
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult a 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 together with the accompanying form of proxy 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 the 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)

REFRESHMENT OF GENERAL MANDATE TO ISSUE AND ALLOT SHARES
AND
REFRESHMENT OF THE GENERAL SCHEME LIMIT
UNDER THE SHARE OPTION SCHEME

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



粵海證券有限公司
GUANGDONG SECURITIES LIMITED

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders of Interchina Holdings Company Limited is set out on page 9 of this circular. A letter from Guangdong Securities Limited containing its advice to the Independent Board Committee and the Independent Shareholders of Interchina Holdings Company Limited is set out on pages 10 to 15 of this circular.

A notice convening an extraordinary general meeting (the “EGM”) of Interchina Holdings Company Limited to be held at The Laurel, level 3, Renaissance Kowloon Hotel, 22 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong, Hong Kong on 17 May 2008 at 9:45 a.m. is set out on pages 16 to 18 of this circular. A form of proxy is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy and return the same to the Company’s share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.

24 April 2008

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DEFINITIONS

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

“Board”	the board of Directors
“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
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at The Laurel, level 3, Renaissance Kowloon Hotel, 22 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong on 17 May 2008 at 9:45 a.m. to consider and, if thought fit, approve (i) the grant of the Issue Mandate; and (ii) the Proposed Refreshment
“Existing General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 14 July 2007 to allot, issue or otherwise deal in up to 1,340,380,726 Shares
“Group”	the Company and its subsidiaries
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the grant of the Issue Mandate
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee comprising all independent non-executive Directors established by the Board to advise the Independent Shareholders in respect of the grant of the Issue Mandate

DEFINITIONS

“Independent Shareholders”	any Shareholders other than controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Issue Mandate”	the new mandate proposed to be sought at the EGM to authorise the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM
“Latest Practicable Date”	18 April 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange
“Options”	the options granted under the Share Option Scheme to subscribe for Shares in accordance with the Share Option Scheme
“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
“Proposed Refreshment”	the proposed refreshment of the Scheme Mandate Limit under the Share Option Scheme
“Scheme Mandate Limit”	the maximum number of Shares which may be allotted and issued upon the exercise of all Options which shall not in aggregate exceed 10% of the Shares in issue as at the date of the adoption of the Share Option Scheme and thereafter, if refreshed shall not exceed 10% of the Shares in issue as at the date of the approval of the refreshed limit by the Shareholders
“Share(s)”	share(s) of a nominal value of HK\$0.10 each in the capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company pursuant to an ordinary resolution passed by the Shareholders on 3 September 2002
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Terminated Scheme”	the share option scheme of the Company adopted on 25 July 2000 and terminated by an ordinary resolution of the Shareholders passed on 3 September 2002
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

24 April 2008

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

Dear Sir or Madam,

**REFRESHMENT OF GENERAL MANDATE TO ISSUE AND ALLOT SHARES
AND
REFRESHMENT OF THE GENERAL SCHEME LIMIT
UNDER THE SHARE OPTION SCHEME**

INTRODUCTION

The purposes of this circular are to provide you with information regarding the resolutions to be proposed at the EGM and to give you notice of the EGM. Resolutions will be proposed at the EGM to approve (i) the grant of the Issue Mandate; and (ii) the Proposed Refreshment.

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the grant of the Issue Mandate. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the grant of the Issue Mandate.

LETTER FROM THE BOARD

REFRESHMENT OF THE EXISTING GENERAL MANDATE

At the annual general meeting of the Company held on 14 July 2007, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing General Mandate to allot up to 1,340,380,726 Shares. As at the Latest Practicable Date, 1,012,800,000 Shares were issued under the Existing General Mandate as a result of the exercise of the conversion rights attaching to the convertible notes issued by the Company on 10 August 2007, details of the aforesaid convertible notes are set out in the announcement of the Company dated 7 August 2007. There has not been any refreshment of the Existing General Mandate since the annual general meeting of the Company held on 14 July 2007.

