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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)

**(I) MAJOR TRANSACTION IN RELATION TO
THE ACQUISITION OF THE EQUITY INTEREST OF BLACK DRAGON;
(II) THE AGENCY AGREEMENT AND DISCLOSEABLE TRANSACTION
IN RELATION TO THE PROVISION OF THE LOAN UNDER THE AGENCY
AGREEMENT; AND
(III) TERMINATION OF THE INTERCHINA WATER TREATMENT SHARE
TRANSFER AGREEMENT**

SUMMARY

Reference is made to the announcement of the Company dated 24 August 2007 in relation to the very substantial acquisition of the Company regarding the acquisition of the equity interest of Black Dragon and the announcement of the Company dated 14 September 2007 in relation to the extension of time for the despatch of the circular in relation to the abovementioned acquisition.

The Second Supplemental Agreement

Subsequent to the execution of the Black Dragon Share Transfer Agreement and the Supplemental Agreement, on 15 November 2007, the Vendor and Interchina (Tianjin) entered into the Second Supplemental Agreement.

Pursuant to the Second Supplemental Agreement, (i) the consideration of the Black Dragon Transfer was revised to RMB420 million (equivalent to approximately HK\$438 million); (ii) the settlement method of the consideration of the Black Dragon Transfer has been amended to payment of cash to the Vendor; (iii) the remaining net assets of Black Dragon immediately upon completion of the Assets and Liabilities Transfer Agreement shall amount to approximately RMB107 million (equivalent to approximately HK\$111 million), which shall be a piece of land with a market value of not more than RMB107 million (equivalent to approximately HK\$111 million); and (iv) Interchina (Tianjin) shall conduct the share segregation reform of Black Dragon at the consideration of a maximum of RMB173 million (equivalent to approximately HK\$180 million).

The Agency Agreement

On 15 November 2007, the Vendor and Interchina (Tianjin) entered into the Agency Agreement, whereby Black Dragon agreed to appoint Interchina (Tianjin) to act as its agent to handle the acquisition of the Water Projects and Interchina (Tianjin) will provide the Loan not exceeding the amount of approximately RMB173 million (equivalent to approximately HK\$180 million) to Black Dragon for payment of consideration of the Water Projects. Interchina (Tianjin) will pay the Loan directly to the vendors of the Water Projects if the acquisition of the Water Projects proceeds. The actual amount of the Loan will be the lower of the consideration of the acquisition of the Water Projects and the amount of RMB173 million (equivalent to approximately HK\$180 million).

The Termination Agreement

On 15 November 2007, Interchina (Tianjin) and Black Dragon entered into the Termination Agreement to terminate the Interchina Water Treatment Share Transfer Agreement (as amended by the Supplemental Agreement).

Listing Rules' implications

The Black Dragon Transfer

According to Rule 14.15 of the Listing Rules, the listed issuer must use the higher of the fair value of the consideration and the fair value of the asset as the numerator of the consideration ratio where there is a significant disparity between the fair value of the consideration and the fair value of the asset. Due to the fact that the valuation of Black Dragon upon completion of the Assets and Liabilities Transfer Agreement could not be determined as at the date of the Announcement, the numerator of the consideration ratio could not be determined as at the date of the Announcement. As stated under the paragraph headed "Consideration of the Black Dragon Transfer" in the Announcement, the Directors considered that given the valuation of Black Dragon upon completion of the Assets and Liabilities Transfer Agreement could not be determined at the time of the 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\$438 million) at the time of the Announcement. Due to the then uncertainty surrounding the consideration of the Black Dragon Transfer, the Directors considered it appropriate at the time of the Announcement to treat the Black Dragon Transfer as a very substantial acquisition of the Company. Upon the determination of the valuation of Black Dragon Sale Shares and the aggregate consideration of the Black Dragon Transfer at RMB420 million (equivalent to approximately HK\$438 million), it is confirmed that the Black Dragon Transfer constitutes a major transaction of the Company under Rule 14.06 of the Listing Rules, instead of a very substantial acquisition of the Company under Rule 14.06 as set out in the Announcement. 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.

