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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)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF THE EQUITY INTERESTS OF BLACK DRAGON

AND RESUMPTION OF TRADING

INTRODUCTION

On 17 May 2007, Interchina (Tianjin), a 94.05% owned subsidiary of the Company, entered into the Black Dragon Share Transfer Agreement with the Vendor in relation to the sale and purchase of the Black Dragon Sale Shares, representing approximately 70.21% of the issued share capital of Black Dragon. Black Dragon is a company established in the PRC and its A shares are listed on the Shanghai Stock Exchange. A shares of Black Dragon commenced suspension of trading on the Shanghai Stock Exchange on 28 April 2006 and thereafter formal suspension of trading in its shares was requested by the Shanghai Stock Exchange, commencing from 18 May 2006. As one of the conditions precedent to completion of the Black Dragon Transfer, the restructuring proposal regarding the resumption of trading in shares of Black Dragon should not have received any objection from the CSRC.

On 17 May 2007, Interchina (Tianjin) also entered into the Interchina Water Treatment Share Transfer Agreement with Black Dragon in relation to the sale and purchase of the entire issued share capital of Interchina Water Treatment. According to the information provided by Black Dragon, on 16 May 2007, Black Dragon also entered into the Assets and Liabilities Transfer Agreement with Hecheng in relation to the sale and purchase of the assets and liabilities of Black Dragon. The Directors understand that it was the initial intention of Black Dragon to include such terms of the Interchina Water Treatment Share Transfer Agreement and the Assets and Liabilities Transfer Agreement in Black Dragon's restructuring proposal in relation to its resumption.

Based on the information provided by Black Dragon, Black Dragon also submitted an application for resumption of trading in its shares to the Shanghai Stock Exchange on 14 May 2007 and received 《關於受理黑龍江黑龍股份有限公司恢復股票上市申請的通知》 (“Notice in relation to the acceptance of the application of resumption of trading of the shares of Heilongjiang Black Dragon Company Limited”) and 《關於對黑龍股份有限公司恢復上市申請材料的補充意見函》 (“Letter of the supplemental comments on the application materials in relation to the resumption of trading in the shares of Heilongjiang Black Dragon Company Limited”) from the Shanghai Stock Exchange on 21 May 2007 and 28 May 2007 respectively. Black Dragon is now in the process of preparing and finalising the materials for the application of resumption of trading of its shares, including but not limited to, the restructuring proposal.

As the restructuring proposal in relation to the resumption of trading in Black Dragon’s shares involves approval to be obtained from the relevant PRC authorities, changes and adjustments have been made to the resumption structure. Accordingly, the Supplemental Agreement was executed among Interchina (Tianjin), the Vendor and Black Dragon on 29 June 2007, amending and supplementing the terms of the Black Dragon Share Transfer Agreement as well as the Interchina Water Treatment Share Transfer Agreement. Based on the information provided by Black Dragon, the Assets and Liabilities Transfer Supplemental Agreement was also executed by Black Dragon on 9 July 2007, amending and supplementing the terms of the Assets and Liabilities Transfer Agreement. Interchina (Tianjin) also further received the Letter on 20 July 2007 from the Vendor, setting out the proposal to amend the terms of the Black Dragon Share Transfer Agreement, the net assets of Black Dragon upon completion of the Assets and Liabilities Transfer Agreement (as amended by the Assets and Liabilities Transfer Supplemental Agreement) and the terms of the Interchina Water Treatment Share Transfer Agreement.

Further announcement will be made by the Company when Black Dragon’s restructuring proposal in relation to the resumption of trading in its shares has been finalised.

THE BLACK DRAGON TRANSFER

Pursuant to the Black Dragon Share Transfer Agreement (as amended by the Supplemental Agreement), the Vendor has conditionally agreed to sell and Interchina (Tianjin) has agreed to acquire the Black Dragon Sale Shares, representing approximately 70.21% of the issued share capital of Black Dragon, the consideration of which shall be satisfied by Interchina (Tianjin) assuming the debts of the Vendor in the maximum amount of RMB350 million (equivalent to approximately HK\$357 million). As set out in the Letter, it is intended that the consideration be further revised to RMB420 million (equivalent to approximately HK\$428 million), taking into account the net assets of Black Dragon in the amount of RMB100 million (equivalent to approximately HK\$102 million) upon completion of the Assets and Liabilities Transfer Agreement (as amended by the Assets and Liabilities Transfer Supplemental Agreement).

Completion of the Black Dragon Transfer depends significantly on the restructuring proposal in relation to the resumption of trading in Black Dragon’s shares on the Shanghai Stock Exchange and one of the conditions precedent is that no objection is to be received from the CSRC regarding the restructuring proposal in relation to the resumption of trading in Black Dragon’s shares. As at the date of this announcement, no further supplemental agreement has been executed by Interchina (Tianjin) and the Vendor, pending further finalisation of the restructuring proposal. Further announcement will be made by the Company upon execution of any supplemental agreement regarding, among other matters, the consideration of the Black Dragon Transfer.

