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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;**

TERMINATION OF DISCLOSEABLE TRANSACTION

AND

RESUMPTION OF TRADING

Reference is made to the announcement of the Company dated 13 November 2009 and the circular of the Company dated 28 December 2009 in relation to, among others, the Share Increase, the Internal Disposal, the Internal Acquisition and the Shajing Acquisition.

At the extraordinary general meeting of the Company held on 22 January 2010, the Shareholders approved, among others, the Share Increase Proposal. However, as at the date of this announcement, the Share Increase has not been completed and neither have the Internal Disposal, the Internal Acquisition nor the Shajing Acquisition been completed.

On 4 March 2010, Heilongjiang Interchina submitted the Revised Share Increase Proposal to the Shanghai Stock Exchange to revise the terms of the Share Increase Proposal. Upon completion of the Revised Share Increase in full, it is expected that the Company's interest in Heilongjiang Interchina will be diluted to 51.95%, constituting the Revised Deemed Disposal. As the relevant percentage ratios (as defined in the Listing Rules) exceed 25% but are less than 75%, the Revised 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.

On 3 March 2010, Heilongjiang Interchina entered into (i) the Termination Agreement to terminate the Internal Disposal Agreements; and (ii) the Shajing Termination Agreement to terminate the Shajing Acquisition. On the same date, Heilongjiang Interchina entered into the New Internal Disposal Agreements to acquire the New Targets (being the Targets together with Taiyuan) from the Intermediate Holdco and Regent Victor, both being subsidiaries of the Company. The consideration of the New Internal Disposal and the New Internal Acquisition (including the Taiyuan Acquisition) pursuant to the New Internal Disposal Agreements shall be funded by proceeds from the Revised Share Increase.

The relevant percentage ratios (as defined in the Listing Rules) of the combined net effect of the New Internal Disposal and the New Internal Acquisition (both having taken into account the Taiyuan Acquisition) exceed 5% but are less than 25%. Therefore, the New Internal Disposal and the New Internal Acquisition, when taken as a whole, constitute 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 Revised Share Increase. A circular containing, among other things, further information on the Revised Share Increase, financial information relating to the Group and the notice of the 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 5 March 2010 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 9:30 a.m. on 9 March 2010.

BACKGROUND

Reference is made to the announcement of the Company dated 13 November 2009 and the circular of the Company dated 28 December 2009 in relation to, among others, the Share Increase, the Internal Disposal, the Internal Acquisition and the Shajing Acquisition.

As set out in the aforesaid announcement, on 4 November 2009, Heilongjiang Interchina, a 70.2%-owned subsidiary of the Company and its issued A shares are listed on the Shanghai Stock Exchange, submitted a proposal (being the Share Increase Proposal) to the Shanghai Stock Exchange to increase its issued shares for fund-raising, being the Share Increase. In the event the Share Increase was implemented in full, it was expected that the Company's interest in Heilongjiang Interchina would be diluted to 50.24%, constituting the Deemed Disposal and a major transaction of the Company under the Listing Rules.

The proceeds from the Share Increase should be used by Heilongjiang Interchina for acquisition of water plants in the PRC. In connection therewith, on 4 November 2009, Heilongjiang Interchina entered into the Internal Disposal Agreements to acquire the Targets, being 4 fellow subsidiaries of Heilongjiang Interchina within the Group, such constituting the Internal Acquisition and the Internal Disposal. On the same date, Heilongjiang Interchina also entered into the Shajing Agreement to acquire Shajing. The Internal Acquisition and the Internal Disposal (when taken as a whole), as well as the Shajing Acquisition constituted discloseable transactions of the Company under the Listing Rules.

At the extraordinary general meeting of the Company held on 22 January 2010, the Shareholders approved, among others, the Share Increase Proposal. However, as at the date of this announcement, the Share Increase has not been completed and neither have the Internal Disposal, the Internal Acquisition nor the Shajing Acquisition been completed.

On 4 March 2010, Heilongjiang Interchina submitted the Revised Share Increase Proposal to the Shanghai Stock Exchange to revise the terms of the Share Increase Proposal. Upon completion of the Revised Share Increase in full, it is expected that the Company's interest in Heilongjiang Interchina will be diluted to 51.95%, constituting the Revised Deemed Disposal. As the relevant percentage ratios (as defined in the Listing Rules) exceed 25% but are less than 75%, the Revised 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.