In order to provide flexible means for the Company to raise funds for its future business development and/or through the issue of new Shares, the Board proposes to grant the Issue Mandate for the Directors to allot, issue and otherwise deal with new Shares with an aggregate nominal amount of not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of EGM. The Issue Mandate is proposed to the Shareholders prior to the Company's next annual general meeting, and therefore, under the Listing Rules, the Issue Mandate will be subject to the Independent Shareholders' approval by way of poll at the EGM.

As at the Latest Practicable Date, a total of 19,786,193,632 Shares were in issue. Subject to the passing of the proposed resolution for granting the Issue Mandate to the Directors and on the basis that no Shares will be issued or repurchased by the Company prior to the EGM, the Company will be allowed under the Issue Mandate to issue a maximum of 3,957,238,726 Shares.

The Independent Board Committee, comprising Mr. Wong Hon Sum, Ms. Ha Ping and Dr. Tang Tin Sek, all being the independent non-executive Directors, has been formed to consider the granting of the Issue Mandate. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Pursuant to Rule 13.36(4)(a) of the Listing Rules, any controlling Shareholders and their associates, or where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution to approve the granting of the Issue Mandate to be proposed at the EGM. As at the Latest Practicable Date, the Company has no controlling Shareholder. Mr. Zhang Yang, an executive Director and chairman of the Company, and his associates held 4,492,625,000 Shares, representing approximately 22.71% of the issued share capital and the voting rights of the Company, as at the Latest Practicable Date, will abstain from voting in favour of the resolution to approve the granting of the Issue Mandate and have no intention to vote against the resolution to approve the granting of the Issue Mandate at the EGM. Pursuant to Rule 13.39(4)(b) of the Listing Rules, the vote of the Independent Shareholders in respect of the grant of the Issue Mandate at the EGM will be taken by way of poll.

LETTER FROM THE BOARD

REFRESHMENT OF THE SCHEME MANDATE LIMIT

The Share Option Scheme was adopted by the Company pursuant to the ordinary resolution passed by the Shareholders on 3 September 2002. The purpose of the Share Option Scheme is to provide incentives or rewards to participants thereunder for their contribution or would-be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

Under the Share Option Scheme, the original number of Shares which may be issued upon the exercise of all Options granted or to be granted under the Share Option Scheme was 459,492,363 Shares, representing 10% of the issued share capital as at the date of adoption of the Share Option Scheme and the maximum number of Shares that might be issued upon the exercise of all Options under the Share Option Scheme or other schemes of the Company. Subject to the prior approval by the Shareholders, the Company may, at any time thereafter, refresh the Scheme Mandate Limit to the extent not exceeding 10% of the Shares in issue as at the date of the aforesaid Shareholders' approval.

As at the Latest Practicable Date, Options to subscribe for 459,490,000 Shares, representing approximately 2.32% of the Shares in issue as at the Latest Practicable Date, had been granted under the Share Option Scheme. Unless the Scheme Mandate Limit is refreshed, the Company may only grant options to subscribe for up to 2,363 Shares pursuant to the Share Option Scheme. Particulars of the number of Shares to be subscribed under the exercise of the Options granted under the Share Option Scheme are set forth below:

	Number of Shares
Granted:	459,490,000
Exercise:	371,490,000
Cancelled:	0
Lapsed:	0
Outstanding:	88,000,000

As at the Latest Practicable Date, the total number of Shares in issue was 19,786,193,632. The maximum number of Shares which may be issued upon the exercise of all Options to be granted under the Scheme Mandate Limit as refreshed will be 1,978,619,363 Shares, assuming no further issue or repurchase of Shares prior to the EGM, representing 10% of the issued share capital of the Company as at the date of the approval of the Proposed Refreshment by the Shareholders at the EGM.

An ordinary resolution was passed by the Shareholders on 3 September 2002 for the adoption of the Share Option Scheme and termination of the Terminated Scheme. Apart from the Share Option Scheme and the Terminated Scheme, the Company has no other share option scheme. As at the Latest Practicable Date, no option outstanding under the Terminated Scheme and no further options may be granted under the Terminated Scheme. Options previously granted under the Share Option Scheme (including without limitation those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed.