THE INTERCHINA WATER TREATMENT TRANSFER

Pursuant to the Interchina Water Treatment Share Transfer Agreement, Interchina (Tianjin) has initially agreed to sell and Black Dragon has agreed to acquire the Interchina Water Treatment Sale Shares, representing the entire issued share capital of Interchina Water Treatment, at a consideration equivalent to the valuation of the Interchina Water Treatment Sale Shares. Pursuant to the Supplemental Agreement, the parties agreed that the Interchina Water Treatment Transfer may or may not proceed with the original terms, subject to further negotiations between the parties. Black Dragon may acquire the Interchina Water Treatment Sale Shares or acquire other water treatment projects in the PRC. Therefore, the Interchina Water Treatment Transfer may or may not proceed. As further set out in the Letter, it was proposed that Interchina (Tianjin) would contribute RMB320 million (equivalent to approximately HK\$326 million) either in cash or assets to Black Dragon.

Further announcement will be made by the Company when the terms of the Interchina Water Treatment Share Transfer Agreement have been finalised.

LISTING RULES' IMPLICATION

Based on the proposed revised consideration of RMB420 million (equivalent to approximately HK\$428 million), the Black Dragon Transfer constitutes a very substantial acquisition of the Company under Rule 14.06 of the Listing Rules. The EGM will be held to consider and, if thought fit, approve the Black Dragon Share Transfer Agreement and the transactions contemplated thereunder. As at the date of this announcement, the Vendor and its associates (as defined in the Listing Rules) do not hold any Shares. So far as is known to the Directors, no Shareholder is required to abstain from voting at the EGM.

As set out above, terms of the Interchina Water Treatment Transfer are subject to further amendments and it may or may not proceed. The Company will comply with the Listing Rules if the Interchina Water Treatment Transfer proceeds.

A circular containing, among other things, (i) further information on the Black Dragon Transfer; (ii) the accountant's report on Black Dragon; (iii) pro forma financial information of the Enlarged Group; and (iv) the notice of the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

GENERAL

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 18 May 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 27 August 2007.

INTRODUCTION

On 17 May 2007, Interchina (Tianjin), a 94.05% owned subsidiary of the Company, entered into the Black Dragon Share Transfer Agreement with the Vendor in relation to the sale and purchase of the Black Dragon Sale Shares, representing approximately 70.21% of the issued share capital of Black Dragon. Black Dragon is a company established in the PRC and its A shares are listed on the Shanghai Stock Exchange. A shares of Black Dragon commenced suspension of trading on the Shanghai Stock Exchange on 28 April 2006 and thereafter formal suspension of trading in its shares was requested by the Shanghai Stock Exchange, commencing from 18 May 2006. The closing price per share of Black Dragon as quoted on the Shanghai Stock Exchange on 27 April 2006, being the last trading day immediately prior to the suspension of trading in the shares of Black Dragon, was RMB0.98 (equivalent to approximately HK\$1). As one of the conditions precedent to completion of the Black Dragon Transfer, the restructuring proposal in relation to the resumption of trading in shares of Black Dragon should not have received any objection from the CSRC.

On 17 May 2007, Interchina (Tianjin) also entered into the Interchina Water Treatment Share Transfer Agreement with Black Dragon in relation to the sale and purchase of the entire issued share capital of Interchina Water Treatment. According to the information provided by Black Dragon, on 16 May 2007, Black Dragon also entered into the Assets and Liabilities Transfer Agreement with Hecheng in relation to the sale and purchase of the assets and liabilities of Black Dragon (details of which are set out in the section headed “(III) Information on Black Dragon” below). The Directors understand that it was the initial intention of Black Dragon to include such terms of the Interchina Water Treatment Share Transfer Agreement and the Assets and Liabilities Transfer Agreement in Black Dragon’s restructuring proposal in relation to the resumption of trading in Black Dragon’s shares.

Based on the information provided by Black Dragon, Black Dragon has submitted an application for resumption of trading in its shares to the Shanghai Stock Exchange on 14 May 2007 and received 《關於受理黑龍江黑龍股份有限公司恢復股票上市申請的通知》 (“Notice in relation to the acceptance of the application of resumption of trading of the shares of Heilongjiang Black Dragon Company Limited”) and 《關於對黑龍股份有限公司恢復上市申請材料的補充意見函》 (“Letter of the supplemental comments on the application materials in relation to the resumption of trading of the shares of Heilongjiang Black Dragon Company Limited”) from the Shanghai Stock Exchange on 21 May 2007 and 28 May 2007 respectively. Black Dragon is now in the process of preparing and finalising the materials for the application of resumption of trading of its shares, including but not limited to, the restructuring proposal.