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 set out in the announcement of the Company dated 14 September 2007, the Company has applied to the Stock Exchange for an extension of the deadline for the despatch of the circular to a date falling on or before 31 January 2008.

Provision of the Loan under the Agency Agreement

The provision of the Loan under the Agency Agreement constitutes a financial assistance and a discloseable transaction of the Company under Rule 14.06 of the Listing Rules. As the amount of the Loan under the Agency Agreement exceeds 8% under the assets ratio as defined under Rule 14.07 of the Listing Rules, the Company is also making disclosure of the relevant information in compliance with Rules 13.13 and 13.15 of the Listing Rules.

A circular containing, among other things, further information on the provision of the Loan under the Agency Agreement will be despatched to the Shareholders as soon as practicable.

Reference is made to the announcement of Interchina Holdings Company Limited (the "Company") dated 24 August 2007 (the "Announcement") in relation to the very substantial acquisition regarding the acquisition of the equity interests of Black Dragon and the announcement of the Company dated 14 September 2007 in relation to the extension of time for the despatch of the circular in relation to the abovementioned acquisition. Terms defined in this announcement shall have the same meanings as those defined in the Announcement, unless the context requires otherwise.

(I) BACKGROUND

On 17 May 2007, Interchina (Tianjin), a then 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, with effect from 18 May 2006. As one of the conditions precedent to completion of the Black Dragon Transfer, the Restructuring Proposal 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.

As the Restructuring Proposal 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 an enterprise state-owned by the Heilongjiang Qiqihar 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; and (ii) the Interchina Water Treatment Transfer may or may not proceed with the original terms, subject to further negotiations between the parties.

On 25 September 2007, the Company has acquired an additional 5.95% interest in Interchina (Tianjin) and Interchina (Tianjin) became a wholly-owned subsidiary of the Company. As at the date of this announcement, the deposit of the Black Dragon Transfer of RMB35 million (equivalent to approximately HK\$36 million) pursuant to the Supplemental Agreement has been paid.

On 15 November 2007, (i) the Vendor and Interchina (Tianjin) entered into the Second Supplemental Agreement, amending the terms of the Black Dragon Share Transfer Agreement (as amended by the Supplemental Agreement); (ii) Black Dragon, Interchina (Tianjin) and the Vendor entered into the Agency Agreement, whereby Black Dragon agreed to appoint Interchina (Tianjin) to act as its agent to handle the acquisition of the Water Projects and Interchina (Tianjin) will provide the Loan not exceeding the amount of approximately RMB173 million (equivalent to approximately HK\$180 million) to Black Dragon for payment of consideration of the Water Projects.; and (iii) Interchina (Tianjin) and Black Dragon entered into the Termination Agreement terminating the Interchina Water Treatment Share Transfer Agreement (as amended by the Supplemental Agreement), principal terms of which are set out below:

(II) THE SECOND SUPPLEMENTAL AGREEMENT

Date

15 November 2007

Parties

(i) The Vendor; and

(ii) Interchina (Tianjin), a wholly-owned subsidiary of the Company

Subject matter of the Second Supplemental Agreement

Consideration of the Black Dragon Transfer

According to a valuation report dated 14 August 2007 prepared by 北京龍源智博資產評估有限公司 (Beijing Longyuan Zhibo Asset Valuation Company Limited), an independent PRC valuer, the Black Dragon Sale Shares were valued at approximately RMB420 million (equivalent to approximately HK\$438 million) as at 30 June 2007 by using market approach. Accordingly, the consideration of the Black Dragon Transfer was finalised as RMB420 million (equivalent to approximately HK\$438 million) with reference to the aforesaid valuation. The Company has not been provided with the above valuation report by the Vendor before the publication of the Announcement. The Company obtained the above valuation report in mid-September 2007. Pursuant to the Black Dragon Share Transfer Agreement (as amended by the Supplemental Agreement), Interchina (Tianjin) should assume such debts of the Vendor according to the arrangements to be made among the Vendor, Interchina (Tianjin) and the Vendor's creditors. Pursuant to the Second Supplemental Agreement, settlement method of the consideration of the Black Dragon Transfer has been amended to payment of cash to the Vendor, which is set out as follows:

- (i) an amount of RMB35 million (equivalent to approximately HK\$36 million) was paid to the Vendor as deposit and part consideration of the Black Dragon Transfer pursuant to the Supplemental Agreement;
- (ii) in order to lift the judicial moratorium (司法凍結) on the Black Dragon Sale Shares, as to RMB150 million (equivalent to approximately HK\$156 million) shall be payable to the Vendor within 10 Business Days after (a) a guarantee granted by Hecheng having been delivered to Interchina (Tianjin) in relation to the refund as set out below of such RMB150 million (equivalent to approximately HK\$156 million) by the Vendor and Hecheng to Interchina (Tianjin); and (b) Interchina (Tianjin) having received a notification from the Vendor confirming (1) debt settlement agreements having been entered into among the Vendor, Black Dragon and the relevant creditors for the purpose of the Black Dragon Transfer; (2) settlement agreements having been entered into by the Vendor, Black Dragon and two banks for settlement of debt amounting to an aggregate amount of RMB150 million (equivalent to approximately HK\$156 million) whereby the two banks would apply for the lifting of the judicial moratorium on the Black Dragon Sale Shares; and (3) settlement agreement having been entered into by the Vendor, Black Dragon and a creditor whereby such creditor would withdraw the pending application for judicial moratorium on the Black Dragon Sale Shares. To the best knowledge of the Directors, the above mentioned creditors should be creditors of the Vendor and/or Black Dragon. To the best knowledge of the Directors, Hecheng makes investment and finances infrastructure on behalf of the PRC provincial government. Thus, the Directors have confidence on the credit standing of Hecheng in giving the above guarantee;
- (iii) as to RMB165 million (equivalent to approximately HK\$172 million) shall be payable to the Vendor within 10 Business Days after the approvals in relation to the Black Dragon Transfer from 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), 中華人民共和國商務部 (Ministry of Commerce of the People's Republic of China) and the CSRC having been obtained; and

(iv) as to RMB70 million (equivalent to approximately HK\$73 million) shall be payable to the Vendor upon further agreement after obtaining approvals in relation to the Black Dragon Transfer from 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), 中華人民共和國商務部 (Ministry of Commerce of the People's Republic of China), the CSRC and Shanghai Stock Exchange.

According to the best knowledge of the Directors, the judicial moratorium was imposed on the Black Dragon Sale Shares mainly due to legal actions taken by the creditors of the Vendor and/or Black Dragon arising from the default in repayment of debt owed by the Vendor and/or Black Dragon to those creditors. The consideration payment of RMB150 million (equivalent to approximately HK\$156 million) shall be refunded by the Vendor or Hecheng to Interchina (Tianjin) in the event (i) the judicial moratorium of the Black Dragon Sale Shares could not be uplifted due to default of the 2 banks or that the pending application for judicial moratorium of the Black Dragon Sale Shares (as set out in sub-paragraph (ii)(b)(3) above) could not be withdrawn; (ii) approvals in relation to the Black Dragon Transfer from 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 the CSRC could not be obtained due to the judicial moratorium on the Black Dragon Sale Shares or due to reasons relating to other creditors; or (iii) transfer of the Black Dragon Sale Shares cannot be made at 上海證券登記結算公司 (Shanghai Securities Depository and Clearing Corporation Limited) due to judicial moratorium on the Black Dragon Sale Shares or due to reasons relating to other creditors or due to default of the Vendor or Black Dragon.

Remaining net assets of Black Dragon immediately upon completion of the Assets and Liabilities Transfer Agreement