LETTER FROM THE BOARD

Pursuant to Rule 17.03(3) of the Listing Rules, the Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme, the Terminated Scheme and other share option schemes of the Company shall not exceed 30% of the Shares in issue from time to time. As at the Latest Practicable Date, there are Options to subscribe for 88,000,000 Shares granted and yet to be exercised under the Share Option Scheme, representing approximately 0.44% of the issued share capital of the Company. The Board undertakes that no options shall be granted under any scheme(s) of the Group if this will result in the 30% limit being exceeded.

The Board considers that it is in the interests of the Company to refresh the Scheme Mandate Limit to permit the granting of further Options so as to provide incentives to, and recognise the contributions of, the eligible participants. The Board therefore decided to seek the approval of the Shareholders at the EGM by show of hands to refresh the Scheme Mandate Limit.

The Proposed Refreshment is conditional upon:

- (i) the passing of the necessary ordinary resolution by the Shareholders at the EGM to approve the Proposed Refreshment; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Options to be granted under the refreshed Scheme Mandate Limit.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Options to be granted under the refreshed Scheme Mandate Limit.

EGM

Set out on pages 16 to 18 of this circular is a notice convening the EGM to consider and, if thought fit, to approve the resolutions to approve (i) the grant of the Issue Mandate; and (ii) the Proposed Refreshment.

A form of proxy for use at the EGM is enclosed. If you are unable to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and returning of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

PROCEDURES FOR DEMANDING A POLL

Pursuant to article 73 of the articles of association of the Company, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

- (a) the chairman of the meeting; or

LETTER FROM THE BOARD

- (b) at least three Shareholders present in person or by proxy for the time being entitled to vote; or
- (c) any Shareholder or Shareholders present in person or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) any Shareholder or Shareholders present in person or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which in aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 9 of this circular which contains its recommendation to the Independent Shareholders on the terms of the grant of the Issue Mandate. Your attention is also drawn to the letter of advice from Guangdong Securities as set out on pages 10 to 15 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the grant of the Issue Mandate.

Having considered the reasons set out herein, the Board considers that the proposed resolutions for (i) the grant of the Issue Mandate; and (ii) the Proposed Refreshment are fair and reasonable and are in the best interest of the Company and accordingly, recommend all Independent Shareholders/Shareholders to vote in favour of the resolutions to be proposed at the EGM.

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.

MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully,
For and on behalf of the Board
Interchina Holdings Company Limited
Lam Cheung Shing, Richard
Director and Company Secretary

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



國 中 控 股 有 限 公 司
INTERCHINA HOLDINGS COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

24 April 2008

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

Dear Sir or Madam,

REFRESHMENT OF EXISTING GENERAL MANDATE

We refer to the circular of the Company dated the date hereof (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

We have been appointed by the Board as members to constitute an Independent Board Committee and to advise the Independent Shareholders in respect of the grant of the Issue Mandate.

Guangdong Securities has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the grant of the Issue Mandate is fair and reasonable so far as the Independent Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 10 to 15 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 4 to 8 of the Circular.

Having considered the terms of the grant of the Issue Mandate and the advice of Guangdong Securities, we are of the opinion that the terms of the grant of the Issue Mandate are fair and reasonable so far as the Independent Shareholders are concerned and that the grant of the Issue Mandate is in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the grant of the Issue Mandate.

Yours faithfully,

Wong Hon Sum
*Independent non-executive
Director*

Ha Ping
*Independent non-executive
Director*

Tang Tin Sek
*Independent non-executive
Director*

LETTER FROM GUANGDONG SECURITIES

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the grant of the Issue Mandate for the purpose of inclusion in this circular.



