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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)**

### **DISCLOSEABLE TRANSACTION**

On 5 October 2007, the Company entered into the Sale and Purchase Agreement with the Vendor in relation to the Acquisition, being the acquisition of the entire issued share capital of Success Flow (being the Sale Share) and the amount due from Success Flow to the Vendor as at Completion (being the Shareholder's Loan). The Consideration is HK\$167,000,000, of which HK\$60,000,000 shall be payable to the Vendor as deposit and part Consideration within three business days after the date of the Sale and Purchase Agreement and the balance of HK\$107,000,000 shall be payable to the Vendor within three months after the date of Sale and Purchase Agreement.

Success Flow is principally engaged in investment holding which is indirectly interested in the entire equity interest of the WFOE. As at the date of this announcement, the WFOE is holder of the Properties, being 23 retail units in a commercial building in Beijing, the PRC.

The Acquisition is subject to the conditions set out in the paragraph headed "Conditions" below.

The Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing, among other things, further details of the Acquisition, will be despatched to the Shareholders as soon as practicable.

### **THE SALE AND PURCHASE AGREEMENT**

#### **Date**

5 October 2007

## **Parties**

Purchaser : the Company

Vendor : the Vendor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owners are third parties independent of the Group and its connected persons (as defined in the Listing Rules).

## **Assets to be acquired**

Pursuant to the Sale and Purchase Agreement, the Company has agreed to acquire from the Vendor (i) the Sale Share, representing the entire issued share capital of Success Flow; and (ii) the Shareholder's Loan, representing the amount due from Success Flow to the Vendor as at Completion.

## **Consideration**

The Consideration is HK\$167,000,000, of which HK\$60,000,000 shall be payable to the Vendor as deposit and part Consideration within three business days after the date of the Sale and Purchase Agreement and the balance of HK\$107,000,000 shall be payable to the Vendor within three months after the date of Sale and Purchase Agreement. In the event that Completion cannot take place in accordance with the Sale and Purchase Agreement, the Vendor shall refund the deposit to the Company.

The Consideration was determined after arm's length negotiations between the Vendor and the Company, after taking into account the preliminary valuation of the Properties of RMB161,000,000, (equivalent to approximately HK\$167,700,000) as at 31 July 2007 (which has been conducted by Savills Valuation and Professional Services Limited, being independent professional valuers). In the event the liabilities of Success Flow and its subsidiaries shall exceed RMB100,000 upon Completion and that the Company has decided to waive the condition set out in sub-paragraph (b) in the paragraph headed "Conditions" below, the Consideration shall be adjusted and reduced by such amount as having exceeded RMB100,000. The Vendor has warranted that there would not be any change to the amount of the Shareholder's Loan prior to Completion. The Directors consider the terms of the Acquisition are fair and reasonable and are on normal commercial terms and that it is in the interests of the Company and the Shareholders as a whole. The Acquisition would be funded by the internal resources of the Group.

## **Conditions**

Completion of the Sale and Purchase Agreement is subject to the fulfillment of the following conditions:

- (a) the Company being satisfied with the results of the due diligence review (including but not limited to legal, finance and business aspects) on Success Flow and its subsidiaries;

- (b) save for the Shareholder's Loan, the liabilities of Success Flow and its subsidiaries shall not be more than RMB100,000 upon Completion;
- (c) the Company having obtained a PRC legal opinion to its satisfaction in relation to the WFOE and the Properties;
- (d) the Company having obtained a British Virgin Islands legal opinion to its satisfaction confirming, among other things, the legality of the incorporation and the valid existence of Success Flow;
- (e) the Stock Exchange having approved this announcement and circular in relation to the Acquisition;
- (f) the Company having obtained consent from its Board and (if applicable) its Shareholders in relation to the Acquisition; and
- (g) there being no breach of warranties by the Vendor under the Sale and Purchase Agreement.