As set out in the Second Supplemental Agreement, the Vendor warrants that the remaining net assets of Black Dragon immediately upon completion of the Black Dragon Transfer shall amount to approximately RMB107 million (equivalent to approximately HK\$111 million), which shall be a piece of land (the "Land") with a market value of not more than RMB107 million (equivalent to approximately HK\$111 million). The Land was of 800 mu, located at the west of Nengjiang River of Qiqihar City. The Land was appraised by 齊齊哈爾齊達土地估價事務所有限公司 (Qiqihaer Real Estate Valuation Company Limited), an independent PRC valuer. According to the valuation report dated 28 November 2006 prepared by 齊齊哈爾齊達土地估價事務所有限公司 (Qiqihaer Real Estate Valuation Company Limited), each square metre of the Land was valued at RMB200 (equivalent to approximately HK\$208) as at 25 November 2006. As the Land consists of 535,000 square metres, the Land was valued at RMB107 million (equivalent to approximately HK\$111 million). A valuation report on the Land in accordance with the Listing Rules will be included in the circular to be despatched. Based on the information provided by the Vendor, the Land is for commercial and residential use. According to the best knowledge of the Directors, Black Dragon has the legal title to the Land and the Land is vacant as at the date of this announcement. The Vendor, whom according to the best knowledge of the Directors is an enterprise state-owned by the Heilongjiang Qiqihar government, further undertakes to procure the government of Heilongjiang Qiqihar to conduct assets exchange with Black Dragon, in that the government would transfer its assets in equivalent market value (in the form of water treatment plants or financial assets such

as equity interests in commercial banks) in exchange for the Land should Black Dragon so wish during the period from the date of the Second Supplemental Agreement to 6 months from the date of the resumption of trading in Black Dragon's shares. It is intended that such assets exchange, if to be conducted, would only be carried out after completion of the Black Dragon Transfer. As Black Dragon will be a subsidiary of the Company after completion of the Black Dragon Transfer, such assets exchange will constitute a possible notifiable transaction of the Company and the Company will comply with the Listing Rules if such assets exchange proceeds. To support the Restructuring Proposal, Black Dragon was given the above right of assets exchange by the government of Heilongjiang Qiqihar.

Share segregation reform of Black Dragon

As at the date of this announcement, Black Dragon has 229,725,000 non-circulating shares (being the Black Dragon Sale Shares) and 97,500,000 A Shares. Pursuant to the Second Supplemental Agreement, Interchina (Tianjin) shall conduct the share segregation reform (公司股權分置改革) of Black Dragon (being the conversion of the non-circulating Black Dragon Sales Shares into listed A Shares) at the consideration of a maximum of RMB173 million (equivalent to approximately HK\$180 million) for the conversion of the non-circulating status of Black Dragon Sales Shares into listing status. The consideration of the share segregation reform is determined based on negotiation between Black Dragon and Interchina (Tianjin) and will be satisfied by waiving the Loan to the extent of the amount of the consideration of the share segregation reform.

(III) THE AGENCY AGREEMENT

Date

15 November 2007

Parties

Principal: Black Dragon. To the Directors' best knowledge, information and belief having made all reasonable enquiries, Black Dragon and its ultimate beneficial owners are the Independent Third Parties.

Agent: Interchina (Tianjin)

Guarantor: the Vendor. To the Directors' best knowledge, information and belief having made all reasonable enquiries, the Vendor is an enterprise state-owned by the Heilongjiang Qiqihar government and is Independent Third Party.

Subject matter of the Agency Agreement

Pursuant to the Agency Agreement, Black Dragon has agreed to appoint Interchina (Tianjin) and Interchina (Tianjin) has agreed to accept the appointment as Black Dragon's agent to handle the acquisition of the Water Projects. As stated in the Agency Agreement, Interchina (Tianjin) will enter into the agreement(s) for the acquisition of the Water Projects on behalf of Black Dragon with the vendor(s) of the Water Projects as well as the Vendor, which shall act as guarantor of Black Dragon regarding Black Dragon's obligations under the acquisition(s). As agent of Black Dragon, Interchina (Tianjin) shall only sign the agreement(s) for acquisition of the Water Projects while it shall be clearly set out in such agreement(s) that all liabilities would be borne by Black Dragon, (being the beneficial owner of the Water Projects) and the Vendor (acting as guarantor of Black Dragon's obligations therein). The Company shall only hold a nominee title and all liabilities and obligations in relation to the Water Projects shall be borne by Black Dragon as principal and guaranteed by the Vendor.

