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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 DISPOSAL AND RESUMPTION OF TRADING**

The Board announces that on 10 December 2008, the Company entered into the Agreement with the Purchaser pursuant to which the Company has conditionally to sell, and the Purchaser has conditionally agreed to acquire, the Sale Interests and the Sale Loan at a total consideration of RMB330 million, which will be settled in cash.

The Disposal constitutes a very substantial disposal for the Company under the Listing Rules and is conditional upon 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, further details of the Agreement and the transactions contemplated thereunder, together with a notice of EGM, 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 11 December 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 15 December 2008.

## THE AGREEMENT

**Date:** 10 December 2008

**Parties:**

- (i) Vendor: the Company; and
- (ii) Purchaser: 上海方華實業發展有限公司 (Shanghai Fanghua Shiye Development 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 of its connected persons (as defined in the Listing Rules). As informed by the Purchaser, it is principally engaged in trading and investment activities in the PRC.

**Assets to be disposed of**

- (i) The Sale Interests, being 100% equity interest of ICIM and 38.9% equity interest of CIC. CIC is owned as to 38.9% by the Company and as to 61.1% by ICIM.
- (ii) the Sale Loan, being the non-interest bearing loan due from ICIM to the Company. As at 31 October 2008, the Sale Loan amounted to RMB570 million.

**Consideration**

The total consideration for the Disposal is RMB330 million of which

- (i) RMB35 million represents the consideration for 38.9% equity interest in CIC held directly by the Company (which also represents the initial investment costs of the Company);
- (ii) RMB150 million represents the consideration for the 100% equity interest in ICIM held by the Company (which also represents the initial investment costs of the Company); and
- (iii) RMB145 million represents the consideration for the Sale Loan.

The consideration shall be settled by the Purchaser in cash in the following manner:

- (i) as to RMB70 million shall be paid within ten (10) business days after the signing of the Agreement as deposit and part payment of the consideration;
- (ii) as to RMB130 million shall be paid within five (5) business days after the approval of the Disposal by the Shareholders at the EGM as deposit and part payment of the consideration; and
- (iii) as to the remaining balance of RMB130 million shall be paid within five (5) months after the approval of the Disposal by the Shareholders at the EGM.

The consideration was determined after arm's length negotiations between the Purchaser and the Company with reference to (i) the unaudited combined net liabilities of ICIM and CIC prepared under HKFRSs as at 30 September 2008 of approximately HK\$40,941,000 (which has included the amount of the Sale Loan as at 30 September 2008); (ii) the preliminary valuation of the Land, being the major asset of CIC, in the amount of RMB867,900,000 as at 30 September 2008, assessed by RHL Appraisal Limited, the independent professional valuers; and (iii) the fact that the Sale Loan is unlikely to be repaid in view of the tight cashflow of ICIM; (iv) the estimated further costs to be incurred to complete the construction work of Interchina Mall and New Sports City Blocks 1-4 (as set out below in the paragraph headed "Reasons for the Disposal"), which shall be situated on the Land. The preliminary valuation of the Land has been prepared assuming construction of the Interchina Mall and New Sport City Block 1-4 has been completed, using the direct comparison method and the depreciated replacement cost method.

### **Conditions Precedent**

Completion shall be conditional upon:

1. the passing of the relevant resolutions at the EGM by the Shareholders for approving the Agreement and transactions contemplated therein; and
2. all necessary approvals from the securities authorities having been obtained in relation to the Disposal and the announcement and circular of the Company in relation to the Disposal having been published.

The approvals from securities authorities referred to condition precedent 2 above include any approvals that might be required from the Stock Exchange or the Securities of Futures Commission of Hong Kong. If the conditions precedent above are not satisfied within 6 months from the date of the Agreement, the Agreement shall lapse and neither party to the Agreement will have any liabilities save for any antecedent breaches thereof.

### **Other terms of the Agreement**

#### *1. Due diligence*

Upon the signing of the Agreement, the Purchaser shall appoint a firm of auditors conduct due diligence exercise on ICIM and CIC in respect of their respective assets and liabilities as at 31 October 2008. For the avoidance of doubt, no adjustment will be made to the consideration of the Disposal upon completion of such due diligence exercise.