As the restructuring proposal in relation to the resumption of trading in Black Dragon’s shares involves approval to be obtained from the relevant PRC authorities, changes and adjustments have been made to the resumption structure. At the request of the Vendor (which, according to the best knowledge of the Directors, is state-owned by the PRC government) and after discussion among the parties, it is considered more commercially viable and in the interests of the parties to the Black Dragon Share Transfer Agreement and Interchina Water Treatment Share Transfer Agreement (being Interchina (Tianjin), the Vendor and Black Dragon) to amend the terms of these two agreements. Accordingly, the Supplemental Agreement was executed among Interchina (Tianjin), the Vendor and Black Dragon on 29 June 2007, amending and supplementing the terms of the Black Dragon Share Transfer Agreement as well as the Interchina Water Treatment Share Transfer Agreement. Pursuant to the Supplemental Agreement, (i) a

deposit shall be paid by Interchina (Tianjin) for the Black Dragon Transfer (details of which are set out in the paragraph headed “Consideration of the Black Dragon Transfer” below); and (ii) the Interchina Water Treatment Transfer may or may not proceed with the original terms, subject to further negotiations between the parties (details of which are set out in the section headed “(II) The Interchina Water Treatment Share Transfer Agreement (as amended by the Supplemental Agreement)” below). Based on the information provided by Black Dragon, the Assets and Liabilities Transfer Supplemental Agreement was also executed by Black Dragon on 9 July 2007, amending and supplementing the terms of the Assets and Liabilities Transfer Agreement. Interchina (Tianjin) also further received the Letter from the Vendor on 20 July 2007, setting out the proposal to amend the terms of the Black Dragon Share Transfer Agreement, the net assets of Black Dragon upon completion of the Assets and Liabilities Transfer Agreement (as amended by the Assets and Liabilities Transfer Supplemental Agreement) and the terms of the Interchina Water Treatment Share Transfer Agreement. The Company understands that the proposal set out in the Letter was made because there has been on-going revision to the resumption structure and in this regard, the parties contemplated further amendments subsequent to the execution of the relevant supplemental agreements. As at the date of this announcement, the Company has agreed in principle to the proposal set out in the Letter, but details of which are still subject to further negotiations, finalisation and execution of a formal supplemental agreement and until then no such terms would be binding on the Group. The Group, the Vendor and Black Dragon will endeavour to execute further supplemental agreement in relation to the proposal set out in the Letter as soon as possible. In the event that no further supplemental agreement has been executed, it is unlikely that the restructuring proposal in relation to the resumption of trading in Black Dragon's shares could be implemented and accordingly, the conditions of the Black Dragon Share Transfer Agreement could not be fulfilled and the Black Dragon Transfer would not complete. In the event that the conditions precedent to the Black Dragon Share Transfer Agreement could not be fulfilled, the Black Dragon Share Transfer Agreement will lapse, the deposit of RMB35 million (equivalent to approximately HK\$36 million) will be refunded by the Vendor to Interchina (Tianjin), and the parties to the Black Dragon Share Transfer Agreement shall be under no further obligations pursuant thereto. Further announcement will be made when further supplemental agreement (in relation to the proposal set out in the Letter) has been executed.

Further announcement will be made by the Company when Black Dragon's restructuring proposal in relation to the resumption of trading in its shares has been finalised.

(I) THE BLACK DRAGON SHARE TRANSFER AGREEMENT (AS AMENDED BY THE SUPPLEMENTAL AGREEMENT)

The principal terms of the Black Dragon Share Transfer Agreement (as amended by the Supplemental Agreement) are as follows:

Date of Black Dragon Share Transfer Agreement

17 May 2007

Date of Supplemental Agreement

29 June 2007

Pursuant to the Supplemental Agreement, only the following matters have been amended; (i) a deposit shall be paid by Interchina (Tianjin) for the Black Dragon Transfer (details of which are set out in the paragraph headed “Consideration of the Black Dragon Transfer” below); and (ii) the Interchina Water Treatment Transfer may or may not proceed with the original terms, subject to further negotiations between the parties, such that Black Dragon may acquire the Interchina Water Treatment Sale Shares or acquire other water treatment projects in the PRC (details of which are set out in the section headed “(II) The Interchina Water Treatment Share Transfer Agreement (as amended by the Supplemental Agreement)” below).

Parties

Vendor: 黑龍集團公司 (Heilong Group Limited). As stated in the annual report of Black Dragon for the year ended 31 December 2006, the Vendor is principally engaged in design, manufacture and sale of sports goods for skating and skiing, pressure measuring instruments and plastic products. To the Directors’ best knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are the Independent Third Parties.

Purchaser: Interchina (Tianjin), a 94.05% owned subsidiary of the Company. As at the date of this announcement, the remaining 5.95% equity interests of Interchina (Tianjin) is owned by 中國市政工程華北設計研究院 (North China Municipal Engineering Design & Research Institute). Upon completion of the Interchina (Tianjin) Share Transfer Agreement which is expected to take place at or before the end of August 2007, Interchina (Tianjin) will become a wholly-owned subsidiary of the Company.