粵海證券有限公司
GUANGDONG SECURITIES LIMITED

Unit 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

24 April 2008

*To: The independent board committee and the independent shareholders
of Interchina Holdings Company Limited*

Dear Sirs,

REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SHARES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the grant of the Issue Mandate, details of which are set out in the letter from the Board (the "Board Letter") contained in the circular dated 24 April 2008 issued by the Company to the Shareholders (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As at the Latest Practicable Date, only a further of 327,580,726 Shares can be issued under the Existing General Mandate which was granted to the Directors at the annual general meeting of the Company held on 14 July 2007. Therefore, the Board proposes to seek approval of the Independent Shareholders for the grant of the Issue Mandate such that the Directors will be granted the authority to issue, allot and deal with new Shares not exceeding 20% of the total issued share capital of the Company as at the date of passing the relevant resolution(s) at the EGM. Pursuant to Rule 13.36(4) of the Listing Rules, the grant of the Issue Mandate requires the approval of the Independent Shareholders at the EGM at which any of the controlling Shareholders (as defined in the Listing Rules) and their associates or, where there are no controlling Shareholder, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates are required to abstain from voting in favour of the resolution(s) proposed for the approval of such grant, and under Rule 13.39(4)(b) of the Listing Rules, any vote of the Independent Shareholders will be taken by way of poll. As at the Latest Practicable Date, the Company had no controlling Shareholder. As such, Mr. Zhang Yang, an executive Director and the chairman of the Company, and his associates who together holds 4,492,625,000 Shares, representing approximately 22.71% of the issued share capital of the Company, shall abstain from voting in favour of the ordinary resolution(s) in respect of the grant of the Issue Mandate.

LETTER FROM GUANGDONG SECURITIES

An Independent Board Committee comprising Mr. Wong Hon Sum, Ms. Ha Ping and Dr. Tang Tin Sek (all being independent non-executive Directors) has been established to advise the Independent Shareholders on the grant of the Issue Mandate. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true, complete and accurate in all material respects at the time when they were made and continue to be so as at the date of the despatch of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful considerations. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our recommendation in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the grant of the Issue Mandate, we have taken into consideration the following principal factors and reasons:

(1) Background of the grant of the Issue Mandate

The Group is principally engaged in (i) environmental protection and water treatment operation; (ii) city development and investment operation; (iii) property investment operation; and (iv) securities and financial operation.

The Directors are authorised to issue and allot up to 1,340,380,726 new Shares under the Existing General Mandate which was granted to the Directors at the annual general meeting of the Company held on 14 July 2007.

LETTER FROM GUANGDONG SECURITIES

Following the conversion of the convertible notes of the Company in the principal amount of HK\$132,676,800 issued to Mr. Li Gong Tao in full on 6 August 2007 (details of which have been set out in the announcement of the Company dated 7 August 2007), a total of 1,012,800,000 conversion shares were issued under the Existing General Mandate (the “Conversion Shares”). The Existing General Mandate has been utilised as to 1,012,800,000 Shares, representing approximately 75.56% of the Existing General Mandate.

If the Issued Mandate is not granted, only 327,580,726 new Shares may be further issued and allotted by the Directors under the Existing General Mandate. Given that the Existing General Mandate has been largely utilised as a result of the issue of the Conversion Shares, the Board proposes to seek approval of the Independent Shareholders for the grant of the Issue Mandate so that the Directors will be granted the authority to issue, allot and deal with new Shares not exceeding 20% of the total issued share capital of the Company as at the date of passing the relevant resolution(s) at the EGM.

As at the Latest Practicable Date, the Company had 19,786,193,632 Shares in issue. On the basis that no Shares would be issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the EGM, the grant of the Issue Mandate would allow the Directors to issue, allot, issue and deal with up to 3,957,238,726 new Shares, representing 20% of the aforesaid issued share capital of the Company.

(2) Reasons for the grant of the Issue Mandate

As advised by the Directors, the Directors believe that the grant of the Issue Mandate is in the interests of the Company and the Shareholders as a whole by maintaining the financial flexibility necessary for the Group’s future business development. The Directors also consider equity financing to be an important avenue of resources to the Group since it does not create any interest paying obligations on the Group.

We noted from the audited annual reports of the Company for the past few years that the Group has been suffering from persistent losses since 2004. In order to turnaround the unsatisfactory business performance of the Group, the Directors shall try to continue to actively acquire new projects for the Group.

In this regard, we are of the opinion that the grant of the Issue Mandate would provide the Company with the necessary flexibility for fulfilling any possible funding needs for future business development and/or investment decisions. Accordingly, we are of the view that the grant of the Issue Mandate is in the interests of the Company and the Independent Shareholders as a whole.

