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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)

MAJOR TRANSACTION AND RESUMPTION OF TRADING

On 3 August 2008, CIC, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement in relation to the Disposal (being the disposal of the Land) at the Consideration (being RMB474,266,500), which shall be satisfied in cash.

As a result of the Disposal, the Group is expected to realise a gain. The Board intends to use the net proceeds from the Disposal to provide the Group with additional working capital for the environmental protection and water treatment operations as well as for general working capital purpose.

The Disposal constitutes a major transaction for the Company under the Listing Rules and Completion is subject to the approval of the Shareholders at the EGM. As at the date of this announcement, to the best knowledge of the Directors, no Shareholder will be required to abstain from voting at the EGM.

A circular of the Company containing, among other things, details of the Agreement and the transaction contemplated thereunder, the valuation report of the Land and a notice of the EGM in compliance with the Listing Rules will be despatched to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 4 August 2008 pending the publication of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 6 August 2008.

THE AGREEMENT

Date

3 August 2008

Parties

- Vendor : CIC, which is owned (i) as to 38.89% by the Company; and (ii) as to 61.11% by 國中(長沙)體育新城投資項目管理有限公司(Interchina (Changsha) Investments and Management Company Limited), itself being a wholly-owned subsidiary of the Company
- Purchaser : the Purchaser, being 廣州市廣域實業有限公司 (Guangzhou Guang Yu Enterprises Limited*). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Group and its connected persons (as defined in the Listing Rules). To the best of the Directors' knowledge, each of the Purchaser and its associates (as defined in the Listing Rules) does not hold any Share as at the date of this announcement. As informed by the Purchaser, the Purchaser is principally engaged in real estate development.

Assets to be disposed

The Land, being three plots of land situated on the south of the City Sports Park of Yuhua District, north of Qutang Road, west of Baishawan Road and east of Gaoning Road in Changsha, the PRC (長沙市雨花區市體育公園以南，曲塘路以北，白沙灣路以西，高嶺路以東) with an aggregate area of approximately 214,254.87 sq. m..

As at the date of this announcement, the Land has not yet been developed. Relocation of certain existing occupants (拆遷) are still in progress.

As at the date of this announcement, the Land is under a charge to secure a bank loan obtained by the Group in the aggregate amount of RMB45,000,000 (the "**Bank Loan**").

Conditions precedent

The Disposal is subject to the following conditions:

1. the approval of CIC's shareholders in relation to the Agreement and the transaction contemplated thereunder having been obtained; and
2. the approval of the Shareholders at the EGM in relation to the Agreement and the transaction contemplated thereunder having been obtained.

Other terms of the Agreement

1. Due diligence review

The Purchaser shall be entitled to conduct a due diligence review on the Land within 5 business days after the date of the Agreement. In the event the Purchaser is not satisfied with the results of the due diligence review, the Purchaser shall be entitled to terminate the Agreement.

2. Relocation of remaining occupants

CIC shall be responsible for relocation of the remaining occupants. It shall procure execution of an agreement by CIC, the Purchaser and the Relocation Company within 15 days after the Conditions Fulfilment Date in relation to the relocation of the remaining occupants. CIC shall be solely responsible for the relocation costs in the amount below RMB55,000,000. In the event the relocation costs exceed RMB55,000,000, CIC shall bear 90% of the excess amount while the Purchaser shall bear 10% of the excess amount.

3. Payment of loan and documentation

Within 5 days after receipt of the Deposit (being RMB60,000,000), RMB15,000,000 shall be applied to pay up outstanding construction fees and RMB45,000,000 shall be applied to repay the Bank Loan in order to release the charge on the Land.

Within 40 days after the Conditions Fulfilment Date, CIC shall procure transfer of the land use right of the Land to the Purchaser and that the new land use right certificate be issued in the name of the Purchaser. In the event the new land use right certificate has not been obtained within 90 days after the Conditions Fulfilment Date, the Purchaser shall be entitled to terminate the Agreement and CIC shall pay an amount equivalent to 200% of the Deposit to the Purchaser.

Delivery of Land

Within 15 days after the Conditions Fulfilment Date, CIC shall deliver the Land (except such portion which is still subject to relocation as set out in the paragraph headed “2. Relocation of remaining occupants” above) to the Purchaser.

In relation to the delivery of such portion of Land which is subject to relocation as set out in the paragraph headed “2. Relocation of remaining occupants” above, the Relocation Company shall be responsible for delivery.

Consideration

The Consideration in the amount of RMB474,266,500 is to be payable in cash, of which:

- (1) RMB160,000,000 (the “**First Instalment**”, which shall have included the Deposit in the amount of RMB60,000,000) shall be payable within 3 business days after the date on which the new land use right certificate of the Land has been obtained. The Deposit, however, is payable within 3 business days after completion of the due diligence review conducted by the Purchaser in accordance with the paragraph headed “1. Due diligence review” above;
- (2) RMB205,000,000 shall be payable within 3 months after payment of the First Instalment; and
- (3) RMB109,266,500 shall be payable after all costs and expenses in relation to, among others, the relocation of remaining occupants of the Land and repayment of outstanding loan (if any) in relation to the Land have been made. The aforesaid costs, expenses and repayments payable in relation to the Land (if any) shall be deducted and set off against such instalment of the Consideration. In the event the amount of such costs, expenses and repayments exceeds such instalment amount, CIC shall reimburse the Purchaser of the excess.

