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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 IN RELATION TO
DEEMED DISPOSAL OF SUBSIDIARY;**

**DISCLOSEABLE TRANSACTION IN RELATION TO
INTERNAL RESTRUCTURING;**

**DISCLOSEABLE TRANSACTION IN RELATION TO
ACQUISITION OF WATER PLANT;**

AND

RESUMPTION OF TRADING

SHARE INCREASE OF SUBSIDIARY

On 4 November 2009, Heilongjiang Interchina, a subsidiary of the Company, submitted a proposal (being the Share Increase Proposal) to the Shanghai Stock Exchange to increase its issued A shares for fund-raising, being the Share Increase. Pursuant to the Share Increase Proposal, up to 130,000,000 Heilongjiang Interchina Shares will be issued to not more than 10 investors at a price not less than RMB6.55 per Heilongjiang Interchina Share, but the maximum proceeds shall not exceed RMB900,000,000. Completion of the Share Increase will be subject to the conditions as set out in the sub-section headed "Issue statistics" in the section headed "Share Increase" below.

As at the date of this announcement, the Company is indirectly interested in approximately 70.2% of the capital of Heilongjiang Interchina. Upon completion of the Share Increase in full, it is expected that the Company's interest in Heilongjiang Interchina will be diluted to 50.24%, constituting the Deemed Disposal. As the relevant percentage ratios (as defined in the Listing Rules) exceed 25% but are less than 75%, the Deemed Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the Shareholders' approval at the EGM.

INTERNAL DISPOSAL AND INTERNAL ACQUISITION

The proceeds from the Share Increase shall be used by Heilongjiang Interchina for acquisition of water plants in the PRC. In connection herewith, Heilongjiang Interchina intended to acquire the Targets, being 4 fellow subsidiaries of Heilongjiang Interchina within the Group (being the Internal Disposal and the Internal Acquisition). Completion of the Internal Disposal and the Internal Acquisition is subject to the conditions set out in the sub-section headed "Conditions" in the section headed "Internal Disposal and Internal Acquisition" below. However, the Internal Disposal Agreements are not inter-conditional with each other. Upon completion of the Internal Disposal and Internal Acquisition, the Targets shall remain subsidiaries of the Company, but its intermediate holding company shall be changed from Intermediate Holdco to Heilongjiang Interchina.

Since the relevant percentage ratios (as defined in the Listing Rules) of the combined net effect of the Internal Disposal and the Internal Acquisition exceed 5% but are less than 25%, the Internal Disposal and the Internal Acquisition, when taken as a whole, constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

ACQUISITION OF SHAJING

Heilongjiang Interchina also entered into the Shajing Agreement to acquire the entire equity interests in Shajing at the aggregate consideration of RMB21,666,100, being the Shajing Acquisition. Completion of the Shajing Acquisition is subject to the conditions set out in the sub-section headed "Conditions" in the section headed "The Shajing Agreement" below. The vendor of the Shajing Acquisition, which together with its ultimate beneficial owners are, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, third parties independent of the Group and its connected persons (as defined in the Listing Rules). Shajing is engaged in sewage treatment business in Baoan, Shenzhen, the PRC and holds a BOT arrangement with a term of operation of 22 years. As the relevant percentage ratios (as defined in the Listing Rules) exceed 5% but are less than 25%, the Shajing Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened to be held for the Shareholders to consider and, if thought fit, to approve the Share Increase. A circular containing, among other things, further information on the Share Increase, financial information relating to the Group and the notice of EGM will be despatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 4 November 2009 at the request of the Company pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 2:30 p.m. on 13 November 2009.

BACKGROUND

On 4 November 2009, Heilongjiang Interchina submitted a proposal (being the Share Increase Proposal) to the Shanghai Stock Exchange to increase its issued A shares for fund-raising, being the Share Increase. As at the date of this announcement, the Company is indirectly interested in approximately 70.2% of the capital of Heilongjiang Interchina. Upon completion of the Share Increase in full, it is expected that the Company's interest in Heilongjiang Interchina will be diluted to 50.24%, constituting the Deemed Disposal. As the relevant percentage ratios (as defined in the Listing Rules) exceed 25% but are less than 75%, the Deemed Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