Subject matter of the Black Dragon Transfer

The Vendor has conditionally agreed to sell and Interchina (Tianjin) has conditionally agreed to acquire the Black Dragon Sale Shares, representing approximately 70.21% of the issued share capital of Black Dragon. According to 上市公司股權分置改革管理方法 (“Measures on the Shares Segregation Reform of Listing Companies”) issued by the CSRC on 4 September 2005, Interchina (Tianjin) is not allowed (i) to dispose any shares of Black Dragon within 12 months after the execution of the share segregation reform (公司股權分置改革) of Black Dragon which will commence after completion of the Black Dragon Transfer (the “First Twelve Months”); or (ii) to dispose of more than 5% of the total issued share capital of Black Dragon within 12 months after the First Twelve Months; or (iii) to dispose of more than 10% of the total issued share capital of Black Dragon within 24 months after the First Twelve Months.

Consideration of the Black Dragon Transfer

As set out in the Black Dragon Share Transfer Agreement, the initial consideration of RMB350 million (equivalent to approximately HK\$357 million) for the Black Dragon Transfer would be determined with reference to the valuation of the Black Dragon Sale Shares, which shall be satisfied by Interchina (Tianjin) assuming the debts of the Vendor of up to RMB350 million (equivalent to approximately HK\$357 million).

The Group has subsequently received a proposal (as set out in the Letter) from the Vendor proposing that the consideration be revised to a maximum amount of RMB420 million (equivalent to approximately HK\$428 million). The proposed revised amount was made in view of the fact that the Vendor was at the same time proposing the remaining net assets of Black Dragon immediately upon completion of the Assets and Liabilities Transfer Agreement (as amended by the Assets and Liabilities Transfer Supplemental Agreement) shall amount to RMB100 million (equivalent to HK\$102 million). The nature and value of such assets, as well as the basis to determine such remaining assets are yet to be decided, pending the execution of the formal supplemental agreement in relation thereto. The Directors understand that the parties are negotiating and finalising the detailed terms of such supplemental agreement. It is intended that the revised consideration will be satisfied by Interchina (Tianjin) assuming debts of the Vendor in the principal amount of not more than RMB420 million (equivalent to approximately HK\$428 million). Pursuant to the Black Dragon Share Transfer Agreement (as amended by the Supplemental Agreement), Interchina (Tianjin) should assume such debts according to the arrangements to be made among the Vendor, Interchina (Tianjin) and the Vendor's creditors. Interchina (Tianjin) will assume such debts upon completion of the Black Dragon Transfer. Details regarding the debts of the Vendor to be assumed by Interchina (Tianjin) are yet to be determined, and the arrangement to effect the assumption of such debts have not been determined as at the date of this announcement. The Company will make further announcement in relation to details regarding the assumption of debts once the same has been determined.

Pursuant to the Supplemental Agreement, a deposit of RMB35 million (equivalent to approximately HK\$36 million) has been paid by Interchina (Tianjin) to the Vendor on 10 July 2007 as part consideration of the Black Dragon Transfer, and will be deducted from the amount of the above debts to be assumed if the Black Dragon Transfer proceeds. The deposit shall be refunded to Interchina (Tianjin) when:

- (1) the transfer of the assets and liabilities of Black Dragon pursuant to the Assets and Liabilities Transfer Agreement shall not have been completed within 3 days after the effective date of the Black Dragon Share Transfer Agreement, which is the date on which all conditions precedent to the Black Dragon Transfer have been fulfilled; or
- (2) the duties and responsibilities of the Vendor under the Black Dragon Share Transfer Agreement having been breached; or
- (3) the termination of the Black Dragon Share Transfer Agreement having been agreed by both parties to the Black Dragon Share Transfer Agreement; or
- (4) the Black Dragon Share Transfer Agreement having been terminated other than mutually agreed between both parties to the Black Dragon Share Transfer Agreement.

The Directors consider that it is to the benefit of the Company and the Shareholders as a whole to have a guarantor for the deposit. Accordingly, as requested by the Company, Hecheng (which is designated by the government of the PRC) is guarantor of the deposit.

The revised consideration has taken into account the listing status of Black Dragon on the Shanghai Stock Exchange and with reference to the amount of the net assets to be remained in Black Dragon upon completion of the Assets and Liabilities Transfer Agreement (as amended by the Assets and Liabilities Transfer Supplemental Agreement). The Directors noticed the current market trend of acquiring controlling stakes in listed companies at substantial premium to the target companies net assets value and consider that the revised consideration is fair and reasonable. The Directors consider that given the valuation of Black Dragon upon completion of the Assets and Liabilities Transfer Agreement cannot be determined as at the date of this announcement, it would be in the interests of the Company and the Shareholders as a whole to set a cap for the consideration of the Black Dragon Transfer at the maximum amount of RMB420 million (equivalent to approximately HK\$428 million). This shall render the transactions contemplated under the Black Dragon Transfer a very substantial acquisition of the Company pursuant to Chapter 14 of the Listing Rules and the Black Dragon Transfer is subject to approval by Shareholders at the EGM.

As the valuation of the Black Dragon can only be determined after the restructuring of Black Dragon as mentioned below, it has not been determined as at the date of this announcement. As the valuation would be affected by the underlying assets of Black Dragon and accordingly, until the remaining net assets have been determined, valuation of the Black Dragon Sale Shares cannot be performed. An independent professional valuer would be appointed to perform the valuation. Further announcement will be made by the Company when the valuation of Black Dragon is determined.

