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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 AND CONNECTED TRANSACTION

THE ACQUISITION

The Board is pleased to announce that on 18 December 2007, the Company entered into the Acquisition Agreement with the Vendor pursuant to which the Company has conditionally agreed to acquire the Sale Shares, representing approximately 29.52% of the issued share capital of China Pipe from the Vendor for an aggregate cash consideration of HK\$296,000,000. The shares of China Pipe are listed on the Stock Exchange.

Completion is subject to the conditions set out in the paragraph headed “4) Conditions precedent” below.

The Vendor is a company wholly-owned by Ms. Wing, the wife of the brother-in-law of Mr. Zhang, an executive Director and the chairman of the Company. Thus, the Vendor is regarded as the connected person of the Company under Chapter 14A of the Listing Rules. The Acquisition constitutes a very substantial acquisition and a connected transaction for the Company under Chapters 14 and 14A of the Listing Rules which requires the approval by the Independent Shareholders at the EGM.

The Independent Board Committee will be established to consider the Acquisition and to provide recommendations to the Independent Shareholders in this regard. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Acquisition Agreement and the transactions contemplated thereunder. A circular containing, among other things, further information on the Acquisition, financial information relating to the Group, the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, as well as the notice of the EGM, will be despatched to the Shareholders as soon as practicable.

THE ACQUISITION AGREEMENT DATED 18 DECEMBER 2007

1) Parties

Vendor: the Vendor, an investment holding company.

As at the date of this announcement, the Vendor is a company wholly-owned by Ms. Wing, the wife of the brother-in-law of Mr. Zhang, an executive Director and the chairman of the Company. Thus, the Vendor is regarded as a connected person of the Company under Chapter 14A of the Listing Rules. Immediately prior to the execution of the Acquisition Agreement, the Vendor was interested in approximately 71.82% of the issued share capital of China Pipe. Ms. Wing is the executive director and chairman of China Pipe and Mr. Zhang is the non-executive director of China Pipe. Mr. Chan Wing Yuen, Hubert and Mr. Lam Cheung Shing, Richard, both executive Directors, are also executive directors of China Pipe.

Purchaser: the Company.

2) Assets to be acquired

The Sale Shares, being 3,700,000,000 shares of China Pipe (which has taken into account the share subdivision of China Pipe effective on 31 August 2007), representing approximately 29.52% of the issued share capital of China Pipe as at the date of this announcement. The issued shares of China Pipe are listed on the Stock Exchange (stock code: 380). Immediately prior to the execution of the Acquisition Agreement, the Company did not hold any shares of China Pipe.

The Vendor acquired (i) 180,000,000 shares of China Pipe (equivalent to 9,000,000,000 shares of China Pipe after its share subdivision effective on 31 August 2007) pursuant to an acquisition agreement dated 29 April 2007 at the consideration of HK\$333,000,000 or HK\$1.85 per share of China Pipe, details of which are set out in the joint announcement of the Vendor and China Pipe dated 8 May 2007; and (ii) a further 30,000 shares of China Pipe (equivalent to 1,500,000 shares of China Pipe after its share subdivision effective on 31 August 2007) at the consideration of HK\$55,500 or HK\$1.85 per share of China Pipe pursuant to the unconditional mandatory cash offer by Sun Hung Kai International Limited on behalf of the Vendor for all issued shares of China Pipe (other than those already owned or agreed to be acquired by the Vendor or parties acting in concert with it), details of which are set out in the joint announcement of the Vendor and China Pipe dated 3 July 2007.

3) Consideration and payment terms

The Consideration, being HK\$296,000,000, shall be satisfied in cash payable as follows:

- (a) as to HK\$170,000,000 (the “**Deposit**”) payable as deposit and part payment of Consideration immediately upon the signing of the Acquisition Agreement by the Company to the Vendor; and
- (b) as to the remaining balance of HK\$126,000,000 payable within 30 Business Days after the Completion Date by the Company to the Vendor.

As at the date of this announcement, the Deposit has been paid by the Company. In the event the conditions set out below have not been satisfied or waived on or before the Long Stop Date, or Completion does not take place in accordance with the terms of the Acquisition Agreement, the Vendor shall refund the Deposit (with interest) to the Company within five Business Days thereafter.

The Consideration per Sale Share of HK\$0.08 represents (i) a discount of approximately 9.09% to the closing price of HK\$0.088 per share of China Pipe as quoted on the Stock Exchange on 18 December 2007, being the date of the Acquisition Agreement; and (ii) a discount of approximately 10.11% to the average closing price of HK\$0.089 per share of China Pipe as quoted on the Stock Exchange for the five consecutive trading days up to and including 18 December 2007.

The Consideration has been arrived at after arm’s length negotiations, taking into account the recent performance of the shares of China Pipe. The Board considers the Consideration fair and reasonable.

The Company shall pay the Consideration by its internal resources.

4) Conditions precedent

Completion is conditional upon:

- (i) the passing by the Independent Shareholders (by way of poll) of ordinary resolution(s) at the EGM approving the Acquisition Agreement and the transactions contemplated thereunder in accordance with the provisions of the Listing Rules;
- (ii) all necessary approvals and consents in respect of the Acquisition Agreement and the transactions contemplated hereunder required by China Pipe or any of its subsidiaries and the Vendor being obtained; and
- (iii) all warranties, representations and undertakings given by the Vendor under the Acquisition Agreement remaining true and accurate in all material respects and not misleading in any material respect as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date.