The proceeds from the Share Increase shall be used by Heilongjiang Interchina for acquisition of water plants in the PRC. In connection herewith, Heilongjiang Interchina intended to acquire the Targets, being 4 fellow subsidiaries of Heilongjiang Interchina within the Group (being the Internal Disposal and the Internal Acquisition). Upon completion of the Internal Disposal and Internal Acquisition, the Targets shall remain subsidiaries of the Company, but its intermediate holding company shall be changed from Intermediate Holdco to Heilongjiang Interchina. Since the relevant percentage ratios (as defined in the Listing Rules) of the combined net effect of the Internal Disposal and the Internal Acquisition exceed 5% but are less than 25%, the Internal Disposal and the Internal Acquisition, when taken as a whole, constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Heilongjiang Interchina also entered into the Shajing Agreement to acquire the entire equity interests in Shajing, being the Shajing Acquisition. As the relevant percentage ratios (as defined in the Listing Rules) exceed 5% but are less than 25%, the Shajing Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

THE SHARE INCREASE

On 4 November 2009, Heilongjiang Interchina submitted the Share Increase Proposal to the Shanghai Stock Exchange. Set out below are the principal terms of the Share Increase Proposal:

Issue statistics

| | | |
|-------------------------------------------------------|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Number of Heilongjiang Interchina Shares to be issued | : | up to 130,000,000, the exact amount to be determined with the underwriter |
| Subscription price | : | to be determined upon arm's length negotiations with the investors after the approval from the CSRC has been obtained – which shall not be less than RMB6.55 per Heilongjiang Interchina Share, being the closing price of the Heilongjiang Interchina Shares for the last 20 trading days prior to the date on which the board of Heilongjiang Interchina approved of the Share Increase, whereby the maximum proceeds shall not exceed RMB900,000,000. |
| Subscribers | : | to be determined, but tentatively not more than 10 investors, which might include financial institutions, PRC estate investors, securities investment and fund management companies, trust investment companies, insurance companies, qualified PRC-offshore investors, individuals or other qualified investors under the PRC laws. As at the date of this announcement, the Group does not intend to issue any Heilongjiang Interchina Shares to its connected persons (as defined in the Listing Rules) |
| Conditions | : | (i) the approval of the board of Heilongjiang Interchina (which approval has already been obtained on 4 November 2009); (ii) the approval of the shareholders of Heilongjiang Interchina; (iii) the approvals from the relevant regulatory authorities regarding the intended acquisitions of water plants by application of proceeds from the Share Increase; (iv) the approval from the CSRC; and (v) the approval of the Shareholders at the EGM |
| Lock-up | : | the new Heilongjiang Interchina Shares issued shall be subject to a lock-up of 12 months from the date of issue |

The Directors consider that the terms of the Share Increase are fair and reasonable and are on normal commercial terms, which are in the interests of the Company and the Shareholders as a whole.

Information of Heilongjiang Interchina

Heilongjiang Interchina (formerly known as 黑龍江黑龍股份有限公司 (Heilongjiang Black Dragon Company Limited) (“**Black Dragon**”)) was established in the PRC on 3 November 1998 and its A shares are listed on the Shanghai Stock Exchange. In December 2008, the Group successfully completed the acquisition of 70.2% interest in Black Dragon and the trading in shares of Black Dragon resumed on 17 April 2009. To reflect this major change in the Group’s environmental protection and water treatment operation, Black Dragon has changed its name to Heilongjiang Interchina. Heilongjiang Interchina is principally engaged in environmental protection and water treatment operation and currently owns two water supply projects in Shaanxi Province and one sewage treatment project in Qinghai Province, with average daily aggregate processing capacity of 280,000 tonnes.

Set out below is a summary of the financial information of Heilongjiang Interchina for the year ended 31 March 2009 and the three months ended 30 June 2009, which was prepared in accordance with PRC accounting standard and adjusted in accordance with HKFRSs by the Company:

The audited net asset value as at 31 March 2009 amounted to HK\$262,773,000, and the unaudited net asset value as at 30 June 2009 amounted to approximately HK\$268,991,000. The audited net profit before taxation and after taxation for the year ended 31 March 2009 were HK\$6,070,000 and HK\$4,322,000 respectively. The unaudited net profit before taxation and after taxation for the three months ended 30 June 2009 were HK\$8,418,000 and HK\$6,218,000 respectively.