Pursuant to the Agency Agreement, Interchina (Tianjin) will provide the Loan not exceeding the amount of approximately RMB173 million (equivalent to approximately HK\$180 million) to Black Dragon for payment of consideration of the Water Projects. Interchina (Tianjin) will pay the Loan directly to the vendors of the Water Projects if and when the acquisition of the Water Projects proceeds pursuant to the terms of the relevant agreements. The actual amount of the Loan will be the lower of the consideration of the acquisition of the Water Projects and the amount of RMB173 million (equivalent to approximately HK\$180 million). The Loan will be funded by the internal resources of the Group. The Vendor, being the current single largest shareholder of Black Dragon, will act as guarantor to guarantee repayment of the Loan by Black Dragon. The Loan will be provided on the following terms:

- (i) the Loan will bear an interest rate, which is equivalent to the interest rate for lending as charged by the People's Bank of China for the same period, which is determined with reference to the cost of the Loan;
- (ii) Black Dragon shall repay the Loan and the interest to Interchina (Tianjin) in cash within 15 Business Days after the 180th day after the date of the Agency Agreement if (i) the Restructuring Proposal is not approved by the CSRC within 180 days after the date of the Agency Agreement, or (ii) the Agency Agreement has been terminated by Black Dragon and Interchina (Tianjin). Moreover, Black Dragon shall repay the Loan and the interest to Interchina (Tianjin) in cash within one month from the date of EGM if the Black Dragon Transfer is not approved by the Shareholders at the EGM. If Black Dragon could not repay the Loan, the Vendor will repay the Loan and the interest (up to the date of the repayment) to Interchina (Tianjin); and
- (iii) if the Restructuring Proposal is approved by the CSRC within 180 days after the date of the Agency Agreement, Interchina (Tianjin) shall transfer the nominee title to Black Dragon and the Loan will be waived (to the extent of the amount of the consideration of the share segregation reform) from repayment by Black Dragon as a consideration for the share segregation reform of

Black Dragon. Black Dragon will repay the balance of the Loan, if any, to Interchina (Tianjin) in cash within a month from the date of the Restructuring Proposal being approved by the CSRC.

The end of the maximum term of the Loan shall fall on the end of one month after the 180th day from the date of the Agency Agreement. As Interchina (Tianjin) will provide the Loan for acquisition of the Water Projects, the Directors consider that it is in the best interest of the Company and the Shareholders as a whole to sign the agreements for acquisition of the Water Projects on behalf of Black Dragon, so as to better control the use of the Loan. While the Water Projects currently only proceeded at the negotiations stage, the Directors consider that it is not appropriate to disclose the identity of the potential vendor(s) and the details of the Water Projects at this stage. The time of the acquisition of the Water Projects can neither be determined at this stage. According to the best knowledge of the Directors, the Directors understand that as at the date of this announcement, the potential vendors of the Water Projects will be Independent Third Parties.

(IV) TERMINATION AGREEMENT

Date

15 November 2007

Parties

Interchina (Tianjin)
Black Dragon

Subject matter of the Termination Agreement

Pursuant to the Termination Agreement, Interchina (Tianjin) and Black Dragon have agreed to terminate the Interchina Water Treatment Share Transfer Agreement (as amended by the Supplemental Agreement). Both parties to the Interchina Water Treatment Share Transfer Agreement will not have any further liabilities and obligations.

(V) REASONS FOR THE SECOND SUPPLEMENTAL AGREEMENT, THE AGENCY AGREEMENT AND THE TERMINATION AGREEMENT

As stated in the Announcement, the Company has agreed in principle to the proposal set out in the Letter, but details of which were still subject to further negotiations, finalisation and execution of a formal supplemental agreement as at the date thereof. As major terms of the Restructuring Proposal have been determined at this stage, Interchina (Tianjin) entered into the Second Supplemental Agreement with the Vendor to finalise the terms of the Black Dragon Transfer. In view of the current Restructuring Proposal, Black Dragon and Interchina (Tianjin) have also decided to terminate the Interchina Water Treatment Share Transfer Agreement by entering into the Termination Agreement. As part of the Restructuring Proposal, Black Dragon contemplated

acquiring the Water Projects. Also to facilitate the restructuring of Black Dragon, which is essential to the completion of the Black Dragon Transfer, and leveraging on the Group's expertise in water treatment operations, Interchina (Tianjin) entered into the Agency Agreement to act as Black Dragon's agent to handle the Water Projects. To facilitate the acquisition of the Water Projects, Interchina (Tianjin) will provide the Loan to Black Dragon.