#### *2. Execution of transfer documents*

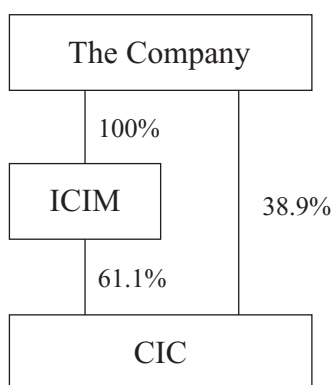
Subject to the satisfaction of the conditions precedent set out in the paragraph headed "Conditions precedent" above, within 9 months after the date of the Agreement, the Company and the Purchaser shall execute the transfer documents regarding the Disposal for the purpose of registration of such transfer with the Government of Changsha in Hunan Province, the PRC

## Completion

Completion shall take place upon the registration of transfer of the respective Sale Interests in ICIM and CIC with the Government of Changsha in Hunan Province, the PRC. Such registration of transfer shall be conducted upon (i) the approval of the Disposal by the Shareholders at the EGM; and (ii) the receipt of the consideration in full by the Company. In the event Completion does not take place due to the fault of the Company or that the Sale Interests have been transferred to any other party prior to Completion, the Purchaser shall be entitled to demand for payment of an amount equivalent to 10% of the aggregate consideration of the Disposal.

## SHAREHOLDING STRUCTURE OF ICIM AND CIC

Set out below is the shareholding structure of ICIM and CIC as at the date of this announcement:



## INFORMATION ON ICIM

ICIM was established in the PRC on 24 May 2002. ICIM did not conduct any business activity or hold any asset except the holding of the 61.1% equity interest of CIC as at the date of this announcement.

Set out below is the audited financial information (which has not been prepared on a consolidated basis) of ICIM for the two years ended 31 March 2008 and the unaudited financial information of ICIM for the six months ended 30 September 2008, which were prepared in accordance with PRC GAAP and as adjusted in accordance with HKFRSs:

	<b>For the six months ended 30 September 2008</b> <i>(unaudited)</i> <i>(HK\$)</i>	<b>For the year ended 31 March 2008</b> <i>(audited)</i> <i>(HK\$)</i>	<b>For the year ended 31 March 2007</b> <i>(audited)</i> <i>(HK\$)</i>
Net loss before tax	3,492,000	5,042,000	5,642,000
Net loss after tax	3,492,000	5,042,000	5,642,000

The unaudited net assets value of ICIM prepared under HKFRSs was approximately HK\$146,311,000 as at 30 September 2008. Approximately HK\$63,218,000 represented the investment costs of the 61.1% equity interest in CIC.

## INFORMATION ON CIC

CIC was established in the PRC on 23 September 2002. The principal business of CIC is properties investment and development in the PRC. As at the date of this announcement, the main assets of CIC were the Land.

Set out below is the audited financial information of CIC for the two years ended 31 March 2008 and the unaudited financial information of CIC for the six months ended 30 September 2008, which were prepared in accordance with PRC GAAP, which will be adjusted in accordance with HKFRSs for disclosure in the circular of the Company regarding the Disposal:

	<b>For the six months ended 30 September 2008</b>	<b>For the year ended 31 March 2008</b>	<b>For the year ended 31 March 2007</b>
	<i>(unaudited)</i> <i>(HK\$)</i>	<i>(audited)</i> <i>(HK\$)</i>	<i>(audited)</i> <i>(HK\$)</i>
Net loss before tax	124,978,000	21,665,000	5,194,000
Net loss after tax	124,978,000	21,665,000	5,194,000

For the purpose of compliance with the HKFRSs, an impairment loss of HK\$120,508,000 in relation to the Interchina Mall and New Sport City Block 1-4 has been recognised in the net loss before and after tax of CIC for the six months ended 30 September 2008 in accordance with HKFRSs. Apart from such adjustment, there would have been no other material difference if the net losses before and after tax of CIC were prepared under the accounting standards adopted by the Group.

The unaudited net liabilities value of CIC prepared under HKFRSs was approximately HK\$124,034,000 as at 30 September 2008.

## 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.

CIC's major asset is the construction and development project of the Land. The construction costs of the Land have been financed by bank borrowings and advance from the Company. Taking into account the series of macroeconomic control measures on property developers in the PRC, CIC as a small developer in the PRC has been facing difficulties to obtain further funding through bank borrowings, the construction work of the Interchina Mall and New Sport City Block 1-4 have not been completed for almost 5 years since its construction work commenced at the end of 2003. During such 5-year period, the construction of the Interchina Mall has been carried on on a continual basis but at a very slow pace

and the construction of the New Sport City Block 1-4 was ceased at or around the middle of 2008. Based on the latest stage as well as the budget of the construction of the Interchina Mall and New Sport City Block 1-4, it is estimated that CIC should further invest approximately RMB250,000,000 to complete the construction. It mainly represents the construction costs payable to the construction contractors and material suppliers etc.. As at 30 September 2008, no construction or supply contracts have been signed for the purpose of such further investment. The Directors consider that in light of the introduction of macroeconomic control measures on property developers in the PRC and the recent stagnation in the economy, uncertainty of investment in property development in the PRC have increased. The huge capital needed to continue the development of the project also increased the risks of investment and reduced the financial resources available to other core business operation of the Group. The Directors believe that the Disposal at this stage is appropriate and will provide the Group with additional working capital for the existing environmental protection and water treatment operations.