It is intended that the consideration of the Black Dragon Transfer be partly funded by internal resources of the Group and partly by other means of financing including debt or equity financing, depending on the Group's and the then market situation. Further announcement will be made by the Company in compliance with the Listing Rules in the event that equity financing would be made.

Conditions precedent

The Black Dragon Share Transfer Agreement (as amended by the Supplemental Agreement) is conditional upon, among other things, the following conditions:

- (1) approvals having been obtained from the shareholders of Interchina (Tianjin), the Vendor and the Company for the Black Dragon Transfer, and the Black Dragon Transfer not having violated any rules and regulations of the Stock Exchange and the Shanghai Stock Exchange;
- (2) all consents and other necessary approvals in respect of the Black Dragon Transfer having been obtained from the relevant state owned assets regulating departments of the PRC which, as advised by the Vendor, are 國務院國有資產監督管理委員會 (The State-owned Assets Supervision and Administration Commission of the State Council of the PRC) and its local management authorities in Heilongjiang Province; and
- (3) the CSRC not having raised any objections within the statutory time limit after submission of the 上市公司收購報告書 (Acquisition Report of Listed Company), which includes the restructuring proposal in relation to the resumption of trading in Black Dragon's shares. According to the 上市公司收購管理辦法 (The Management Measure on Acquisitions of Listed

Companies) issued by the CSRC on 31 July 2007, the statutory time limit for the application for waiver of general offers, which is included in the 上市公司收購報告書 (Acquisition Report of Listed Company), should be 20 business days after the submission of the application.

The Black Dragon Share Transfer Agreement shall become unconditional after satisfaction of all conditions precedent above.

The Black Dragon Share Transfer Agreement shall be terminated if both parties agree or the relevant regulating departments indicate that any of the above approvals cannot be obtained.

Completion of the Black Dragon Transfer

Completion of the Black Dragon Transfer shall take place when the Black Dragon Sale Shares were registered under the name of Interchina (Tianjin) in the Securities Registration Settlement Institution.

Upon completion of the Black Dragon Transfer, Black Dragon will become a subsidiary of the Company and the financial results of Black Dragon will be consolidated into the Group's financial statements.

(II) THE INTERCHINA WATER TREATMENT SHARE TRANSFER AGREEMENT (AS AMENDED BY THE SUPPLEMENTAL AGREEMENT)

On 17 May 2007, Interchina (Tianjin) entered into the Interchina Water Treatment Share Transfer Agreement with Black Dragon and on 29 June 2007, Interchina (Tianjin) entered into the Supplemental Agreement with Black Dragon and the Vendor. Pursuant to the Interchina Water Treatment Share Transfer Agreement, Interchina (Tianjin) has initially agreed to sell and Black Dragon has agreed to acquire the Interchina Water Treatment Sale Shares subject to the conditions contained therein, representing the entire issued share capital of Interchina Water Treatment at a consideration equivalent to the valuation of the Interchina Water Treatment Sale Shares. The Directors understand it was the initial intention of Black Dragon to include such terms of the Interchina Water Treatment Share Transfer Agreement in Black Dragon's restructuring proposal in relation to the resumption of trading in Black Dragon's shares. However, given Black Dragon's trading resumption involves approval to be obtained from the relevant authorities in the PRC, changes and adjustments have been made to the resumption structure. Accordingly, the Supplemental Agreement was executed on 29 June 2007 whereby the parties thereto agreed that the Interchina Water Treatment Transfer may or may not proceed with the original terms, subject to further negotiations between the parties, such that Black Dragon may acquire the Interchina Water Treatment Sale Shares or acquire other water treatment projects in the PRC. Interchina (Tianjin) will not proceed with the Interchina Water Treatment Transfer if the relevant parties cannot agree on the relevant terms. Furthermore, according to the Vendor's proposal as set out in the Letter, it was proposed that Interchina (Tianjin) would contribute RMB320 million (equivalent to approximately HK\$326 million) either in cash or assets into Black Dragon. In the event that the amount of

RMB320 million (equivalent to approximately HK\$326 million) is to be contributed in cash, it is the Company's current intention that such amount be satisfied by the Group's internal resources and be injected into Black Dragon by way of shareholder's loan. Accordingly, terms of the Interchina Water Treatment Share Transfer Agreement are still subject to further amendments. Details of the contribution or injection to be made by Interchina (Tianjin) are to be determined by Black Dragon and Interchina (Tianjin) after negotiations, which are yet to be finalised as at the date hereof, and is also dependent on the approval or non-objection from the relevant PRC authorities, including the CSRC. No long-stop date has been made in relation thereto.

Since it has not yet been decided whether injection of cash or contribution of assets are to be made to Black Dragon (as set out above), the valuation report in relation to the Interchina Water Treatment Sale Shares is yet to be obtained as at the date of this announcement. In the event that contribution of assets (in the form of the Interchina Water Treatment Sale Shares) is to be made, an independent professional valuer would be appointed to conduct the valuation. Further announcement will be made by the Company when the valuation report of the Interchina Water Treatment Sale Shares has been obtained. Further announcement will be made by the Company when the terms of the Interchina Water Treatment Transfer have been finalised.