(3) Equity fund raising activities in the past twelve months

Save as and except for the following fund raising activities, the Company has not conducted any fund raising activity during the past twelve months:

- (i) According to the announcement of the Company dated 6 July 2007, the Company has entered into a subscription agreement with Mr. Zhang Yang on 5 July 2007 (the “Subscription”) pursuant to which the Company has agreed to (i) issue a total

LETTER FROM GUANGDONG SECURITIES

of 2,700,000,000 Shares to Mr. Zhang Yang; and (ii) grant the first tranche convertible option and the second tranche convertible option to Mr. Zhang Yang to subscribe for the first tranche convertible notes and the second tranche convertible notes respectively at a conversion price of HK\$0.10 per conversion share. The net proceeds from the Subscription are approximately HK\$2,139 million in aggregate, which are intended to be utilised by the Group in the following manner: (i) approximately HK\$1,300 million for expansion of the Group's environmental protection and water treatment business; (ii) approximately HK\$600 million for expansion of the Group's city development business; and (iii) the balance of approximately HK\$239 million as the Group's general working capital. The Directors confirmed that such proceeds have been applied as intended. Your attention is drawn to the aforementioned announcement of the Company dated 6 July 2007 for further details of the Subscription; and

- (ii) According to the announcement of the Company dated 7 August 2007, the Company has entered into an agreement with Mr. Li Gong Tao on 6 August 2007 pursuant to which the Company shall (i) pay an amount of HK\$4,189 in cash; and (ii) issue the convertible notes (in the principal amount of HK\$132,676,800) at a conversion price (equivalent to HK\$0.131 per Conversion Share) to Mr. Li Gong Tao for the settlement of HK\$132,680,989, being the remaining balance of an acquisition by the Group. The Directors confirmed that the Company has already settled the said outstanding loans using the proceeds from the issue of the convertible notes. Your attention is drawn to the announcement of the Company dated 7 August 2007 for further details of the issue of the said convertible notes. As mentioned under the section under "Background of the grant of Issue Mandate" of this letter, the said convertible notes have already been converted into the Conversion Shares.

(4) Flexibility in financing

We consider that the grant of the Issue Mandate would provide the Company with the necessary flexibility for fulfilling any possible funding needs for future business development and/or investment decisions. In addition, the grant of the Issue Mandate would provide the Company with the flexibility as allowed under the Listing Rules to issue and allot new Shares for equity fund raising activities, such as placing of new Shares, or as consideration for potential investments or acquisitions in the future as and when such opportunities arise. Furthermore, the additional amount of equity which may be raised after the grant of the Issue Mandate would provide the Group with more financing options when assessing and negotiating on potential acquisitions in a timely manner. Given the financial flexibility available to the Company as discussed above, we are of the opinion that the grant of the Issue Mandate is in the interests of the Company and the Shareholders as a whole.

(5) Other financing alternatives

We have enquired into the Directors and the Directors confirmed that apart from equity financing, the Group will also consider debt financing, such as bank borrowings and issue of bonds, to be other possible fund raising sources available to the Group. However, the Directors are of the view that that the ability of the Group to obtain bank borrowings

LETTER FROM GUANGDONG SECURITIES

usually depends on the Group's profitability, financial position and the then prevailing market condition. Furthermore, such alternative may be subject to lengthy due diligence and negotiations with the banks. Given also that debt financing will usually incur interest burden on the Group, the Directors consider debt financing to be relatively uncertain, impracticable and time-consuming as compared to equity financing, such as placing of new Shares, for the Group to obtain additional funding.

The Directors confirmed that they would exercise due and careful consideration when choosing the best financing method available to the Group. Having this being the case, along with the fact that the grant of the Issue Mandate will provide the Company with an additional alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future business development, we are of the view that the grant of the Issue Mandate is in the interests of the Company and the Shareholders as a whole.