The Directors (including the independent non-executive Directors) consider that the Agreement is on normal commercial terms and the terms of which are fair and reasonable and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL EFFECT OF THE DISPOSAL**

Upon Completion, both ICIM and CIC will cease to be the subsidiaries of the Company.

Based on (i) the total consideration of RMB330,000,000 (equivalent to approximately HK\$379,310,000; (ii) the unaudited combined net liabilities value of ICIM and CIC of approximately HK\$40,941,000 as at 30 September 2008; and (iii) the amount of the Sale Loan of RMB570,000,000 (equivalent to approximately HK\$655,172,000) as at 31 October 2008, it is estimated that upon Completion, the Group will record a net loss, plus all related expenses, of approximately RMB204,881,000 (equivalent to approximately HK\$235,496,000), subject to the relevant tax expenses and audit adjustment (if any).

## **USE OF PROCEEDS**

The total net proceeds of the Disposal is expected to amount to approximately RMB329,500,000, which is intended to be applied as additional working capital of the Group's environmental protection and water treatment operations as well as for general working capital purpose.

## **GENERAL**

The Disposal constitutes a very substantial disposal under the Listing Rules and is conditional upon the approval of the Shareholders at the EGM. As at the date of this announcement, to the best knowledge of the Directors, no Shareholder has a material interest in the Disposal. Accordingly, no Shareholder is required to abstain from voting at the EGM.

A circular of the Company containing, among other things, further details of the Agreement and the transaction contemplated thereunder, together with a notice of the EGM will be despatched to the Shareholders as soon as practicable.

## RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 11 December 2008 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 15 December 2008.

## DEFINITIONS

In this announcement, unless the content otherwise requires, the following expressions have the following meanings:

“ <b>Agreement</b> ”	the agreement dated 10 December 2008 entered into between the Company and the Purchaser for the sale and purchase of the Sale Interests and the Sale Loan
“ <b>associates</b> ”	has the meanings ascribed thereto under the Listing Rules
“ <b>Board</b> ”	the board of Directors
“ <b>CIC</b> ”	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
“ <b>Company</b> ”	Interchina Holdings Company Limited, a company incorporated in Hong Kong with limited liability, the issue Shares of which are listed on the Stock Exchange
“ <b>Completion</b> ”	completion of the Disposal
“ <b>connected person(s)</b> ”	has the meaning ascribed thereto under the Listing Rules
“ <b>Director(s)</b> ”	the director(s) of the Company
“ <b>Disposal</b> ”	the disposal of the Sale Interests and Sale Loan by and procured by the Company to the Purchaser
“ <b>EGM</b> ”	an extraordinary general meeting of the Company to be convened and held to approve, among other matters, the Disposal
“ <b>Group</b> ”	the Company and its subsidiaries

<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“HKFRSs”</b>	the Hong Kong Financial Reporting Standards
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“ICIM”</b>	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*), a company established in the PRC and a wholly-owned subsidiary of the Company
<b>“Land”</b>	the land of a total site area of approximately 237,281.96 square metres and situated in Land Parcels R-11 West, R-11 East, R-18 South and R-18 North, New Sport City, Yuhua District, Changsha, Hunan Province, PRC, and the property under construction of an gross floor area of approximately 139,071.18 square meters upon completion of the construction work and situated in Interchina Mall and New Sport City Block 1-4 (for hotel and serviced apartment use), located at Land Parcel R-18 North, New Sport City, Yuhua District, Changsha, Hunan Province, PRC, all of which are wholly owned by CIC
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“PRC”</b>	the People’s Republic of China
<b>“PRC GAAP”</b>	the generally accepted accounting principle in PRC
<b>“Purchaser”</b>	上海方華實業發展有限公司 (Shanghai Fanghua Shiye Development Limited*), a company incorporated Shanghai, PRC and is a third party independent of the Company and its connected persons
<b>“RMB”</b>	Renminbi, the lawful currency of PRC
<b>“Sale Interests”</b>	being 100% equity interest of ICIM and 38.9% equity interest of CIC
<b>“Sale Loan”</b>	the non-interest bearing loan due from ICIM to the Company amounting to RMB570 million as at 31 October 2008
<b>“Share(s)”</b>	ordinary share(s) of HK\$0.1 each in the capital of the Company
<b>“Shareholder(s)”</b>	the holder(s) of the Shares



“**Stock Exchange**” The Stock Exchange of Hong Kong Limited

“**subsidiary**” has the meaning ascribed to it under the Listing Rules

% per cent

Conversion of RMB into HK\$ is based on the exchange rate of RMB0.87 = HK\$1.00

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

Hong Kong, 12 December 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.*