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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**

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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 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 hours
“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
“Latest Practicable Date”	24 October 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
“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 circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

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## DEFINITIONS

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“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 Latest Practicable Date amounted 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”	Reminbi, the lawful currency of the PRC
“sq. m.”	square metres
“%”	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

26 October 2007

*To Shareholders, and for information only,  
holder(s) of convertible notes and options of the Company*

Dear Sir or Madam,

### **DISCLOSEABLE TRANSACTION**

#### **INTRODUCTION**

It was announced on 5 October 2007 that 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 Latest Practicable Date, the WFOE was holder of the Properties, being 23 retail units in a commercial building in Beijing, the PRC.

The Acquisition constitutes a discloseable transaction of the Company under Chapter 14 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 SALE & PURCHASE AGREEMENT

**Date** : 5 October 2007

#### **Parties**

**Vendor** : the Vendor

**Purchaser** : the Company

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 was paid to the Vendor as deposit and part Consideration on 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.

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## LETTER FROM THE BOARD

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### 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 the announcement and this 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.

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## LETTER FROM THE BOARD

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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 Latest Practicable Date, all 23 retail units comprising the Properties had 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 strengthen 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.

Upon Completion, Success Flow will become a wholly-owned subsidiary of the Company. 100% of the profit and loss of Success Flow as well as the assets and liabilities of Success Flow will be recorded in the financial statements of the Group.

### 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 (Note 1)	21,380,495,000 (L)	199.65%
Lam Cheung Shing, Richard	The Company	Beneficial owner	77,000,000 (L)	0.72%
Chan Wing Yuen, Hubert	The Company	Beneficial owner	77,000,000 (L)	0.72%
Ha Ping	The Company	Beneficial owner (Note 2)	5,000,000 (L)	0.05%
Wong Hon Sum	The Company	Beneficial owner (Note 3)	5,000,000 (L)	0.05%
Tang Tin Sek	The Company	Beneficial owner (Note 4)	5,000,000 (L)	0.05%

(L) denotes the long position held in the Shares

Notes:

- These Shares represent (i) the 103,495,000 Shares 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; (ii) the 2,700,000,000 Shares held by Mr. Zhang Yang; (iii) the 18,500,000,000 Shares to be allotted and issued to Mr. Zhang Yang upon the exercise in full of the conversion rights attaching to the convertible notes to be issued by the Company, details of which are set out in announcement

of the Company dated 6 July 2007; and (iv) the 77,000,000 Shares to be allotted and issued to Mr. Zhang Yang upon the exercise in full of the subscription rights attaching to the options granted to him by the Company.

2. These Shares represent the Shares which may be allotted and issued to Ms. Ha Ping upon the exercise in full of the subscription rights attaching to the options granted by the Company.
3. These Shares represent the Shares which may be allotted and issued to Mr. Wong Hon Sum upon the exercise in full of the subscription rights attaching to the options granted by the Company.
4. These Shares represent the Shares which may be allotted and issued to Dr. Tang Tin Sek upon the exercise in full of the subscription rights attaching to the options granted by 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 Tricor 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. Lau Chi Lok, Freeman who is an associate member of Hong Kong Institute of Certified Public Accountants and CPA Australia.
- (d) The English text of this circular shall prevail over the Chinese text.