The financial information of Heilongjiang Interchina for the two years ended 31 December 2008 (being period prior to completion of the Group’s acquisition of Heilongjiang Interchina) was prepared in accordance with PRC accounting standard which had not been adjusted in accordance with HKFRS, a summary of which is as follows:

| | For the year ended 31 December 2008 | For the year ended 31 December 2007 |
|------------------------|------------------------------------------------|------------------------------------------------|
| | <i>RMB</i> | <i>RMB</i> |
| | (audited) | (audited) |
| Net assets | 224,907,000 | 183,985,000 |
| Profit before taxation | 48,746,000 | 558,706,000 (<i>note</i>) |
| Profit after taxation | 39,649,000 | 558,706,000 (<i>note</i>) |

note: it included a reversal of impairment loss in respect of amounts due from fellow subsidiaries amounted to RMB723,570,000.

Use of proceeds

The proceeds shall be applied to acquire 14 water projects in the PRC including the Internal Acquisition and the Shajing Acquisition. Announcements (if required) will be made by the Company in relation to the remaining projects in compliance with the Listing Rules.

Listing Rule implications

As at the date of this announcement, the Company is indirectly interested in approximately 70.2% of the capital of Heilongjiang Interchina. Upon completion of the Share Increase in full, it is expected that the Company's interest in Heilongjiang Interchina will be diluted to 50.24%, constituting the Deemed Disposal. As the relevant percentage ratios (as defined in the Listing Rules) exceed 25% but are less than 75%, the Deemed Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the Shareholders' approval at the EGM.

THE INTERNAL DISPOSAL AND INTERNAL ACQUISITION

On 4 November 2009, the Intermediate Holdco also entered into the Internal Disposal Agreements (being the Qinhuangdao Agreement, the Changli Agreement, the Maanshan Agreement and the Ordos Agreement) with Heilongjiang Interchina for the Intermediate Holdco to dispose of and Heilongjiang Interchina to acquire the Targets.

Save in relation to the identity of the Targets, the percentage of equity interests subject to disposal and the amount of consideration, the terms of the Internal Disposal Agreements are the same, which are summarised below:

Date

4 November 2009

Parties

- Vendor : the Intermediate Holdco, which is a wholly-owned subsidiary of the Company
- Purchaser : Heilongjiang Interchina, which is indirectly owned as to 70.2% by the Company as at the date of this announcement. Upon completion of the Share Increase in full, it is expected that the Company's interest in Heilongjiang Interchina will be diluted to 50.24%. It is principally engaged in environmental protection and water treatment operation.

Assets involved and amount of consideration

| | Assets involved | Consideration |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
| 1. | Qinhuangdao Agreement : 75% of the equity interests of Qinhuangdao, which as at the date of this announcement is a wholly-owned subsidiary of the Company | RMB39,809,300 (equivalent to approximately HK\$45,758,000) |
| 2. | Changli Agreement : the entire equity interests of Changli, which as at the date of this announcement is a wholly-owned subsidiary of the Company | RMB38,291,800 (equivalent to approximately HK\$44,014,000) |
| 3. | Maanshan Agreement : the entire equity interests of Maanshan, which as at the date of this announcement is a wholly-owned subsidiary of the Company | RMB57,750,600 (equivalent to approximately HK\$66,380,000) |
| 4. | Ordos Agreement : the entire equity interests of Ordos, which as at the date of this announcement is a wholly-owned subsidiary of the Company | RMB63,009,000 (equivalent to approximately HK\$72,424,000) |

The consideration was determined after arm's length negotiations between Intermediate Holdco and Heilongjiang Interchina, after taking into account the valuation of the net assets value of the Targets as at 30 June 2009, as assessed by 北京中科華資評估有限公司 (Beijing Z K H Assets Appraisal Company Limited), an independent professional PRC valuer adopting the cost approach (成本加和法).

In the event the unaudited net assets of the Targets as at completion of the relevant Internal Disposal and Internal Acquisition exceed those as at 30 June 2009, the relevant consideration shall be increased by such difference. In the event the unaudited net assets of the Targets as at completion of the relevant Internal Disposal and Internal Acquisition are less than those as at 30 June 2009, the relevant consideration shall be reduced by such difference.

The Directors consider the terms of the Internal Disposal and the Internal Acquisition are fair and reasonable and are on normal commercial terms and they are in the interests of the Company and the Shareholders as a whole.

