2 Convertible Note, but in any event without prejudice to any rights or claims that may arise for any antecedent breaches of the Subscription Agreement or under the Tranche 1 Convertible Note.

Completion

Subject to the terms of the Subscription Agreement, Tranche 1 Completion will take place on such business day as is jointly selected by the parties hereto prior to Tranche 1 Completion that falls within fourteen (14) days after the date of the Subscription Agreement (or such other date as may be agreed between the parties thereto prior to Tranche 1 Completion).

Subject to the terms of the Subscription Agreement, Tranche 2 Completion will take place on such business day as is jointly selected by the parties to the Subscription Agreement prior to Tranche 2 Completion that falls within sixty (60) days after the date of the Subscription Agreement (or such other date as may be agreed between the parties thereto prior to Tranche 2 Completion).

PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

The terms and conditions of Tranche 1 Convertible Note and those of Tranche 2 Convertible Note are in all respects identical save and except for the time and manner in respect of the Tranche 1 Completion and the Tranche 2 Completion and their principal terms are summarised below:

Interest

The Convertible Notes will bear interest on the outstanding principal amount thereof from the date of issue at a rate of 3.5% per annum. Interest will be payable yearly in arrears commencing 12 months after the date of issue of the Convertible Note.

Maturity Date

Unless converted in accordance with the terms and conditions of the Convertible Note, the Company will repay the outstanding principal amount of the Convertible Note together with any interest accrued thereon on the second anniversary of the date of issue of the Convertible Note subject to and in accordance with the terms of the Convertible Note.

Conversion provisions

Conversion rights of the Noteholder

The Noteholder will have the right to convert the principal amount of the Convertible Note (in amounts of not less than a whole multiple of HK\$500,000 on each conversion) into Shares at the Conversion Price at any time during the period commencing from the date of issue of Tranche 1 Convertible Note (or, as the case may be, Tranche 2 Convertible Note) to 4:00 p.m. (Hong Kong time) on the Maturity Date.

Conversion Price

The Conversion Price will be equal to HK\$0.10, subject to such adjustment as may be made thereto in accordance with the terms and conditions of the Convertible Note, for example, consolidations, subdivisions and reclassification of Shares, capitalization of profits or reserves, capital distribution, rights issues, issue of securities at less than the then market price, modification of rights of conversion, exchange or subscription to securities from time to time. To the best knowledge, information and belief of the Directors, such adjustment provision is strenuous and not unusual as compared to transactions of a similar nature to the Subscription Agreement.

The Conversion Price of HK\$0.10 (subject to adjustment) represents (i) a discount of about 7.4% to the closing price of HK\$0.108 per Share as quoted on the Stock Exchange on 9 February 2007, being the last trading day immediately prior to the date of this announcement; and (ii) a premium of about 10.1% over the average closing price of approximately HK\$0.0908 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including 9 February 2007.

Conversion Shares

Assuming that the Convertible Notes are converted in full and the Conversion Price equals to HK\$0.10 per Share, a maximum of 1,116,980,000 Conversion Shares will fall to be issued, representing approximately 20% of the issued share capital of the Company as at the date of this announcement and approximately 16.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

Assuming that Tranche 1 Convertible Note is converted in full and the Conversion Price equals to HK\$0.10 per Share, a maximum of 600,000,000 Conversion Shares will fall to be issued, representing (1) approximately 10.7% of the issued share capital of the Company as at the date of this announcement; (2) approximately 9.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares after the conversion of the Tranche 1 Convertible Note in full; and (3) approximately 9.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares after the conversion of the Convertible Notes in full.

Assuming that Tranche 2 Convertible Note is converted in full and the Conversion Price equals to HK\$0.10 per Share, a maximum of 516,980,000 Conversion Shares will fall to be issued, representing approximately 9.3% of the issued share capital of the Company as at the date of this announcement and approximately 7.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares after the conversion of the Convertible Notes in full.

The Conversion Shares will be issued under the general mandate (the "General Mandate") granted to the Directors at the annual general meeting of the Company held on 26 August 2006. A maximum number of 1,116,984,726 Shares may be issued under the General Mandate, which has not been utilized up to the date of this announcement. The Conversion Shares will rank pari passu in all respects with the Shares in issue as at the date of conversion.

The Directors are aware that any downward adjustment of the Conversion Price will result in the total number of Conversion Shares that can be issued upon conversion of the Convertible Notes exceeding the maximum number of Shares that may be issued under the General Mandate. In this connection, the Directors undertake to procure the Company (i) not to enter into any transaction (which include, among other things, consolidations, subdivisions and reclassification of Shares, capitalization of profits or reserves, capital distribution, rights issues, issue of securities at less than the then market price, modification of rights of conversion, exchange or subscription to securities from time to time) which will trigger any such downward adjustment of the Conversion Price as provided for in the Convertible Note or (ii) to exercise the rights of redemption (as more particularly described below) of the Convertible Note to ensure that the Conversion Shares that may fall to be issued under the Convertible Note will not exceed the General Mandate in compliance with the Listing Rules.

Redemption

Redemption rights of the Company

The Company will be entitled, by giving prior written notice of not less than 7 days to the Noteholder, to redeem (in amounts of not less than a whole multiple of HK\$500,000) the whole or part of the outstanding principal amount of the Convertible Notes by paying to the Noteholder an amount equal to 110% of the outstanding principal amount of the Convertible Notes to be redeemed.

All interest accrued on the amount to be redeemed up to the date of redemption will also be paid to the Noteholder upon such redemption.

Voting

The Noteholder will not be entitled to attend or vote at any meetings of the Company by reason only of it being a Noteholder.