The Directors consider that the Second Supplemental Agreement, the Agency Agreement and the Termination Agreement are in the interests of the Shareholders and the Company as a whole as the above arrangement can facilitate the restructuring of Black Dragon which is essential to the resumption of trading of Black Dragon's shares.

The Directors (including the independent non-executive Directors) considered that the terms of the Second Supplemental Agreement, the Agency Agreement and the Termination 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

The Black Dragon Transfer

According to Rule 14.15 of the Listing Rules, the listed issuer must use the higher of the fair value of the consideration and the fair value of the asset as the numerator of the consideration ratio where there is a significant disparity between the fair value of the consideration and the fair value of the asset. Due to the fact that the valuation of Black Dragon upon completion of the Assets and Liabilities Transfer Agreement could not be determined as at the date of the Announcement, the numerator of the consideration ratio could not be determined as at the date of the Announcement. As stated under the paragraph headed "Consideration of the Black Dragon Transfer" in the Announcement, the Directors considered that given the valuation of Black Dragon upon completion of the Assets and Liabilities Transfer Agreement could not be determined then, 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\$438 million) at the time of the Announcement. Due to the then uncertainty surrounding the consideration of the Black Dragon Transfer, the Directors considered it appropriate at the time of the Announcement to treat the Black Dragon Transfer as a very substantial acquisition of the Company. Upon the determination of the valuation of Black Dragon Sale Shares and the aggregate consideration of the Black Dragon Transfer at RMB420 million (equivalent to approximately HK\$438 million), it is confirmed that the Black Dragon Transfer constitutes a major transaction of the Company under Rule 14.06 of the Listing Rules, instead of a very substantial acquisition of the Company under Rule 14.06 as set out in the Announcement. 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.

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 set out in the announcement of the Company dated 14 September 2007, the Company has applied to the Stock Exchange for an extension of the deadline for the despatch of the circular to a date falling on or before 31 January 2008.

Provision of the Loan under the Agency Agreement

The provision of the Loan under the Agency Agreement constitutes a financial assistance and a discloseable transaction of the Company under Rule 14.06 of the Listing Rules. As the amount of the Loan under the Agency Agreement exceeds 8% under the assets ratio as defined under Rule 14.07 of the Listing Rules, the Company is also making disclosure of the relevant information in compliance with Rules 13.13 and 13.15 of the Listing Rules.

A circular containing, among other things, further information on the provision of the Loan under the Agency Agreement will be despatched to the Shareholders as soon as practicable.

(VII) DEFINITIONS

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

“Agency Agreement”	an agency agreement dated 15 November 2007 entered into among Interchina (Tianjin), Black Dragon and the Vendor
“Business Day(s)”	a day (not being a Saturday or days on which a typhoon signal No. 8 or above or black rainstorm warning is hosted in Hong Kong at 10:00 a.m.) on which banks are generally open for general banking business in Hong Kong
“Loan”	the loan in the maximum amount of approximately RMB173 million (equivalent to approximately HK\$180 million) to be provided by Interchina (Tianjin) to Black Dragon for acquisition of the Water Projects pursuant to the Agency Agreement
“Restructuring Proposal”	the restructuring proposal of Black Dragon in relation to the resumption of trading in its shares

“Second Supplemental Agreement”	a supplemental agreement dated 15 November 2007 entered into between the Vendor and Interchina (Tianjin) further amending and supplementing the terms of the Black Dragon Share Transfer Agreement (as amended and supplemented by the Supplemental Agreement)
“Termination Agreement”	an agreement dated 15 November 2007 entered into between Interchina (Tianjin) and Black Dragon to terminate the Interchina Water Treatment Share Transfer Agreement
“Water Projects”	the water projects which are intended to be acquired by Black Dragon as part of the Restructuring Proposal

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

Hong Kong, 15 November 2007

For the purpose of this announcement, translations of RMB into HK\$ have been calculated by using an exchange rate of HK\$1.00 = RMB0.96.

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.