Payment of consideration

1. 30% of the consideration shall be payable within 10 working days after completion of the Share Increase (the “**Deposit**”). In the event completion of the Internal Disposal and the Internal Acquisition do not take place, Intermediate Holdco shall refund the Deposit to Heilongjiang Interchina;
2. 50% of the consideration shall be payable within 10 working days after completion of the relevant Internal Disposal and the Internal Acquisition; and
3. the balance of the consideration shall be payable within 3 months after completion of the relevant Internal Disposal and the Internal Acquisition, in the event there being no litigation affecting the Targets.

Conditions

Completion of the relevant Internal Disposal and Internal Acquisition is subject to the following conditions:

1. Intermediate Holdco having obtained the relevant approvals, consents or no-comment indication from the relevant authorities in connection with the relevant Internal Disposal and Internal Acquisition, including but not limited the approval from the Stock Exchange (if applicable) and the approval from the Shareholders at the extraordinary general meeting of the Company;
2. the approvals from the board of directors of Heilongjiang Interchina and the shareholders of Heilongjiang Interchina in relation to the Share Increase, the relevant Internal Disposal and the Internal Acquisition; and
3. the approval from the CSRC in relation to the Share Increase.

The Internal Disposal Agreements are not inter-conditional with each other.

Completion

Completion will take place upon the registration of transfer with the relevant registration authority in the PRC.

Upon completion of the Internal Disposal and the Internal Acquisition, all of the Targets (except Qinhuangdao) shall become wholly-owned subsidiaries of Heilongjiang Interchina. Qinhuangdao shall become interested as to 25% by Intermediate Holdco and as to 75% by Heilongjiang Interchina. All of them shall, however, remain indirect subsidiaries of the Company and their results shall continue to be consolidated into the accounts of the Company.

Information of the Targets

Qinhuangdao

Qinhuangdao is a wholly foreign owned enterprise established in the PRC in November 2002 with a registered capital of USD4,090,000 and a built-operate-transfer (“**BOT**”) arrangement with a term of operation of 20 years. Qinhuangdao is engaged in sewage treatment business in Qinhuangdao, Hebei Province, the PRC. The daily operating capacity of Qinhuangdao is 120,000 tonnes.

Set out below is a summary of the financial information of Qinhuangdao for each of the two years ended 31 March 2009 and the three months ended 30 June 2009, which was prepared in accordance with PRC accounting standard and adjusted in accordance with HKFRSs by the Company:

| | For the three months ended 30 June 2009 | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|-------------------------------|--------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| | (Unaudited) | (audited) | (audited) |
| Net assets | 109,536,000 | 106,673,000 | 94,108,000 |
| Profit/(loss) before taxation | 2,863,000 | 9,928,000 | (10,479,000) |
| Profit/(loss) after taxation | 2,863,000 | 9,320,000 | (10,128,000) |

Changli

Changli is a wholly foreign owned enterprise established in the PRC in May 2004 with a registered capital of RMB26,000,000 and a BOT arrangement with a term of operation of 30 years. Changli is engaged in sewage treatment business in Changli, Hebei Province, the PRC. The daily operating capacity of Changli is 40,000 tonnes.

Set out below is a summary of the financial information of Changli for each of the two years ended 31 March 2009 and the three months ended 30 June 2009, which was prepared in accordance with PRC accounting standard and adjusted in accordance with HKFRSs by the Company:

| | For the three months ended 30 June 2009 | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|-------------------------------|--------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| | (Unaudited) | (audited) | (audited) |
| Net assets | 56,671,000 | 57,421,000 | 48,177,000 |
| Profit/(loss) before taxation | (750,000) | 10,478,000 | (10,307,000) |
| Profit/(loss) after taxation | (750,000) | 7,582,000 | (6,658,000) |

Maanshan

Maanshan is a wholly foreign owned enterprise established in the PRC in June 2004 with a registered capital of HK\$50,660,000 and a BOT arrangement with a term of operation of 22 years. Maanshan is engaged in sewage treatment business in Maanshan, Anhui Province, the PRC. The daily operating capacity of Maanshan is 60,000 tonnes.

