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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Interchina Holdings Company Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

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國中控股有限公司

**INTERCHINA HOLDINGS COMPANY LIMITED**

*(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**

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall 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   |
| “Latest Practicable Date” | 4 July 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular            |
| “Listing Rules”           | The Rules Governing the Listing of Securities on the Stock Exchange  |

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## DEFINITIONS

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|----------------------|---|
| “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 circular, 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.   |

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## LETTER FROM THE BOARD

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國 中 控 股 有 限 公 司  
**INTERCHINA HOLDINGS COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 202)**

*Executive Directors:*

Mr. Zhang Yang (*Chairman*)  
Mr. Chan Wing Yuen, Hubert  
Mr. Lam Cheung Shing, Richard

*Registered office:*

Room 701, 7th Floor  
Aon China Building  
29 Queen's Road Central  
Hong Kong

*Independent non-executive Directors:*

Mr. Wong Hon Sum  
Ms. Ha Ping  
Dr. Tang Tin Sek

6 July 2007

*To Shareholders and  
holder(s) of options of the Company*

Dear Sir or Madam,

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

**INTRODUCTION**

It was announced on 15 June 2007 that on 11 June 2007, the Company entered into the S&P Agreement 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. The purpose of this circular is to provide you with further information of the Acquisition and other information as required under the Listing Rules.

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## LETTER FROM THE BOARD

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### THE S&P AGREEMENT

**Date** : 11 June 2007

### Parties

**Vendor** : Li Gong Tao who, 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 Latest Practicable Date.

**Purchaser** : the Company

### Assets to be acquired

The Company shall acquire from the Vendor a 60% equity interest in MCI together with the Vendor's interest in the Shareholder's Loan. 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.

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## LETTER FROM THE BOARD

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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.

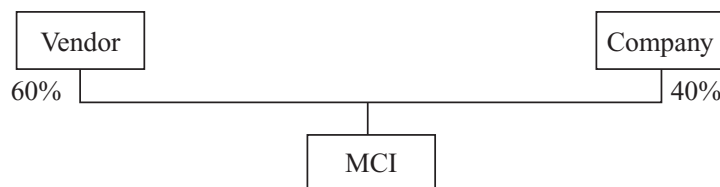
The Directors consider that the above basis for determining the Consideration is fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

### 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 Interchina 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.

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## LETTER FROM THE BOARD

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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:

|                              | <b>For the year<br/>ended<br/>31 March 2007<br/><i>(unaudited)</i><br/><i>(HK\$)</i></b> | <b>For the year<br/>ended<br/>31 March 2006<br/><i>(unaudited)</i><br/><i>(HK\$)</i></b> |
|------------------------------|--|--|
| Net profit/(loss) before tax | (39,162,000)   | (1,023,000)  |
| Net profit/(loss) after tax  | (39,162,000)   | (1,023,000)  |
|                              | <b>As at<br/>31 March 2007<br/><i>(unaudited)</i><br/><i>(HK\$)</i></b>                  | <b>As at<br/>31 March 2006<br/><i>(unaudited)</i><br/><i>(HK\$)</i></b>                  |
| Net asset value              | 185,416,000  | 227,390,000  |

The unaudited consolidated net asset value of MCI as at 31 March 2007 has decreased from that as at 31 March 2006 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.



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## LETTER FROM THE BOARD

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### 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 are 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 appreciation 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. Immediately prior to Completion, the Group is interested in 40% of the issued share capital of MCI and thus enjoy a 40% share of profit or loss as well as net assets of MCI, which are recorded as share of losses of associates and interests in associates in the financial statements of the Group respectively. Upon Completion, 100% of the profit or loss as well as the assets and liabilities of MCI will be recorded in the financial statements of the Group.

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.

### FURTHER INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,  
for and on behalf of  
the board of Directors  
**Lam Cheung Shing, Richard**  
*Director and Company Secretary*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

## 2. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the Securities and Futures Ordinance) or which were required, pursuant to section 352 of Securities and Futures Ordinance, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

| Name       | Name of company in which interests or short positions were held | Nature of interests                                 | Number of shares       | Approximate percentage of shareholding |
|------------|---|---|------------------------|--|
| Zhang Yang | The Company   | Interests of controlled corporation ( <i>Note</i> ) | 103,495,000 Shares (L) | 1.56%                                  |

(L) denotes the long position held in the Shares

*Note:* These Shares are held by Wealth Land Development Corp., which is wholly and beneficially owned by Mr. Zhang Yang, who is a Director and the chairman of the Company.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the Securities and Futures Ordinance) or which were required, pursuant to section 352 of Securities and Futures Ordinance, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

**3. SUBSTANTIAL SHAREHOLDERS**

As at the Latest Practicable Date, so far as was known to the Directors, no persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities or in any options in respect of such capital.

**4. SERVICE CONTRACT**

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors or proposed Directors and the Company or any member of the Group, excluding contracts which expire or may be terminated by the employer within a year without payment of any compensation (other than statutory compensation).

**5. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

To the best knowledge of the Directors, none of the Directors or their respective associates (within the meaning defined in the Listing Rules) has any interests in a business which competes or may compete with the business of the Group.

**6. LITIGATION**

As at the Latest Practicable Date, so far as the Directors were aware, no member of the Group was engaged in any litigation or arbitration or claim of material importance and the Directors were not aware of any litigation or claims of material importance pending or threatened against any member of the Group.

**7. MISCELLANEOUS**

- (a) The share registrar of the Company is Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (b) The secretary of the Company is Mr. Lam Cheung Shing, Richard, who is a fellow member of both Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants.
- (c) The qualified accountant of the Company is Mr. Tsang Heung Yip, Wallace who is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants (as required under Rule 3.24 of the Listing Rules).
- (d) The English text of this circular shall prevail over the Chinese text.