As at the date of this announcement, the construction area of the Land amount to approximately 417,515 sq. m. and such amount has been warranted by CIC to the Purchaser in the Agreement. At the request of the Purchaser for its protection upon any breach of such warranty, it was agreed between CIC and the Purchaser that in the event the government shall reduce the construction area of the Land within 4 months after Completion, the Consideration shall be subject to reduction. It is intended that the Consideration be reduced by RMB1,100 per sq. m. in the event of any reduction of the construction area. As at the date of this announcement, the Board does not expect there would be any material adjustment to the Consideration based on the above. In the event there should be any adjustment to the Consideration, the Company will publish an announcement to inform the Shareholders and the public.

The Consideration (including the adjustment mechanism) is determined after arm’s length negotiations between CIC and the Purchaser with reference to the preliminary valuation of the Land as at 31 July 2008 conducted by a professional valuer, a third party independent of the Group and its connected person (as defined in the Listing Rules), in the amount of RMB420,000,000. The Directors consider the terms of the Agreement (including the Consideration and the relevant adjustment mechanism) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REASONS FOR THE DISPOSAL

The Group is principally engaged in the investment in environmental and water treatment operation and city development and investment operation as well as strategic investment in Hong Kong and the PRC.

The Directors consider that, after the introduction of new macroeconomic control measures on property developers in the PRC and the recent stagnation in the economy, there is an increased uncertainty for favourable return which the Company may obtain from its investment in property development in the PRC. The Directors believe that the Disposal will provide the Group with additional working capital

for the existing water treatment operations. The Group will continue to identify business opportunities in property investment in the PRC which will provide a stable and favourable return and as a result enhancing the earning base and investment value of the Group.

FINANCIAL EFFECT OF THE DISPOSAL

Based on the unaudited consolidated management accounts of the Group as at 30 June 2008, the net book value of the Land was approximately RMB226,365,000 as at 30 June 2008. It is estimated that, upon completion of the Disposal, the Group will record a net gain, less all related expenses, of approximately RMB246,000,000, subject to the relevant tax expenses and audit adjustment (if any).

USE OF PROCEEDS

Subject to any adjustment to the Consideration as set out above, the net proceeds of the Disposal is expected to amount to approximately RMB412,365,000, which is intended to be used as additional working capital for the Group's environmental protection and water treatment operations as well as for general working capital purpose.

GENERAL

The Disposal constitutes a major transaction for the Company under the Listing Rules. The Disposal is subject to the approval of the Shareholders at the EGM. As at the date of this announcement, to the best knowledge of the Directors, no Shareholder is required to abstain from voting at the EGM.

A circular of the Company containing, among other things, details of the Agreement and the transaction contemplated thereunder, the valuation report of the Land and a notice of the EGM in compliance with the Listing Rules will be despatched to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 4 August 2008 pending the publication of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 6 August 2008.

DEFINITIONS

“Agreement”	a conditional sale and purchase agreement entered into between CIC and the Purchaser on 3 August 2008 in relation to the Disposal
“Board”	the board of Directors
“Completion”	completion of the Disposal
“Conditions Fulfilment Date”	the date on which all conditions precedent to the Disposal have been fulfilled

“Consideration”	the total consideration for the sale and purchase of the Land, being RMB474,266,500
“CIC”	長沙國中星城置業有限公司 (Changsha Interchina Star City Company Limited), a company established in the PRC and a wholly-owned subsidiary of the Company
“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
“Deposit”	RMB60,000,000, which constitutes part of the Consideration
“Directors”	the directors of the Company
“Disposal”	the disposal of the Land
“EGM”	extraordinary general meeting of the Company to be held to consider and to approve, among others, the Agreement and the transaction contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	three plots of land situated on the south of the City Sports Park of Yuhua District, north of Qutang Road, west of Baishawan Road and east of Gaoning Road in Changsha, the PRC (長沙市雨花區市體育公園以南，曲塘路以北，白沙灣路以西，高嶺路以東) with an aggregate area of approximately 214,254.87 sq. m.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	廣州市廣域實業有限公司 (Guangzhou Guang Yu Enterprises Limited*)
“Relocation Company”	長沙市土地開發建設有限公司 (Changsha Land Development and Construction Company Limited*), the company responsible for carrying out the relocation of existing occupants on the Land
“Shares”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholders”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Reminbi, the lawful currency of the PRC
“sq. m.”	square metre

Conversion of RMB into HK\$ is based on the exchange rate of RMB0.876 = HK\$1.00.

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

Hong Kong, 5 August 2008

** for identification purpose only*

As at the date of this announcement, the executive Directors are Mr. Zhang Yang, Mr. Zhu Yongjun, 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.