



INTERCHINA HOLDINGS COMPANY LIMITED

國 中 控 股 有 限 公 司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

UPDATE IN RELATION TO THE ACQUISITION OF THE EQUITY INTEREST OF BLACK DRAGON

Reference is made to the announcements of the Company dated 24 August 2007, 15 November 2007 and 21 December 2007, as well as the circulars of the Company dated 3 December 2007 and 31 January 2008.

BACKGROUND

Black Dragon Transfer

As set out in the above announcements and circulars of the Company, Interchina (Tianjin) (being a wholly-owned subsidiary of the Company) has conditionally agreed to acquire the Sale Shares (representing approximately 70.21% of the issued share capital of Black Dragon) at the consideration of RMB420 million pursuant to the Amended Black Dragon Share Transfer Agreement.

Completion of the Black Dragon Transfer is conditional upon the following conditions:

1. approvals having been obtained from the shareholders of Interchina (Tianjin), the Vendor and the Company for the Black Dragon Transfer, and the Black Dragon Transfer not having violated any rules and regulations of the Stock Exchange and the Shanghai Stock Exchange;
2. all consents and other necessary approvals in respect of the Black Dragon Transfer having been obtained from the relevant state-owned assets regulating departments of the PRC which, as advised by the Vendor, are the SASAC and its local management authorities in Heilongjiang Province; and
3. the CSRC not having raised any objections within the statutory time limit after submission of the 上市公司收購報告書 (Acquisition Report of Listed Company), which includes the Restructuring Proposal. According to the 上市公司收購管理辦法 (The Management Measure on Acquisitions of Listed Companies) issued by the CSRC on 31 July 2007, the statutory time limit for the application for waiver of general offers, which is included in the 上市公司收購報告書 (Acquisition Report of Listed Company), should be 20 business days after the submission of the application.

Black Dragon is a company established in the PRC and its A shares are listed on the Shanghai Stock Exchange. At the request of the Shanghai Stock Exchange, A shares of Black Dragon commenced suspension of trading on the Shanghai Stock Exchange on 18 May 2006. As a condition to the resumption of trading in Black Dragon's A shares, Interchina (Tianjin) shall conduct the Share Segregation Reform (being the conversion of the non-circulating Sale Shares into listed A shares).

As at the date of this announcement, A shares of Black Dragon remain suspended in trading on the Shanghai Stock Exchange and completion of the Black Dragon Transfer has not yet taken place.

Loan to Black Dragon

As further set out in the above announcements and circulars of the Company, Interchina (Tianjin) entered into the Agency Agreement with Black Dragon and the Vendor, pursuant to which Interchina (Tianjin) has advanced the Loan to Black Dragon for acquisition of the Water Projects.

As at the date of this announcement, the Loan has not yet been repaid.

UPDATE ON PROGRESS

Black Dragon Transfer

Pursuant to the extraordinary general meeting of the Company held on 25 February 2008, the Company has obtained approval from the Shareholders approving the transactions contemplated under the Amended Black Dragon Share Transfer Agreement.

As regards the approvals required in the PRC, the Board understands that since the Black Dragon Transfer involves the acquisition of a PRC listed company by a non-PRC entity, approvals are required on numerous levels of the PRC government, including 齊齊哈爾市國有資產委員會 (The State-owned Assets Supervision and Administration Commission of Qiqihar), 黑龍江省國有資產委員會 (The State-owned Assets Supervision and Administration Commission of Heilongjiang Province), SASAC, 齊齊哈爾市商務局 (Qiqihar Municipal Bureau of Commerce), 黑龍江省商務廳 (Department of Commerce of Heilongjiang Province), 中國商務部 (Ministry of Commerce of the PRC) and the CSRC. The Board further understands in relation to the approval to be given by 中國商務部 (Ministry of Commerce of the PRC), 中國商務部 (Ministry of Commerce of the PRC) would also need to seek internal approvals from, among others, 中國住房和城鄉建設部 (Ministry of Housing and Urban-Rural Development of the PRC), 國家工商總局 (State Administration For Industry and Commerce), 國家外匯管理局 (State Administration of Foreign Exchange), 國家稅務總局 (State Administration of Taxation) and the CSRC. As at the date of this announcement, the Board understands approvals have already been obtained from the State-owned Assets Supervision and Administration Commission at provincial and municipal level, 商務廳(局) (Municipal Bureau of Commerce/Department of Commerce) and SASAC, and 中國商務部 (Ministry of Commerce of the PRC) has also obtained some no-comment opinions from 中國住房和城鄉建設部 (Ministry of Housing and Urban-Rural Development of the PRC), 國家工商總局 (State Administration For Industry and Commerce), 國家外匯管理局 (State Administration of Foreign Exchange), 國家稅務總局 (State Administration of Taxation) and the CSRC. Such internal approval procedures within 中國商務部 (Ministry of Commerce of the PRC) are at its final stage.