The Company shall be entitled, at any time by written notice to the Vendor, to waive any of the above conditions (save and except condition (i), which cannot be waived) either in whole or in part. The Company has no present intention to waive any of the above conditions.

If any of the above conditions has not been fulfilled (or waived by the Company) on or before 5:00 p.m. on the Long Stop Date, the Acquisition Agreement shall cease and determine and the parties to the Acquisition Agreement shall not have any obligations and liabilities hereunder save for any antecedent breaches of the terms hereof.

5) Completion

Subject to fulfilment or waiver (as the case may be) of the above conditions precedent, Completion shall take place on the Completion Date. No director will be appointed to China Pipe by the Company upon Completion.

SHARE CHARGE

Immediately upon the execution of the Acquisition Agreement, the Vendor has executed the Share Charge in favour of the Company to secure its obligations in relation to refund of the Deposit.

INFORMATION ON CHINA PIPE

China Pipe is an exempted company incorporated under the laws of Bermuda with limited liability on 25 September 2000. China Pipe is an investment holding company and its issued shares are listed on the Stock Exchange. The principal activities of China Pipe and its subsidiaries are trading and distribution of construction materials, mainly water pipes and fittings.

Set out below is the unaudited consolidated financial information of China Pipe for the six months ended 30 June 2007 and the audited consolidated financial information of China Pipe for the two years ended 31 December 2006:

	For the six months ended 30 June 2007	For the year ended 31 December 2006	For the year ended 31 December 2005
	<i>(unaudited)</i> <i>HK\$'000</i>	<i>(audited)</i> <i>HK\$'000</i>	<i>(audited)</i> <i>HK\$'000</i>
Turnover	274,792	617,556	522,921
Profit before taxation	27,776	71,616	51,113
Profit after taxation	22,508	59,302	42,524
Total assets	496,376	522,782	425,261
Net assets	352,935	339,864	292,655

Upon Completion, China Pipe will not become a subsidiary of the Company. Thus, the financial results of China Pipe will not be consolidated into the financial results of the Group.

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.

REASONS FOR THE ACQUISITION

In order to improve the earnings of the Group in the long run, the Group has been looking for investment opportunities. The Company takes initiative in identifying investment opportunities that will broaden its revenue sources. The Company is optimistic about the prospect of the environmental and water treatment market in the PRC and the Acquisition represents an attractive opportunity to the Group as it enables the Group to diversify its investment segments which are expected to show significant growth in the future. The Directors consider that the Acquisition will strengthen the earning base of the Group and is in the best interests of the Group and the Shareholders as a whole.

In view of the above, the Board considers the terms of the Acquisition are of normal commercial terms and are in the interest of the Company and the Shareholders as a whole. The Board also consider that the terms of the Acquisition Agreement are fair and reasonable.

LISTING RULES IMPLICATIONS

The Vendor is a company wholly-owned by Ms. Wing, the wife of the brother-in-law of Mr. Zhang, an executive Director and the chairman of the Company. Thus, the Vendor is regarded as the connected person of the Company under Chapter 14A of the Listing Rules. The Acquisition constitutes a very substantial acquisition and a connected transaction for the Company under Chapters 14 and 14A of the Listing Rules which requires the approval by the Independent Shareholders at the EGM.

At the EGM, Mr. Zhang and his associates are required to abstain from voting for the approval the Acquisition Agreement and the transactions contemplated thereunder. The Independent Board Committee will be established to consider the Acquisition and to provide recommendations to the Independent Shareholders. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition.

GENERAL

A circular containing, among other things, further information on the Acquisition, financial information relating to the Group, the letter of recommendation from the Independent Board Committee, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders as well as the notice of the EGM, will be despatched to the Shareholders as soon as practicable.

TERMS USED IN THIS ANNOUNCEMENT

“Acquisition”	acquisition of the Sale Shares by the Company pursuant to the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement dated 18 December 2007 entered into between the Vendor and the Company in relation to the Acquisition
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	means a day (other than Saturday or Sunday and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open for general banking business
“China Pipe”	China Pipe Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“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 in accordance with the Acquisition Agreement

“Completion Date”	the third Business Day immediately after all the conditions precedent contained in the Acquisition Agreement have been duly fulfilled or waived (as the case may be), or such other date as the Vendor and the Company may agree in writing
“connected persons”	has the meaning ascribed to it under Rule 1.01 and as extended by Rule 14A.11 of the Listing Rules
“Consideration”	the total consideration for the Acquisition, being HK\$296,000,000, which shall be satisfied in cash pursuant to the terms of the Acquisition Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholder(s) other than Mr. Zhang and his associates who are entitled to vote at the EGM pursuant to the Listing Rules
“Independent Board Committee”	the independent committee of the Board established by the Company comprising all independent non-executive Directors
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2008 or such other date as agreed by the Vendor and the Company in writing
“Mr. Zhang”	Zhang Yang, an executive Director and the chairman of the Company
“Ms. Wing”	Wing Man Yi, the beneficial owner of the entire issued share capital of the Vendor
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this announcement
“Sale Shares”	the 3,700,000,000 shares of HK\$0.002 each in the capital of China Pipe held by the Vendor

“Share(s)”	share(s) of the Company
“Share Charge”	the legal charge over the Sale Shares executed by the Vendor (as chargor) in favour of the Company (as chargee)
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Maxable International Enterprises Limited, a company incorporated in the British Virgin Islands
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

On behalf of the Board
Interchina Holdings Company Limited
Lam Cheung Shing, Richard
Director and Company Secretary

Hong Kong, 18 December 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.