As at the date of this announcement, completion of the Interchina Water Treatment Share Transfer Agreement (as amended by the Supplemental Agreement) is not a condition precedent to completion of the Black Dragon Transfer. Termination or lapse of the Interchina Water Treatment Share Transfer Agreement does not automatically lead to termination of the Black Dragon Transfer.

Interchina Water Treatment was incorporated in the British Virgin Islands on 22 May 2001. It and its subsidiaries are principally engaged in water treatment operation. The Group's water treatment operations are located (i) in Qinhuangdao of Hebei Province, with daily average processing capacity of approximately 120,000 tonnes; (ii) in Ma'anshan of Anhui Province, which was completed in May 2007 and has commenced its trial run; and (iii) in Changli of Hebei Province, which is expected to be completed by the fourth quarter of this year. As shown in the consolidated management accounts of Interchina Water Treatment for the two years ended 31 March 2007, both the unaudited loss before taxation and after taxation of Interchina Water Treatment for the year ended 31 March 2007 were approximately HK\$3,176,000 while both the unaudited loss before taxation and after taxation of Interchina Water Treatment for the year ended 31 March 2006 were approximately HK\$14,663,000. The unaudited net liabilities of Interchina Water Treatment as at 31 March 2007 was approximately HK\$19,277,000.

(III) INFORMATION ON BLACK DRAGON

As stated in the annual report of Black Dragon as at 31 December 2006, Black Dragon was established in the PRC on 3 November 1998. Black Dragon is principally engaged in manufacturing and marketing of paper products and sporting goods. As at the date of this announcement, the total number of issued shares of Black Dragon is 327,225,000 shares, among which 229,725,000 shares are held by the Vendor, and 97,500,000 shares are held by the other shareholders. As shown in the quarterly report of Black Dragon for the three months ended 31 March 2007, save for the Vendor, no shareholder of Black Dragon holds more than 1% equity interest of the total issued shares of Black Dragon. A shares of Black Dragon are listed on the Shanghai Stock Exchange.

As shown in the annual report of Black Dragon for the year ended 31 December 2006, both the audited profit before taxation and after taxation of Black Dragon for the year ended 31 December 2006 were approximately RMB 17,871,000 (equivalent to approximately HK\$18,236,000) while both the audited loss before taxation and after taxation of Black Dragon for the year ended 31 December 2005 were approximately RMB 357,492,000 (equivalent to approximately HK\$364,788,000). The audited negative net assets of Black Dragon as at 31 December 2006 was approximately RMB582,780,000 (equivalent to approximately HK\$594,440,000). The unaudited net assets of Black Dragon as at 31 March 2007 was approximately RMB225,055,000 (equivalent to approximately HK\$229,648,000). As stated in the quarterly report of Black Dragon for the first quarter of 2007, Black Dragon recorded an unaudited net profit of approximately RMB443,720,000 (equivalent to approximately HK\$452,776,000) as at 31 March 2007 mainly due to the reduction in the provision of assets loss of approximately RMB732,460,000 (equivalent to approximately HK\$747,408,000). As a result, Black Dragon has turned around the net liabilities of approximately RMB582,780,000 (equivalent to approximately HK\$594,673,000) to net asset value of approximately RMB225,060,000 (equivalent to approximately HK\$229,653,000).

Based on the summary announcements of Black Dragon dated 25 April 2006, 28 April 2006 and 16 May 2006, (i) Black Dragon had been operating at a loss for the two years ended 31 December 2004, and it was expected that loss would continue to be recorded in the results for the year ended 31 December 2005 (the “**2005 Annual Results**”); (ii) in accordance with the requirements of the Shanghai Stock Exchange, trading in shares of Black Dragon would have to be suspended from the date of announcement of the 2005 Annual Results and the Shanghai Stock Exchange would decide in 10 business days from the date of announcement of the 2005 Annual Results whether to suspend listing of Black Dragon’s shares on the Shanghai Stock Exchange; (iii) on 28 April 2006, Black Dragon announced the 2005 Annual Results and accordingly trading in its shares was suspended in accordance with (ii) above; and (iv) Black Dragon subsequently received notification from the Shanghai Stock Exchange requiring the suspension of trading in its shares from 18 May 2006. Accordingly, the shares of Black Dragon commenced suspension in trading on the Shanghai Stock Exchange from 28 April 2006 and thereafter formal suspension in trading was requested by the Shanghai Stock Exchange, commencing from 18 May 2006. The closing price per share of Black Dragon as quoted on the Shanghai Stock Exchange on 27 April 2006, being the last trading day immediately prior to the suspension of trading in the shares of Black Dragon, was RMB0.98 (equivalent to approximately HK\$1). The market capitalisation of Black Dragon as at 27 April 2006 amounted to approximately RMB320.68 million (equivalent to approximately HK\$327.23 million). Black Dragon made a profit for the year ended 31 December 2006 and submitted a resumption of trading proposal to the Shanghai Stock Exchange on 14 May 2007. According to the announcement of Black Dragon dated 21 May 2007, Shanghai Stock Exchange has accepted the resumption of trading proposal of Black Dragon. It was intended that to restructure its business and operations, Black Dragon should enter into the Interchina Water Treatment Share Transfer Agreement and the Assets and Liabilities Transfer Agreement.