As regards the Share Segregation Reform, approvals from the board and shareholders of Black Dragon have already been obtained. Further, approvals from the CSRC and the Shanghai Stock Exchange have also been obtained.

Accordingly, the Board is pleased to announce that the Black Dragon Transfer is at its final stage for completion purpose.

Loan to Black Dragon

Pursuant to the Agency Agreement, Interchina (Tianjin) has advanced the Loan to Black Dragon for acquisition of the Water Projects. In order to protect the interests of Interchina (Tianjin), on 16 January 2008, Interchina (Tianjin) has applied for judicial moratorium of the Sale Shares in order to secure repayment of the Loan. The judicial moratorium period commenced from 16 January 2008 and ended on 15 July 2008. Since the Black Dragon Transfer has not yet been completed, Interchina (Tianjin) further applied for and has been granted a continuation of the above judicial moratorium, which commenced from 18 July 2008 and shall continue until 27 July 2010. In the event completion of the Black Dragon Transfer takes place on or before 27 July 2010, Interchina (Tianjin) will apply for termination of the judicial moratorium. Accordingly, the Board does not consider the judicial moratorium will have any material adverse impact on the Black Dragon Transfer.

DEFINITIONS

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

“Agency Agreement”	the agency agreement dated 15 November 2007 entered into among Interchina (Tianjin), Black Dragon and the Vendor
“Amended Black Dragon Share Transfer Agreement”	the Black Dragon Share Transfer Agreement (as amended and supplemented by the Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement) in respect of the Black Dragon Transfer
“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 its A shares are listed on the Shanghai Stock Exchange
“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 Sale Shares from the Vendor to Interchina (Tianjin)
“Board”	the board of Directors

“Company”	Interchina Holdings Company Limited, a company incorporated in Hong Kong and the issued shares of which are listed on the Stock Exchange
“CSRC”	中國證券監督管理委員會(China Securities Regulatory Commission)
“Director(s)”	director(s) of the Company
“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“Interchina (Tianjin)”	Interchina (Tianjin) Water Treatment Company Limited, a company established in the PRC and is a wholly-owned subsidiary of the Company
“Loan”	the loan in the amount of approximately RMB173 million 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
“Restructuring Proposal”	the restructuring proposal of Black Dragon in relation to the resumption of trading in its shares on the Shanghai Stock Exchange
“Sale Shares”	229,725,000 domestic shares of Black Dragon of RMB1.00 each
“SASAC”	中國國務院國有資產監督管理委員會(The State-owned Assets Supervision and Administration Commission of the State Council of the PRC)
“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)
“Shareholder(s)”	holder(s) of the shares of the Company
“Share Segregation Reform”	公司股權分置改革 (Share Segregation Reform) of Black Dragon, being conversion of the non-circulating Sale Shares into listed A 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, among others, the terms of the Black Dragon Share Transfer Agreement
“Third Supplemental Agreement”	the supplemental agreement dated 17 December 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 and the Second Supplemental Agreement)
“Vendor”	黑龍集團公司 (Heilong Group Limited*), a company established in the PRC
“Water Projects”	the water projects which were intended to be acquired by Black Dragon as part of the Restructuring Proposal
“RMB”	renminbi, the lawful currency of the PRC
%	per cent.

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

Hong Kong, 7 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.