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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** about this circular or as to the action to be taken, you should consult your 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 with the enclosed 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 transferee.

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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**

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A letter from the board of directors of Interchina Holdings Company Limited (the “**Company**”) is set out on pages 3 to 8 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Lavender Room, The Park Lane Hong Kong, 310 Gloucester Road, Hong Kong on 22 January 2010 (Friday) at 10:00 a.m. is set out on pages 20 to 21 of this circular. A form of proxy for use at the extraordinary general meeting of the Company is enclosed with this circular.

Whether or not you are able to attend the extraordinary general meeting of the Company, you are requested to complete the accompanying form of proxy in accordance with instructions printed thereon and return it to the share registrar of the Company, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time for holding the extraordinary general meeting of the Company or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting of the Company or any adjournment thereof should you so wish.

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## DEFINITIONS

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

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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
“CSRC”	中國證券監督管理委員會 (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
“connected persons”	has the meaning ascribed to it under Rule 1.01 and as extended by Rule 14A.11 of the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for considering and, if thought fit, approving the Share Increase and the transactions contemplated thereunder
“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

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## DEFINITIONS

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“Latest Practicable Date”	23 December 2009, being the latest practicable date prior to the bulk-printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this circular, exclude Hong Kong, the Macau Administrative Region and Taiwan
“Remaining Group”	the Group immediately after completion of the Share Increase in full
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of the Company
“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 Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Ms. Wing Man Yi (*Chairman*)

Mr. Lam Cheung Shing, Richard (*Deputy Chairman*)

Mr. Zhu Yongjun (*Deputy Chairman*)

*Registered office:*

Room 701, 7th Floor

Aon China Building

29 Queen's Road Central

Hong Kong

*Independent non-executive Directors:*

Ms. Ha Ping

Mr. Ho Yiu Yue, Louis

Mr. Ko Ming Tung, Edward

Dr. Fu Tao

29 December 2009

*To the Shareholders, and for information only,  
holders of convertible notes and options of the Company*

Dear Sir or Madam,

### MAJOR TRANSACTION

#### INTRODUCTION

It was announced on 13 November 2009 that 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 Latest Practicable Date, the Company was 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.

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## LETTER FROM THE BOARD

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The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Share Increase Proposal and the transactions contemplated thereunder. The purpose of this circular is to provide you with further information of the Share Increase and other information as required under the Listing Rules together with the notice of the EGM.

### 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 shares, 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 shall 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 Latest Practicable Date, the Group did not intend to issue any Heilongjiang Interchina Shares to its connected persons (as defined in the Listing Rules)

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## LETTER FROM THE BOARD

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- 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 the 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 ON 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 was resumed on 17 April 2009 after its prior suspension for almost 3 years. To reflect this major change in the Group’s environmental protection and water treatment operation, Black Dragon has changed its name into 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.

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## LETTER FROM THE BOARD

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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:

	<b>For the year ended 31 December 2008</b>	<b>For the year ended 31 December 2007</b>
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
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.

### EFFECT OF THE SHARE INCREASE

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 enlarged 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 RMB900,000,000 (equivalent to approximately HK\$1,034,483,000) that can be raised from the Share Increase.

Upon completion of the Deemed Disposal, Heilongjiang Interchina remains an indirect subsidiary of the Company and its result, assets and liabilities shall continue to be consolidated into the account of the Company. Thus, there is no effect on the earnings and assets and liabilities of the Group.



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## LETTER FROM THE BOARD

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### **Use of proceeds**

The proceeds shall be applied to acquire 14 water projects in the PRC including those projects set out in the announcement of the Company dated 13 November 2009. Announcements (if required) will be made by the Company in relation to the remaining projects in compliance with the Listing Rules.

### **INFORMATION ON THE GROUP**

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

### **REASONS FOR THE SHARE INCREASE**

The Directors consider that the Share Increase can strengthen the capital base of Heilongjiang Interchina, raise additional funding to expand the business development of the Group while honouring the Group's non-competition undertaking given to Heilongjiang Interchina.

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 is in the best interests of the Company and the Shareholders as a whole, and that the terms are fair and reasonable, having reached after arm's length negotiations.

### **LISTING RULES IMPLICATIONS**

As at the Latest Practicable Date, the Company was 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. No Shareholder is materially interested in the Deemed Disposal who is required to abstain from voting at the EGM.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors consider the terms of the Share Increase Proposal to be fair and reasonable and the Share Increase is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Share Increase Proposal and the transactions contemplated thereunder.

### FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of the board of Directors  
**Interchina Holdings Company Limited**  
**Lam Cheung Shing, Richard**  
*Executive Director and Chief Executive Officer*

## 1. INDEBTEDNESS

As at the close of business on 30 November 2009 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular), the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2009, being the date to which the latest audited consolidated accounts of the Company have been made up) had outstanding indebtedness of approximately HK\$770,697,000 comprised of bank and other borrowings and convertible notes, (i) bank borrowing of approximately HK\$24,138,000 which are guaranteed and secured, bank borrowing of approximately HK\$242,718,000 which are guaranteed but not secured, bank borrowing of approximately HK\$201,517,000 which are secured but not guaranteed, (ii) other borrowing of approximately 241,379,000 which are secured but not guaranteed, other borrowing of approximately HK\$27,404,000 which are unsecured and not guaranteed; and (iii) liability component of the convertible notes of approximately HK\$33,541,000 with principal amount of HK\$35,000,000.

Save as disclosed above and part from intra-group liabilities, the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2009, being the date to which the latest audited consolidated accounts of the Company have been made up) did not have any (i) debt securities issued and outstanding, authorised or otherwise created but unissued; (ii) other borrowings or indebtedness in the nature of borrowing; (iii) mortgages and charges; and (iv) any contingent liabilities or guarantees as at the close of business of 30 November 2009.

The Directors confirmed that there had been no material change in the indebtedness and contingent liabilities of the Group since 30 November 2009.

## 2. FINANCIAL AND TRADING PROSPECTS

During the year, the Group had continued to focus on environmental protection and water treatment operation as well as property investment operation and securities and financial operations. Although upon completion of the Share Increase, the Company's interests in Heilongjiang Interchina will be effectively reduced from 70.2% to approximately 50.24%, the net assets value of Heilongjiang Interchina attributable to the Group will be enlarged substantively but Heilongjiang Interchina will continue to be subsidiary of the Company. Therefore, the Deemed Disposal would not have any material effect to the principal businesses of the Group. Furthermore, the Company considered that the Share Increase not only can strength the capital base of Heilongjiang Interchina but enable Heilongjiang Interchina to raise additional funding at a lower cost of capital for the Group's environmental water treatment business. Upon completion of the Deemed Disposal, it is estimated that the Group will record a considerable profit of approximately HK\$466,000,000 subject to the review by auditors.

Given the Group's competitive advantages and expertise in environmental protection and water treatment operation, and the favourable government policies on environmental protection and water treatment industry, we expect that the environmental protection and water treatment operation will be a major and stable source of revenue of the Group and the profit contribution from its operations will grow steadily. The Group will continue to seek

opportunities of merger and acquisition of quality water treatment projects and to further increase its investment in environmental protection and water treatment operation, so as to keep on expanding the development scale of environmental protection and water treatment operation of the Group.

### **3. WORKING CAPITAL**

The Directors, after due and careful enquiry, are of opinion that, in the absence of unforeseeable circumstances and after taking into account the present internal financial resources of the Group, the present available banking facilities and the estimated net proceeds of the Share Increase, the Group has sufficient working capital for its present requirement, that is for at least the next 12 months from the date of publication of this circular.

### **4. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2009, the date to which the latest published audited consolidated accounts of the Company had been made up.

## 1. 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, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

Name	Name of company in which interests or short positions were held	Nature of interests	Number of shares	Approximate percentage of shareholding
Wing Man Yi	The Company	Beneficial owner (Note 1)	502,000,000 Shares (L)	2.17%
Lam Cheung Shing, Richard	The Company	Beneficial owner (Note 2)	279,000,000 Shares (L)	1.21%
Zhu Yongjun	The Company	Beneficial owner (Note 3)	202,000,000 Shares (L)	0.87%
Fu Tao	The Company	Beneficial owner (Note 3)	10,000,000 Shares (L)	0.04%
Ha Ping	The Company	Beneficial owner (Note 3)	25,000,000 Shares (L)	0.11%

Name	Name of company in which interests or short positions were held	Nature of interests	Number of shares	Approximate percentage of shareholding
Ho Yiu Yue, Louis	The Company	Beneficial owner (Note 3)	10,000,000 Shares (L)	0.04%
Ko Ming Tung, Edward	The Company	Beneficial owner (Note 3)	10,000,000 Shares (L)	0.04%