(6) Potential dilution to shareholding of the public Shareholders

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilisation of the Issue Mandate (assuming no other Shares are issued or repurchased by the Company):

	Shareholding in the Company as at the Latest Practicable Date		Shareholding in the Company upon full utilisation of the Issue Mandate (assuming no other Shares are issued or repurchased by the Company)	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Mr. Zhang Yang	4,492,625,000	22.71	4,492,625,000	18.92
Mr. Chan Tim Shing	1,560,000,000	7.88	1,560,000,000	6.57
Public Shareholders	13,733,568,632	69.41	13,733,568,632	57.84
Shares to be issued under the Issue Mandate	Nil	Nil	3,957,238,726	16.67
Total	<u>19,786,193,632</u>	<u>100.00</u>	<u>23,743,432,358</u>	<u>100.00</u>

The table above illustrates that the shareholding of the public Shareholders would decrease from approximately 69.41% as at the Latest Practicable Date to approximately 57.84% upon full utilisation of the Issue Mandate (assuming no other Shares are issued or repurchased by the Company). Such potential dilution to the shareholding of the public Shareholders represents a dilution of approximately 11.57 percent point.

Taking into account that the Issue Mandate (i) would provide an alternative to increase the amount of capital which may be raised under the Issue Mandate; (ii) would provide more options of financing to the Group for further development of its business as well as in other potential future investment and/or acquisitions as and when such opportunities arise; and (iii) the shareholding interests of all the Shareholders in the Company will be diluted in

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proportion to their respective shareholdings upon any utilisation of the Issue Mandate, we are of the opinion that the potential dilution to the shareholdings of the public Shareholders as just mentioned is acceptable.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the grant of the Issue Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the grant of the Issue Mandate and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

NOTICE OF EGM



國 中 控 股 有 限 公 司
INTERCHINA HOLDINGS COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**EGM**”) of Interchina Holdings Company Limited (the “**Company**”) will be held at The Laurel, level 3, Renaissance Kowloon Hotel, 22 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong on 17 May 2008 at 9:45 a.m. to consider and, if thought fit, pass with or without modifications, the following resolutions which will be proposed as ordinary resolutions as indicated below:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company (“**Directors**”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and otherwise deal with additional shares of the Company (“**Shares**”) or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares, and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorisations given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
 - (i) a Rights Issue (as hereinafter defined);
 - (ii) the exercise of rights of subscription or conversion under terms of any warrants issued by the Company or any securities which are convertible into Shares;

NOTICE OF EGM

(iii) the exercise of any option scheme or similar arrangements for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or right to acquire Shares;

(iv) any scrip dividend or similar arrangements providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company;

shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution and the said approval shall be limited accordingly;

(d) subject to the passing of each of the paragraphs (a), (b) and (c) of this Resolution, any prior approvals of the kind referred to in paragraphs (a), (b) and (c) of this Resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and

(e) for the purpose of this Resolution:

“**Relevant Period**” means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the articles of association of the Company to be held; or

(iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting;

“**Rights Issue**” means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the Directors to holders of Shares or any class thereof on the register on a fixed record date in proportion to their then holdings of such Shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

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2. “**THAT** subject to and conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of, the listing of and permission to deal in, the Shares to be issued pursuant to the exercise of options granted under the refreshed scheme mandate limit (the “**Refreshed Scheme Mandate Limit**”) under the share option scheme adopted by an ordinary resolution passed by the shareholders of the Company on 3 September 2002 in the manner as set out in paragraph (a) of this Resolution below,
- (a) the refreshment of the Refreshed Scheme Mandate Limit of up to 10% of the Shares in issue as at the date of passing of this Resolution be and is hereby approved; and
- (b) the Directors be and are hereby authorised to do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary or expedient to give effect to the foregoing arrangement.”

Yours faithfully,
For and on behalf of the Board
Interchina Holdings Company Limited
Lam Cheung Shing, Richard
Director and Company Secretary

Hong Kong, 24 April 2008

Registered office:
Room 701, 7th Floor
Aon China Building
29 Queen’s Road Central
Hong Kong

Notes:

1. A shareholder of the Company (“**Shareholder**”) entitled to attend and vote at the EGM may appoint one or more proxies to attend and to vote in his stead. A proxy need not be a Shareholder.
2. Where there are joint registered holders of any Share, any one such person may vote at the EGM, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy when duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the share registrar of the Company in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. As at the date of this notice, 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.