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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:
THE PROVISION OF LOAN UNDER
THE AGENCY AGREEMENT**

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DEFINITIONS

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

“Agency Agreement”	the agency agreement dated 15 November 2007 entered into among Interchina (Tianjin), Black Dragon and the Vendor
“Announcement”	the announcement dated 24 August 2007 issued by the Company in relation to, among other things, the Black Dragon Transfer
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“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 the A shares of which 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”	the 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 and the Second Supplemental Agreement)
“Board”	the board of Directors
“Business Day(s)”	the 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 licensed banks in Hong Kong are generally open for general banking business
“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
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	中國證券監督管理委員會 (China Securities Regulatory Commission)

DEFINITIONS

“Directors”	directors of the Company
“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
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	(the) party(ies) who is/are not (a) connected person(s) of the Company and who together with its/their ultimate beneficial owner(s) are independent of the Company and its connected persons
“Interchina (Tianjin)”	國中(天津)水務有限公司 (Interchina (Tianjin) Water Treatment Limited), a company established in the PRC and a wholly-owned subsidiary of the Company
“Interchina Water Treatment”	Interchina Water Treatment Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of 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”	the 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
“Latest Practicable Date”	28 November 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“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 People’s Republic of China and Taiwan
“Restructuring Proposal”	the restructuring proposal of Black Dragon in relation to the resumption of trading in its shares on the Shanghai Stock Exchange
“RMB”	Renminbi, the lawful currency of the PRC
“Second Supplemental Agreement”	the 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)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the 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
“Vendor”	黑龍集團公司 (Heilong Group Limited), a company established in the PRC
“Water Projects”	the water projects which are intended to be acquired by Black Dragon as part of the Restructuring Proposal

DEFINITIONS

“%”

per cent.

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

In this circular, amounts denominated in RMB have been translated into HK\$ at the exchange rate of RMB0.96 = HK\$1.00 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

LETTER FROM THE BOARD



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

3 December 2007

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

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION:
THE PROVISION OF LOAN UNDER
THE AGENCY AGREEMENT**

INTRODUCTION

Reference is made to the Announcement. It was announced on 15 November 2007 that Black Dragon, the Vendor and Interchina (Tianjin) entered into the Agency Agreement, pursuant to which 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).

LETTER FROM THE BOARD

The provision of Loan under the Agency Agreement constitutes a financial assistance and a discloseable transaction of the Company under the Listing Rules. The purpose of this circular is to provide you with further information on the provision of Loan under the Agency Agreement and other information as required under the Listing Rules.

THE AGENCY AGREEMENT

Date : 15 November 2007

Parties

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

Agent : Interchina (Tianjin)

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

Interchina (Tianjin) is a wholly-owned subsidiary of the Company. 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.

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 an 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

LETTER FROM THE BOARD

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 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 on which the Restructuring Proposal has been 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 interests 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 proceed at the negotiations stage, the Directors consider that it is not appropriate to disclose the identity of the potential vendor(s) and details of the Water Projects at this stage. The time of the acquisition of the Water Projects can neither be determined at this stage. To the best knowledge of the Directors, the Directors understood that as at the Latest Practicable Date, the potential vendors of the Water Projects will be Independent Third Parties.

LETTER FROM THE BOARD

INFORMATION ON BLACK DRAGON

As referred to in the Announcement, Black Dragon was established in the PRC on 3 November 1998 and is principally engaged in the manufacturing and marketing of paper products and sporting goods. The A shares of Black Dragon are listed on the Shanghai Stock Exchange.

REASONS FOR THE PROVISION OF LOAN UNDER THE AGENCY AGREEMENT

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.

As part of the Restructuring Proposal, Black Dragon contemplated acquiring the Water Projects. Also in order 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 entering into the Agency Agreement will have no material effects on the earnings as well as the assets and liabilities of the Group. The Directors are of the view that the Agency Agreement is 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 in Black Dragon's shares on the Shanghai Stock Exchange.

The Directors (including the independent non-executive Directors) consider that the terms of the Agency Agreement are on normal commercial terms and have been agreed after arm's length negotiations, and are fair and reasonable.

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
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 SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, 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)	18,880,495,000 (L)	142.11%
Lam Cheung Shing, Richard	The Company	Beneficial owner	77,000,000 (L)	0.58%
Chan Wing Yuen, Hubert	The Company	Beneficial owner	77,000,000 (L)	0.58%
Ha Ping	The Company	Beneficial owner (Note 2)	5,000,000 (L)	0.04%
Wong Hon Sum	The Company	Beneficial owner (Note 3)	5,000,000 (L)	0.04%
Tang Tin Sek	The Company	Beneficial owner (Note 4)	5,000,000 (L)	0.04%

(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 2,777,000,000 Shares held by Mr. Zhang Yang; and (iii) the 16,000,000,000 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.

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 attached 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 attached 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 attached 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 SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of SFO, 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 a 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 SFO, 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 the Company or 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 CONTRACTS

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 Group within a year without payment of any compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective associates were considered to have any interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses 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 litigations or arbitrations or claims of material importance and the Directors were not aware of any litigations 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, 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, 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.