Set out below is a summary of the financial information of Maanshan for each of the two years ended 31 March 2009 and the three months ended 30 June 2009, which was prepared in accordance with PRC accounting standard and adjusted in accordance with HKFRSs by the Company:

| | For the three months ended 30 June 2009 | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|-------------------------------|--------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| | (Unaudited) | (audited) | (audited) |
| Net assets | 71,158,000 | 68,764,000 | 61,473,000 |
| Profit/(loss) before taxation | 2,394,000 | 8,206,000 | (10,416,000) |
| Profit/(loss) after taxation | 2,394,000 | 5,172,000 | (7,350,000) |

Ordos

Ordos is a wholly foreign owned enterprise established in the PRC in August 2008 with a registered capital of RMB63,000,000 and a BOT arrangement with a term of operation of 30 years. Ordos is engaged in sewage treatment business in Dalada Qi, Ordos, Inn Mongolia, the PRC. The daily operating capacity of Ordos is 35,000 tonnes.

Set out below is a summary of the financial information of Ordos for the year ended 31 March 2009 and the three months ended 30 June 2009, which was prepared in accordance with PRC accounting standard and adjusted in accordance with HKFRSs by the Company:

| | For the three months ended 30 June 2009 | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|----------------------|--------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| | (Unaudited) | (audited) | (audited) |
| Net assets | 72,289,000 | 72,530,000 | — |
| Loss before taxation | 241,000 | 66,000 | — |
| Loss after taxation | 241,000 | 66,000 | — |

As at the date of this announcement, Ordos is still under construction and has not commenced business since the date of its establishment in August 2008. Ordos had no net assets nor net loss before or after taxation for the year ended 31 March 2008.

The Directors consider the terms of the Internal Disposal and the Internal Acquisition are fair and reasonable and are on normal commercial terms and they are in the interests of the Company and the Shareholders as a whole.

Listing Rule implications

Since the relevant percentage ratios (as defined in the Listing Rules) of the combined net effect of the Internal Disposal and the Internal Acquisition exceed 5% but are less than 25%, the Internal Disposal and the Internal Acquisition, when taken as a whole, constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

THE SHAJING AGREEMENT

Date

4 November 2009

Parties

Vendor : General Group Infrastructure Companies Limited (“**General Infrastructure**”), which together with its ultimate beneficial owners are, to best knowledge, information and belief of the Directors having made all reasonable enquiries, third parties independent of the Group and its connected persons (as defined in the Listing Rules). To the best knowledge of the Directors, the Vendor is principally engaged in development, investment and operation of infrastructure businesses.

Purchaser : Heilongjiang Interchina

Assets to be acquired

The entire equity interests of Shajing.

Consideration

The total consideration for the Shajing Acquisition is RMB21,666,100.

The consideration is payable in the following manner:

1. 30% of the consideration shall be payable within 10 working days after completion of the Share Increase (the “**Shajing Deposit**”). In the event completion of the Shajing Acquisition does not take place, General Infrastructure shall refund the Shajing Deposit to Heilongjiang Interchina;
2. 50% of the consideration shall be payable within 10 working days after completion of the Shajing Acquisition; and

3. the balance of the consideration shall be payable within 3 months after completion of the Shajing Acquisition, in the event there being no litigation affecting Shajing.

The consideration was determined after arm's length negotiations between General Infrastructure and Heilongjiang Interchina, taking into account the valuation of the net asset value of Shajing in the amount of RMB21,666,100 as at 30 June 2009, as assessed by 北京中科華資評估有限公司 (Beijing Z K H Assets Appraisal Company Limited), an independent professional PRC valuer adopting the cost approach (成本加和法).

In the event the unaudited net assets of Shajing as at completion of the Shajing Acquisition exceed those as at 30 June 2009, the consideration shall be increased by such difference. In the event the unaudited net assets of Shajing as at completion of the Shajing Acquisition are less than those as at 30 June 2009, the consideration shall be reduced by such difference.

Completion

Completion will take place upon the registration of transfer with the relevant registration authority in the PRC.

Information on Shajing

Shajing is a wholly foreign owned enterprise established in the PRC in June 2005 with a registered capital of USD1,200,000 and a BOT arrangement with a term of operation of 22 years. Shajing is engaged in sewage treatment business in Baoan, Shenzhen, the PRC. The daily operating capacity of Shajing is 150,000 tonnes.