(L) denotes the long position held in the Shares

*Notes:*

1. These Shares represent the 300,000,000 Shares beneficially owned by Ms. Wing Man Yi and the 202,000,000 Shares that may be allotted and issued to Ms. Wing Man Yi upon the exercise in full of the subscription rights attached to the options granted by the Company.
2. These Shares represent the 77,000,000 Shares beneficially owned by Mr. Lam Cheung Shing, Richard and the 202,000,000 Shares that may be allotted and issued to Mr. Lam Cheung Shing, Richard upon the exercise in full of the subscription rights attached to the options granted by the Company.
3. These Shares represent the Shares which may be allotted and issued to the relevant Director upon the exercise in full of the subscription rights attached to the options granted by the Company.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders and persons having 5% or more shareholding**

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2009, being the date to which the latest audited consolidated accounts of the Company have been made up) or had options in respect of such capital:

Name	Name of company in which interests or short positions were held	Nature of interests	Number of shares	Approximate percentage of shareholding
Zhang Yang	The Company	Interests of controlled corporation ( <i>Note 1</i> )	103,495,000 Shares (L)	0.45%
	The Company	Beneficial owner	4,720,190,000 Shares (L)	20.40%
Yao Kangda	The Company	Beneficial owner ( <i>Note 2</i> )	3,469,180,000 Shares (L)	14.99%
Kingston Finance Limited	The Company	Beneficial owner	1,200,000,000 Shares (L)	5.19%
Chu Yuet Wah	The Company	Interests of controlled corporation ( <i>Note 3</i> )	1,200,000,000 Shares (L)	5.19%
Ma Siu Fong	The Company	Interests of controlled corporation ( <i>Note 4</i> )	1,200,000,000 Shares (L)	5.19%

(L) denotes long position in the Shares

*Notes:*

- These Shares are held by Wealth Land Development Corp., which is wholly and beneficially owned by Mr. Zhang Yang, who is a substantial Shareholder. Mr. Zhang Yang is deemed to be interested in these Shares.
- These Shares represent the 1,769,180,000 Shares beneficially owned by Mr. Yao Kangda and the 1,700,000,000 Shares that may be allotted and issued to Mr. Yao Kangda upon the exercise in full of the conversion rights attaching to the convertible notes to be issued by the Company, details of which are set out in the announcement of the Company dated 27 July 2009.
- Mrs. Chu Yuet Wah is deemed to be interested in these Shares through her controlling interests of 51% in Kingston Finance Limited.

4. Ms. Ma Siu Fong is deemed to be interested in these Shares through her controlling interests of 49% in Kingston Finance Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2009, being the date to which the latest audited consolidated accounts of the Company have been made up) or who had any options in respect of such capital.

### **3. SERVICE CONTRACT**

As at the Latest Practicable Date, there was no service contract or any proposed service contract between any of the Directors or proposed Directors and the Company or any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2009, being the date to which the latest audited consolidated accounts of the Company have been made up), excluding contracts expiring or determinable by the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2009, being the date to which the latest audited consolidated accounts of the Company have been made up) within a year without payment of any compensation (other than statutory compensation).

### **4. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

To the best knowledge of the Directors, none of the Directors or their respective associates had any interests in any business which competed or might compete with the business of the Group as at the Latest Practicable Date.

### **5. MATERIAL INTERESTS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in the assets which had been, since 31 March 2009, the date to which the latest published audited consolidated accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2009, being the date to which the latest audited consolidated accounts of the Company have been made up), or were proposed to be acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2009, being the date to which the latest audited consolidated accounts of the Company have been made up).



As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2009, being the date to which the latest audited consolidated accounts of the Company have been made up).

## 6. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, neither the Company nor any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2009, being the date to which the latest audited consolidated accounts of the Company have been made up) was engaged in any litigation nor or were these claims of material importance pending or threatened against any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2009, being the date to which the latest audited consolidated accounts of the Company have been made up).

## 7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2009, being the date to which the latest audited consolidated accounts of the Company have been made up) within two years immediately preceding the Latest Practicable Date:

- (a) the disposal agreement dated 3 August 2008 entered into between 長沙國中星城置業有限公司 (Changsha Interchina Star City Company Limited\*) (“CIC”) (a wholly owned subsidiary of the Company) and 廣州市廣域實業有限公司 (Guangzhou Guang Yu Enterprises Limited\*) in relation to the disposal of three parcels of land located in Changsha, the PRC with an aggregate area of approximately 214,254.87 sq.m. at the consideration of RMB474,266,500 which was terminated on 31 October 2008;
- (b) the sale and purchase agreement dated 15 October 2008 (as amended by a letter dated 27 October 2008) entered into between the Company and Singapore Zhongxin Investment Company Limited in relation to the disposal of the 3,700,000,000 shares of China Pipe Group Limited at a total consideration of HK\$74,000,000;
- (c) the financial arrangement agreement dated 25 November 2008 executed by CIC and 上海方華實業發展有限公司 (Shanghai Fanghua Shiye Development Limited\*) (“Shanghai Fanghua”) whereby Shanghai Fanghua agreed to provide loan and financing to CIC to settle CIC’s outstanding liabilities in the aggregate amount of RMB150,000,000 and that the entire registered capital of CIC should be transferred to Shanghai Fanghua as a means of security for the financing thus provided;