On 16 May 2007, Black Dragon entered into the Assets and Liabilities Transfer Agreement with Hecheng and on 9 July 2007, Black Dragon entered into the Assets and Liabilities Transfer Supplemental Agreement with Hecheng. Pursuant to the Assets and Liabilities Transfer Agreement (as amended by the Assets and Liabilities Transfer Supplemental Agreement), Black Dragon has

agreed to transfer to Hecheng its assets and liabilities (together with all related contracts, rights and liabilities) as at the date on which the Assets and Liabilities Transfer Agreement (as amended by the Assets and Liabilities Transfer Supplemental Agreement) has become unconditional. Pursuant to the proposal set out in the Letter, it is intended that upon completion of the Assets and Liabilities Transfer Agreement, the net assets of Black Dragon should amount to RMB100 million (equivalent to approximately HK\$102 million). As the terms of the Assets and Liabilities Transfer Agreement (as amended by the Assets and Liabilities Transfer Supplemental Agreement) are still subject to further amendments, further announcement will be made by the Company when the terms of the Assets and Liabilities Transfer Agreement have been finalised.

To the best of the Directors' knowledge, Hecheng makes investment and finances infrastructure on behalf of the PRC government. Hecheng is assigned by the PRC government to take up most of the existing assets and liabilities of Black Dragon to facilitate the resumption of trading in shares of Black Dragon. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Hecheng is not a connected person (as defined in the Listing Rules) of and is independent of, and not connected with, the Company, any director(s), chief executive(s) or substantial shareholder(s) (as defined in the Listing Rules) of the Company and any of its subsidiaries or their respective associates (as defined in the Listing Rules).

(IV) INFORMATION ON THE GROUP

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.

(V) REASONS FOR AND BENEFITS OF THE BLACK DRAGON TRANSFER AND THE INTERCHINA WATER TREATMENT TRANSFER

The Directors consider that upon completion of the Black Dragon Transfer, the Company can use Black Dragon as a platform to pursue more investment in the PRC, which may generate new growth potentials to the Group. Also, the Directors believe that the Company can, through Black Dragon as a platform, access to the PRC stock market to raise funds when necessary, for further expansion of the Group's business, including but not limited to the water treatment operations. Moreover, in the event the Interchina Water Treatment Transfer proceeded without amendments to its existing terms, having a controlling shareholder of a company listed on the Shanghai Stock Exchange will facilitate Interchina Water Treatment's access to the water treatment industry in the PRC. Based on the above, the Directors consider that the Black Dragon Transfer and the Interchina Water Treatment Transfer (if proceeded without amendments to its existing term) are in the interests of the Shareholders and the Company as a whole, although the Company has effectively disposed of approximately 29.79% interest in the Interchina Water Treatment.

The Directors (including the independent non-executive Directors) considered that the terms of the Black Dragon Share Transfer Agreement (as amended by the Supplemental Agreement) and the Interchina Water Treatment Share Transfer Agreement (as amended by the Supplemental Agreement) are on normal commercial terms and have been agreed after arm's length negotiations, the terms of which are fair and reasonable.

(VI) LISTING RULES' IMPLICATION

Based on the proposed revised consideration of RMB420 million (equivalent to approximately HK\$428,000,000), the Black Dragon Transfer constitutes a very substantial transaction of the Company under Rule 14.06 of the Listing Rules. The EGM will be held to consider and, if thought fit, approve the Black Dragon Share Transfer Agreement and the transactions contemplated thereunder. As at the date of this announcement, the Vendor and its associates (as defined in the Listing Rules) do not hold any Shares. So far as is known to the Directors, no Shareholder is required to abstain from voting at the EGM.

As set out above, terms of the Interchina Water Treatment Transfer are subject to further amendments and it may or may not proceed

A circular containing, among other things, (i) further information on the Black Dragon Transfer; (ii) the accountant's report on Black Dragon; (iii) pro forma financial information of the Enlarged Group; and (iv) the notice of the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

(VII) UNUSUAL PRICE AND VOLUME MOVEMENT

The Directors have noted the increases in the price and trading volume of the Shares on 17 May 2007 and wish to state that, save for the information disclosed in this announcement, the Directors are not aware of any reasons for such increases.

Save as disclosed in this announcement, the announcement of the Company dated 6 July 2007, the Directors confirmed that there are no negotiations or agreements relating to intended acquisitions or realizations which are discloseable under Chapter 14 and Chapter 14A of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

(VIII) GENERAL

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 18 May 2007 pending for the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 27 August 2007.