Set out below is a summary of the financial information of Shajing for each of the two years ended 31 December 2008 and for the six months ended 30 June 2009, which was prepared in accordance with PRC accounting standard:

| | For the six months ended 30 June 2009 | For the year ended 31 December 2008 | For the year ended 31 December 2007 |
|-------------------------------|------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| | <i>RMB</i> (Unaudited) | <i>RMB</i> (audited) | <i>RMB</i> (audited) |
| Net assets | 14,087,445 | 11,705,141 | 9,063,210 |
| Profit/(loss) before taxation | 3,504,108 | 4,046,381 | (298,683) |
| Profit/(loss) after taxation | 2,382,304 | 2,641,931 | (297,846) |

The Directors consider the terms of the Shajing Acquisition are fair and reasonable and are on normal commercial terms and they are in the interests of the Company and the Shareholders as a whole.

Listing Rule implications

As the relevant percentage ratios (as defined in the Listing Rules) exceed 5% but are less than 25%, the Shajing Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

FINANCIAL EFFECT

Upon completion of the Share Increase, Heilongjiang Interchina will continue to be a subsidiary of the Company. Subject to the review by auditors, it is estimated that there will be a gain of approximately HK\$466,033,000 from the Deemed Disposal, which is based on (i) the net asset value of Heilongjiang Interchina of HK\$188,832,000 as at 30 June 2009 attributable to the Company, representing 70.2% of the net assets value of Heilongjiang Interchina of HK\$268,991,000 as at 30 June 2009; (ii) the enlarged net assets value of Heilongjiang Interchina of HK\$654,865,000 as at 30 June 2009 attributable to the Company, representing 50.24% of the enlarge net assets value of Heilongjiang Interchina of HK\$1,303,474,000 as at 30 June 2009 upon completion of the Share Increase; and (iii) the maximum proceeds of RMB900 million (equivalent to approximately HK\$1,034,483,000) that can be raised from the Share Increase.

Upon completion of the Internal Disposal and the Internal Acquisition, Qinhuangdao, Changli, Maanshan and Ordos will continue to be the subsidiaries of the Company. Subject to the review by auditors, it estimated that there will be a loss of approximately HK\$53,694,000 which is calculated based on the aggregate consideration of RMB198,860,700 (equivalent to approximately HK\$228,576,000) less the aggregate net assets value of the Targets of approximately HK\$282,270,000 upon completion of the Internal Disposal and the Internal Acquisition.

Upon completion of the Shajing Acquisition, Shajing will become a wholly-owned subsidiary of Heilongjiang Interchina but a non wholly-owned subsidiary of the Company. The profit and loss of Shajing as well as the assets and liabilities of Shajing will be recorded in the financial statements of the Group.

REASONS FOR THE SHARE INCREASE, THE INTERNAL DISPOSAL, INTERNAL ACQUISITION AND THE SHAJING ACQUISITION

The Group is principally engaged in the investment in environmental and water treatment operation, property investment operation and securities and financial operation as well as strategic investment in Hong Kong and the PRC.

The Directors consider that (i) the Share Increase and the Internal Disposal can strengthen the capital base of Heilongjiang Interchina, raising additional funding to expand the business development of the Group while honouring the Group's non-competition undertaking given to Heilongjiang Interchina; and (ii) the Internal Acquisition and the Shajing Acquisition can also enrich the asset base of Heilongjiang Interchina and further improve the Group's profitability and income stream.

Further, the Group's investment in environmental protection and water treatment projects is mainly denominated in Renminbi. As the Directors believe the value of Renminbi in the long run will increase, in order to meet the capital requirement of its business in the PRC, the Group's investment in environmental protection and water treatment operation might thus be affected. While riding on the promising prospects of the financial markets in the PRC, the Directors consider via the Share Increase, the impact of foreign currency exposure in Renminbi regarding the Group's investment in the PRC can be minimised.

Accordingly, the Directors consider that the Share Increase, the Internal Disposal, the Internal Acquisition and the Shajing Acquisition are in the best interests of the Company and the Shareholders as a whole, and that their terms are fair and reasonable, having reached after arm's length negotiations.

GENERAL

The EGM will be convened to be held for the Shareholders to consider and, if thought fit, to approve the Share Increase. A circular containing, among other things, further information on the Share Increase, financial information relating to the Group and the notice of EGM will be despatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 4 November 2009 at the request of the Company pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 2:30 p.m. on 13 November 2009.