- (d) the transfer agreement dated 25 November 2008 executed 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\*) (“**ICIM**”) (a wholly owned subsidiary of the Company) and Shanghai Fanghua for transfer of ICIM’s interests in CIC to Shanghai Fanghua executed pursuant to paragraph (e) above;
- (e) the transfer agreement dated 25 November 2008 executed by the Company and Shanghai Fanghua for transfer of the Company’s interest in CIC to Shanghai Fanghua executed pursuant to paragraph (e) above;
- (f) the transfer agreement dated 1 December 2008 executed by ICIM and Shanghai Fanghua for transfer of ICIM’s interests in CIC to Shanghai Fanghua executed pursuant to paragraph (e) above;
- (g) the transfer agreement dated 1 December 2008 executed by the Company and Shanghai Fanghua for transfer of the Company’s interests in CIC to Shanghai Fanghua executed pursuant to paragraph (e) above;
- (h) the agreement dated 10 December 2008 (the “**Disposal Agreement**”) entered into between the Company and Shanghai Fanghua in respect of the disposal of 100% equity interest of ICIM and 38.9% equity interest of CIC and the non-interest bearing loan due from ICIM to the Company by the Company to Shanghai Fanghua at the consideration of RMB330,000,000;
- (i) the supplemental agreement dated 9 February 2009 (the “**Supplemental Agreement**”) entered into between Shanghai Fanghua, the Company and CIC amending and supplementing the terms of the Disposal Agreement;
- (j) the subscription agreement dated 9 June 2009 (as amended and supplemented by the supplemental agreement dated 10 June 2009) entered into between the Company and Favour City Limited in relation to the issue of convertible note in the principal amount of HK\$35,000,000;
- (k) the disposal agreement dated 9 June 2009 entered into between the Company and Time Logistic Limited in relation to the disposal of the entire issued capital in Success Flow International Limited and the shareholder’s loan at the consideration of HK\$55,000,000 and the same parties entered into the termination agreement dated 14 September 2009 to terminate the abovesaid disposal;
- (l) the second supplemental agreement dated 16 July 2009 entered into between Shanghai Fanghua, the Company and CIC amending and supplementing the terms of the Disposal Agreement (as amended and supplemented by the Supplemental Agreement);

\* For identification purpose only

- (m) the subscription agreement dated 27 July 2009 entered into between the Company and Mr. Yao Kangda in relation to (i) the issue of the first tranche convertible note in the principal amount of HK\$120,000,000; and (ii) the grant of the convertible note option to subscribe for the second tranche convertible note in the principal amount of HK\$250,000,000;
- (n) the sale and purchase agreement dated 17 September 2009 entered into between Interchina Water Treatment Limited (a wholly owned subsidiary of the Company) (“**Interchina Water Treatment**”) and Mr. Zhao Libo in relation to the acquisition of 5,200,004 shares in the capital of Regent Victor Development Limited (“**Regent Victor**”) at the consideration of HK\$5,200,004;
- (o) the subscription agreement dated 17 September 2009 entered into between Interchina Water Treatment, Regent Victor and Mr. Zhao Libo in relation to the subscription for 8,999,996 shares in Regent Victor by Interchina Water Treatment at the subscription price of HK\$8,999,996;
- (p) the franchise agreement dated 5 August 2009 entered into between the joint venture company (the “**JV Company**”) established in the PRC of which 80% of its equity interest is owned by the Group and 太原市市政管理局 (Taiyuan City Municipal Management Council) (“**MMC**”) for which the JV Company was granted an exclusive right to manage and operate a sewage treatment plant in Taiyuan, Shanxi Province, the PRC in return for sewage treatment fees payable by MMC at RMB0.998/m<sup>3</sup>;
- (q) the two loan agreements dated 17 September 2009 entered into between Interchina Water Treatment as lender and each of Mr. Zhao Libo and Mr. Han Xiao as borrowers in relation to the loans of HK\$2,900,000 to each of the borrowers;
- (r) the conditional agreement entered into between Intermediate Holdco and Heilongjiang Interchina dated 4 November 2009 in respect of the disposal of the entire equity interests of 國中(昌黎)污水處理有限公司 (Interchina (Changli) Sewage Treatment Company Limited) by Intermediate Holdco to Heilongjiang Interchina at the consideration of RMB38,291,800;
- (s) the conditional agreement entered into between Intermediate Holdco and Heilongjiang Interchina dated 4 November 2009 in respect of the disposal of the entire equity interests of 國中(馬鞍山)污水處理有限公司 (Interchina (Maanshan) Sewage Treatment Company Limited) by Intermediate Holdco to Heilongjiang Interchina at the consideration of RMB57,750,600;
- (t) the conditional agreement entered into between Intermediate Holdco and Heilongjiang Interchina dated 4 November 2009 in respect of the disposal of the entire equity interests of 鄂爾多斯國中水務有限公司 (Ordos Interchina Water Treatment Company Limited) by Intermediate Holdco to Heilongjiang Interchina at the consideration of RMB63,009,000;