(IX) DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Assets and Liabilities Transfer Agreement”	a conditional agreement entered into between Black Dragon and Hecheng on 16 May 2007 in relation to the transfer of Black Dragon's assets and liabilities
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“Assets and Liabilities Transfer Supplemental Agreement”	an agreement entered into between Black Dragon and Hecheng on 9 July 2007 amending and supplementing the terms of the Assets and Liabilities Transfer Agreement
“Black Dragon”	黑龍江黑龍股份有限公司 (Heilongjiang Black Dragon Company Limited), a company established in the PRC and its A shares are listed on the Shanghai Stock Exchange
“Black Dragon Sale Shares”	229,725,000 domestic shares of Black Dragon of RMB1.00 each
“Black Dragon Share Transfer Agreement”	a conditional agreement entered into between Interchina (Tianjin) and the Vendor on 17 May 2007 in respect of the Black Dragon Transfer
“Black Dragon Transfer”	the transfer of the Black Dragon Sale Shares, representing approximately 70.21% of the issued share capital of Black Dragon, from the Vendor to Interchina (Tianjin) pursuant to the Black Dragon Share Transfer Agreement (as amended by the Supplemental Agreement)
“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
“CSRC”	中國證券監督管理委員會 (China Securities Regulatory Commission)
“Directors”	directors of the Company (including the independent non-executive Directors)
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Black Dragon Share Transfer Agreement and the transactions contemplated thereunder
“Enlarged Group”	the Group as enlarged by the Black Dragon Transfer
“Group”	the Company and its subsidiaries
“Hecheng”	黑龍江省鶴城建設投資發展有限公司 (Heilongjiang Hecheng Construction Investment and Development Company Limited), a company established in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Independent Third Party(ies)”	(a) party(ies) who is/are not (a) connected person(s) (as defined in the Listing Rules) of the Group and who together with its/their ultimate beneficial owner(s) are independent of the Group and of connected persons (as defined in the Listing Rules) of the Group
“Interchina (Tianjin)”	國中(天津)水務有限公司 (Interchina (Tianjin) Water Treatment Limited), a company established in the PRC and is a 94.05% owned subsidiary of the Company as at the date of this announcement
“Interchina (Tianjin) Share Transfer Agreement”	a share transfer agreement dated 30 April 2007, pursuant to which 中國市政工程華北設計研究院 (North China Municipal Engineering Design & Research Institute) has agreed to sell 5.95% interest in Interchina (Tianjin) to the Company at a consideration of RMB 14,000,000 (equivalent to approximately HK\$14,286,000)
“Interchina (Tianjin) Share Transfer”	the transfer of 5.95% interest in Interchina (Tianjin) from 中國市政工程華北設計研究院 (North China Municipal Engineering Design & Research Institute) to the Company pursuant to the Interchina (Tianjin) Share Transfer Agreement
“Interchina Water Treatment”	Interchina Water Treatment Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Interchina (Tianjin)
“Interchina Water Treatment Sale Shares”	10,000 shares of Interchina Water Treatment of US\$1.00 each
“Interchina Water Treatment Share Transfer Agreement”	a conditional agreement entered into between Interchina (Tianjin) and Black Dragon on 17 May 2007 in respect of the Interchina Water Treatment Transfer
“Interchina Water Treatment Transfer”	the transfer of the Interchina Water Treatment Sale Shares, representing the entire issued share capital of Interchina Water Treatment, from Interchina (Tianjin) to Black Dragon pursuant to the Interchina Water Treatment Share Transfer Agreement

“Letter”	a letter dated 20 July 2007 from the Vendor to Interchina (Tianjin) setting out the proposal whereby (i) the net assets in Black Dragon upon completion of the Assets and Liabilities Transfer Agreement (as amended by the Assets and Liabilities Transfer Supplemental Agreement) shall amount to RMB100 million (equivalent to approximately HK\$102 million); (ii) due to the aforesaid assets arrangement, the consideration of the Black Dragon Transfer be adjusted from RMB350 million (equivalent to approximately HK\$357 million) to RMB420 million (equivalent to approximately HK\$428 million); and (iii) Interchina (Tianjin) is to contribute RMB320 (equivalent to approximately HK\$326 million) million either in cash or assets into Black Dragon
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Shares
“Shares”	the shares of the Company of HK\$0.10 each, which are listed on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supplemental Agreement” a supplemental agreement dated 29 June 2007 entered among the Vendor, Interchina (Tianjin), and Black Dragon to amend the terms of the Black Dragon Share Transfer Agreement and the Interchina Water Treatment Share Transfer Agreement. The principal terms of the Supplemental Agreement are: (i) a deposit shall be paid by Interchina (Tianjin) for the Black Dragon Share Transfer Agreement; and (ii) the Interchina Water Treatment Transfer may or may not proceed with the original terms, subject to further negotiations between the parties

“Vendor” 黑龍集團公司 (Heilong Group Limited), a company established in the PRC

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

Hong Kong, 24 August 2007

In this announcement, the English names of the PRC government authorities or entities are translations of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

For the purpose of this announcement, translations of RMB into HK\$ have been calculated by using an exchange rate of HK\$1.00=RMB0.98.

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.