DEFINITIONS

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

| | |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Board” | the board of Directors |
| “Changli” | 國中(昌黎)污水處理有限公司 (Interchina (Changli) Sewage Treatment Company Limited), a company established in the PRC and is an indirectly wholly-owned subsidiary of the Company as at the date of this announcement |
| “Changli Agreement” | a conditional agreement entered into between the Intermediate Holdco and Heilongjiang Interchina dated 4 November 2009 in respect of the disposal of the entire equity interests of Changli by the Intermediate Holdco to Heilongjiang Interchina |
| “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 |

| | |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “CSRC” | 中國証券監督管理委員會 (China Securities Regulatory Commission) |
| “Deemed Disposal” | the reduction of the Company’s interest in the capital of Heilongjiang Interchina from approximately 70.2% to 50.24% upon completion of the Share Increase in full |
| “Directors” | directors of the Company |
| “EGM” | the extraordinary general meeting of the Company to be convened to be held to approve, among others, the Share Increase |
| “Group” | the Company and its subsidiaries |
| “Heilongjiang Interchina” | 黑龍江國中水務股份有限公司 (Heilongjiang Interchina Water Treatment Company Limited), a company established in the PRC and its A shares are listed on the Shanghai Stock Exchange |
| “Heilongjiang Interchina Shares” | the A shares of Heilongjiang Interchina |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Intermediate Holdco” | 國中(天津)水務有限公司 (Interchina (Tianjin) Water Treatment Company Limited), a company established in the PRC and is a wholly owned subsidiary of the Company |
| “Internal Acquisition” | the acquisition of the entire equity interests of Changli, Maanshan and Ordos, and 75% equity interest of Qinhuangdao by Heilongjiang Interchina from the Intermediate Holdco |
| “Internal Disposal” | the disposal of the entire equity interests of Changli, Maanshan and Ordos, and 75% equity interest of Qinhuangdao by the Intermediate Holdco to Heilongjiang Interchina |
| “Internal Disposal Agreements” | together, Changli Agreement, Maanshan Agreement, Qinhuangdao Agreement and Ordos Agreement |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Maanshan” | 國中(馬鞍山)污水處理有限公司 (Interchina (Maanshan) Sewage Treatment Company Limited), a company established in the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement |
| “Maanshan Agreement” | a conditional agreement entered into between the Intermediate Holdco and Heilongjiang Interchina dated 4 November 2009 in respect of the disposal of the entire equity interests of Maanshan by the Intermediate Holdco to Heilongjiang Interchina |

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| “Ordos” | 鄂爾多斯國中水務有限公司 (Ordos Interchina Water Treatment Company Limited), a company established in the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement |
| “Ordos Agreement” | a conditional agreement entered into between the Intermediate Holdco and Heilongjiang Interchina dated 4 November 2009 in respect of the disposal of the entire equity interests of Ordos by the Intermediate Holdco to Heilongjiang Interchina |
| “PRC” | the People’s Republic of China (which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan) |
| “Qinhuangdao” | 國中(秦皇島)污水處理有限公司 (Interchina (Qinhuangdao) Sewage Treatment Company Limited), a company established in the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement |
| “Qinhuangdao Agreement” | a conditional agreement entered into between the Intermediate Holdco and Heilongjiang Interchina dated 4 November 2009 in respect of the disposal of 75% equity interests of Qinhuangdao by the Intermediate Holdco to Heilongjiang Interchina |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shajing” | 通用沙井污水處理(深圳)有限公司 (General Shajing Sewage Treatment (Shenzhen) Company Limited), a company established in the PRC |
| “Shajing Acquisition” | the acquisition of the entire equity interests of Shajing by Heilongjiang Interchina |
| “Shajing Agreement” | an agreement entered into between General Group Infrastructure Companies Limited and Heilongjiang Interchina dated 4 November 2009 regarding the Shajing Acquisition |
| “Share Increase” | the non-public issue of up to 130,000,000 Heilongjiang Interchina Shares |
| “Share Increase Proposal” | the proposal regarding the non-public issue of up to 130,000,000 Heilongjiang Interchina Shares to not more than 10 investors |
| “Shareholder(s)” | holder(s) of the Shares |
| “Share(s)” | the share(s) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Targets” | Changli, Maanshan, Qinhuangdao and Ordos |

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

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

Hong Kong, 13 November 2009

As at the date of this announcement, the executive Directors are Ms. Wing Man Yi, Mr. Lam Cheung Shing, Richard and Mr. Zhu Yongjun; and the independent non-executive Directors are Ms. Ha Ping, Mr. Ho Yiu Yue, Louis and Mr. Ko Ming Tung, Edward and Dr. Fu To.