If the above conditions have not been fulfilled or otherwise waived (as the case may be) on or before 31 December 2007 or such later date as the Vendor and the Company may agree in writing, the Sale and Purchase Agreement shall cease and determine and neither party shall have any obligations and liabilities under the Sale and Purchase Agreement save for antecedent breaches of the same.

### **Completion**

Completion will take place on the third Business Day after all the conditions have been fulfilled or waived (as the case may be), or such other date as may be agreed by the Vendor and the Company agreed in writing.

### **INFORMATION ON SUCCESS FLOW**

Success Flow was incorporated in the British Virgin Islands on 10 July 2006. It is an investment holding company and its principal asset is its indirect interest in the Properties. The unaudited consolidated net asset value of Success Flow as at 31 July 2007 amounted to approximately HK\$7.5 million and the unaudited consolidated net loss (both before and after taxation and extraordinary items) for the period commencing from 10 July 2006 (being the date of its incorporation) and ending on 31 July 2007 was HK\$1.9 million.

The WFOE was established on 14 December 2006. The unaudited net assets value of the WFOE as at 31 July 2007 amounted to approximately RMB44 million and the unaudited consolidated net loss (both before and after taxation and extraordinary items) for the period commencing from 14 December 2006 (being the date of its incorporation) and ending on 31 July 2007 was RMB1 million. The WFOE is owner of the Properties.

The Properties are 23 retail units of a commercial building in Beijing, the PRC. Such commercial building is situated in the 王府井 (Wang Fu Jing) area of Beijing, being the heart of the capital where numerous important national institutions of the PRC and foreign companies are located. It is also within close proximity to 長安街 (Zhang An Street), the famous street in Beijing, and 東方廣場 (Oriental Plaza), a large shopping complex. As at the date of this announcement, all 23 retail units comprising the Properties have been rented out, counting a large American fast food chain, a supermarket and a bank among the tenants.

## **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 Board believes that the Acquisition would increase its real estate property operations. Given the promising prospects of the 2008 Beijing Olympic Games next year, the Directors are positive about the real properties market in Beijing. Accordingly, the Directors consider the Acquisition will enhance the assets base of the Group while at the same time, the rental income from the Properties will contribute to the future revenue and income growth of the Group. The Directors consider that the terms and conditions of Sale and Purchase Agreement are fair and reasonable, and the Acquisition is in the best interest of the Company and its Shareholders as a whole. Upon Completion, Success Flow will become a wholly-owned subsidiary of the Company and its results will be consolidated into the accounts of the Group.

## **GENERAL**

The Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing, among other things, further details of the Acquisition, will be despatched to the Shareholders as soon as practicable.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of the Sale Share and the Shareholder’s Loan pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“business day”	a day (other than Saturdays) on which licensed banks in Hong Kong are generally open for business during their normal 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\$167,000,000
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Properties”	the 23 retail units situated in 國中商業大廈 (Guo Zhong Commercial Building) on no. 33 Dongshikou Avenue, Dongcheng District, Beijing, the PRC (中國北京市東城區燈市口大街33號) of a total gross floor area of approximately 5,807.57 sq. m.
“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
“Sale and Purchase Agreement”	the agreement dated 5 October 2007 entered into between the Company and the Vendor in relation to the Acquisition
“Sale Share”	the 1 share in the issued share capital in Success Flow, representing its entire issued share capital
“Shares”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Shareholder’s Loan”	the amount due and owing by Success Flow to the Vendor as at Completion, which as at the date of this announcement amount to approximately HK\$141,000,000
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Success Flow”	Success Flow International Limited, a limited company incorporated in British Virgin Islands, the entire issued share capital of which is owned by the Vendor
“Vendor”	Mega Winner Investments Limited
“WFOE”	北京龍堡物業管理有限公司, a wholly foreign owned enterprise established in the PRC, the entire equity interests of which is indirectly owned by Success Flow

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq. m.”	square metres
“%”	per cent.

Conversion of RMB into HK\$ is based on the exchange rate of RMB0.96 = HK\$1.00.

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

Hong Kong, 5 October 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.*