Transferability

Assignment or transfer of the Convertible Notes may only be made if:

- (i) it is made to person(s) independent of and not connected with any of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as such term is defined in the Listing Rules);
- (ii) prior written approval of the Company shall have been obtained in respect thereof; and
- (iii) the principal amount to be transferred or assigned is at least HK\$500,000 and integral multiples of HK\$500,000.

SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company immediately before and after the exercise of the conversion rights attached to the Convertible Note in full is as follows:

	Shareholding immediately prior to the issue of the Conversion Shares		Shareholding immediately after the issue of the Conversion Shares (assuming conversion of Tranche 1 Convertible Note in full)		Shareholding immediately after the issue of the Conversion Shares (assuming conversion of both Tranche 1 Convertible Note and Tranche 2 Convertible Note in full)	
	Number of Shares	% (approximate)	Number of Shares	% (approximate)	Number of Shares	% (approximate)
Wealth Land Development Corp. <i>(Note)</i>	103,495,000	1.9	103,495,000	1.7	103,495,000	1.5
Subscriber	–	–	600,000,000	9.7	1,116,980,000	16.7
Other public shareholders	5,481,428,632	98.1	5,481,428,632	88.6	5,481,428,632	81.8
Total	5,584,923,632	100.0	6,184,923,632	100.0	6,701,903,632	100.0

Note: Wealth Land Development Corp. is wholly and beneficially owned by Zhang Yang, an executive Director and the chairman of the Company.

BOARD COMPOSITION OF THE COMPANY

There will not be any change in the composition of the Board as a result of the Subscription Agreement.

REASONS FOR THE TRANSACTION

The Company is an investment holding company, the subsidiaries of which are principally engaged in development of environmental protection and water treatment operation, city development and investment operation, property investment, securities and financial operation.

The Subscriber has been engaged in the property market for more than 10 years, with particular experience in developing and managing real properties in the PRC. During his career in the property market, he has taken up senior management positions in a real estate corporation and a property leasing company.

The Directors consider that the issue of the Convertible Notes is an appropriate means of raising additional capital for the Company since it will provide the Company with immediate funding without immediate dilution of the shareholding of the existing shareholders of the Company and, if the conversion rights attached to the Convertible Notes are exercised, the capital base of the Company will be enlarged.

The Directors also consider that the terms of the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds from the issue of the Convertible Notes will be HK\$111,698,000. The net proceeds from the issue of the Convertible Notes will be approximately HK\$111,348,000. It is the intention of the Company to use such proceeds as the general working capital of the Group.

The Company has not raised funds on issue of equity securities in the 12 months immediately preceding the date of this announcement.

LISTING

No application will be made for a listing of, or permission to deal in, the Convertible Note on the Stock Exchange or any other stock exchange. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Conversion Shares.

GENERAL

Trading in Shares was suspended from 9:30 a.m. on 12 February 2007 at the request of the Company pending the release of this announcement. Application has been made for trading in Shares to resume from 9:30 a.m. on 14 February 2007.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Interchina Holdings Company Limited, a company incorporated in Hong Kong with limited liability and the issued Shares of which are listed on the Stock Exchange
“Convertible Notes”	Tranche 1 Convertible Note and Tranche 2 Convertible Note
“Conversion Price”	HK\$0.10, being the price at which each Conversion Share will be issued upon a conversion of all or part of the Convertible Notes (subject to adjustment)
“Conversion Shares”	Shares to be issued upon conversion of the Convertible Note
“Deposit”	an amount of HK\$60,000,000 payable by the Subscriber in accordance with the terms of the Subscription Agreement as a deposit and full payment of the issue price of the Tranche 1 Convertible Note
“Directors”	the directors of the Company
“First Completion Date”	the date on which Tranche 1 Completion occurs, which shall be such business day as is jointly selected by the parties to the Subscription Agreement prior to Tranche 1 Completion that falls within fourteen (14) days after the date of the Subscription Agreement (or such other date as may be agreed between the parties thereto prior to Tranche 1 Completion)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of 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
“Maturity Date”	the date falling on the second anniversary of the date of issue of Tranche 1 Convertible Note or, as the case may be, Tranche 2 Convertible Notes
“Noteholder”	the person who is for the time being the holder of the Convertible Note
“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
“Second Completion Date”	the date on which Tranche 2 Completion occurs, which shall be such business day as is jointly selected by the parties to the Subscription Agreement prior to Tranche 2 Completion that falls within sixty (60) days after the date of the Subscription Agreement (or such other date as may be agreed between the parties thereto prior to Tranche 2 Completion)
“Share(s)”	share(s) of a nominal value of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscriber”	Mr. Sun Yi
“Subscription Agreement”	the conditional subscription agreement dated 12 February 2007 entered into between the Company and the Subscriber in respect of the issue of the Convertible Notes
“Tranche 1 Completion”	completion of the subscription for the Tranche 1 Convertible Note in accordance with the terms of the Subscription Agreement;
“Tranche 1 Convertible Note”	tranche 1 convertible note in an aggregate principal amount of HK\$60,000,000 to be issued by the Company to the Subscriber subject to the terms and provisions set out in the Subscription Agreement
“Tranche 2 Completion”	completion of the subscription for the Tranche 2 Convertible Note in accordance with the terms of the Subscription Agreement;
“Tranche 2 Convertible Note”	tranche 2 convertible note in an aggregate principal amount of HK\$51,698,000 to be issued by the Company to the Subscriber subject to the terms and provisions set out in the Subscription Agreement
“%”	per cent.

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

Hong Kong, 13 February 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.