- (u) the conditional agreement entered into between Intermediate Holdco and Heilongjiang Interchina dated 4 November 2009 in respect of the disposal of 75% equity interests of 國中(秦皇島)污水處理有限公司 (Interchina (Qinhuangdao) Sewage Treatment Company Limited) by Intermediate Holdco to Heilongjiang Interchina at the consideration of RMB39,809,300; and
- (v) the agreement dated 4 November 2009 entered into between Heilongjiang Interchina and General Group Infrastructure Companies Limited in respect of the acquisition of the entire equity interests of 通用沙井污水處理(深圳)有限公司 (General Shajing Sewage Treatment (Shenzhen) Company Limited) at the consideration of RMB21,666,100.

## **8. MISCELLANEOUS**

- (a) The registered office and head office of the Company is at Room 701, 7/F, Aon China Building, 29 Queen's Road, Central, Hong Kong.
- (b) The share registrar and transfer office of the Company is Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (c) The secretary of the Company is Mr. Lau Chi Lok, Freeman who is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia.
- (d) The English text of this circular shall prevail over the Chinese text.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at Room 701, 7/F, Aon China Building, 29 Queen's Road, Central, Hong Kong during 9:00 a.m. to 6:00 p.m. on any Business Day, from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;
- (c) the annual reports of the Company for the two years ended 31 March 2009 and the interim report of the Company for the six months ended 30 September 2009;
- (d) a copy of the circular of the Company dated 24 July 2009; and
- (e) this circular.

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## NOTICE OF EGM

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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)**

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “**EGM**”) of Interchina Holdings Company Limited (the “**Company**”) will be held at Lavender Room, The Park Lane Hong Kong, 310 Gloucester Road, Hong Kong on 22 January 2010 (Friday) at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as ordinary resolution of the Company:

#### **Ordinary Resolution**

**“THAT:**

- (i) the terms and conditions of the share increase proposal (the “**Proposal**”, a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) of 黑龍江國中水務股份有限公司 (Heilongjiang Interchina Water Treatment Company Limited) (“**Heilongjiang Interchina**”), a subsidiary of Interchina Holdings Company Limited (the “**Company**”), and submitted to the Shanghai Stock Exchange regarding the non-public issue of up to 130,000,000 shares (“**Heilongjiang Interchina Shares**”) in the capital of Heilongjiang Interchina to not more than 10 investors at a price not less than RMB 6.55 per Heilongjiang Interchina Share be and are hereby approved, confirmed and ratified; and
- (ii) the directors of the Company be and are hereby authorised on behalf of the Company to do all such things and sign, seal, execute, perfect and deliver all such documents as they may in their discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation and/or give effect to any matters relating to the Proposal and the transactions contemplated thereunder.”

By order of the Board

**Interchina Holdings Company Limited**

**Lam Cheung Shing, Richard**

*Executive Director and Chief Executive Officer*

Hong Kong, 29 December 2009

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## NOTICE OF EGM

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*Registered office:*

Room 701, 7th Floor  
Aon China Building  
29 Queen's Road Central  
Hong Kong

*Notes:*

1. A shareholder entitled to attend and vote at the above meeting may appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any share of the Company (the "Share"), any one such persons may vote at the meeting, 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 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 office of the Company's share registrar, 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 meeting or any adjournment thereof.
4. As at the date of this notice, the executive directors of the Company are Ms. Wing Man Yi, Mr. Lam Cheung Shing, Richard and Mr. Zhu Yongjun; and the independent non-executive directors of the Company are Ms. Ha Ping, Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Dr. Fu Tao.