On 3 March 2010, Heilongjiang Interchina entered into the Termination Agreement with the Intermediate Holdco to terminate the Internal Disposal Agreements. On the same date, Heilongjiang Interchina entered into the New Internal Disposal Agreements to acquire the New Targets (being the Targets together with Taiyuan) from the Intermediate Holdco and Regent Victor, both being subsidiaries of the Company. The consideration of the New Internal Disposal and the New Internal Acquisition (including the Taiyuan Acquisition) pursuant to the New Internal Disposal Agreements shall be funded by proceeds from the Revised Share Increase.

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

THE REVISED SHARE INCREASE

As announced by the Company on 13 November 2009, Heilongjiang Interchina submitted the Share Increase Proposal to the Shanghai Stock Exchange on 4 November 2009. Upon completion of the Share Increase in full, it was expected that the Company's interest in Heilongjiang Interchina would be diluted to 50.24%, constituting the Deemed Disposal. The Deemed Disposal constituted a major transaction of the Company under the Listing Rules. At the extraordinary general meeting of the Company held on 22 January 2010, the Shareholders approved, among others, the Share Increase Proposal.

As announced by the Company on 13 November 2009, the proceeds of RMB900,000,000 raised from the Share Increase would be applied to acquire 14 water projects in the PRC including the Internal Acquisition and the Shajing Acquisition. Since the negotiations between Heilongjiang Interchina and the relevant vendors for 10 water projects (excluding the Internal Acquisition) were unsuccessful, and the transfer of the franchises for 6 water projects (including the Shajing Acquisition) have not been approved by the relevant local government departments, Heilongjiang Interchina decided to revise the Share Increase Proposal and to reduce the number of acquisitions from 14 water projects to 7 water projects (including the New Internal Acquisition). Therefore, the amount of fund raising will be reduced from the maximum of RMB900,000,000 to the maximum of RMB750,000,000. Also, since the new subscription price shall be determined at not less than RMB6.51, the number of Heilongjiang Interchina Shares to be issued is adjusted from 130,000,000 to 115,000,000.

Based on the above, Heilongjiang Interchina submitted the Revised Share Increase Proposal to the Shanghai Stock Exchange on 4 March 2010. Set out below are the principal revised terms to the Share Increase Proposal:

Issue statistics

	<i>Share Increase Proposal</i>	<i>Revised Share Increase Proposal</i>
Number of Heilongjiang Interchina Shares to be issued:	up to 130,000,000, the exact amount to be determined with the underwriter	up to 115,000,000, 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.	to be determined after the approval from the CSRC has been obtained – which shall not be less than RMB6.51 per Heilongjiang Interchina Share, being 90% of the closing price of the Heilongjiang Interchina Shares for the last 20 trading days prior to the date on which results of the board meeting of Heilongjiang Interchina approving the Revised Share Increase has been published, whereby the maximum proceeds shall not exceed RMB750,000,000.

Share Increase Proposal

Revised Share Increase Proposal

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).	Unchanged.
Conditions:	<ul style="list-style-type: none">(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 the proceeds from the Share Increase;(iv) the approval from the CSRC; and(v) the approval of the Shareholders at the extraordinary general meeting of the Company (which has been obtained on 22 January 2010).	<ul style="list-style-type: none">(i) the approval of the board of Heilongjiang Interchina (which approval has already been obtained on 3 March 2010);(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 the proceeds from the Revised 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	Unchanged.

Share Increase Proposal

Use of proceeds: to acquire 14 water projects in the PRC including the Internal Acquisition.

Revised Share Increase Proposal

- (i) as to approximately RMB371,730,000 to acquire 7 water projects in the PRC including the New Internal Acquisition;
- (ii) as to approximately RMB91,000,000 to increase the registered capital of Ordos;
- (iii) as to approximately RMB120,000,000 to make further investment in Taiyuan (which together with the amount set out in sub-paragraph (ii) above, the “**Further Amount**”);
- (iv) as to approximately RMB61,000,000 to repay loan due to the Intermediate Holdco; and
- (v) as to approximately RMB22,000,000 to increase the registered capital of one of the above water projects (which is not the New Targets) to be acquired.

The Directors consider that the terms of the Revised 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.

No agreement has been signed as regards the injection of the Further Amount. It was included in the Revised Share Increase Proposal as an indication as to the possible allocation of the use of proceeds. The Revised Share Increase Proposal is still subject to, among others, approval from the relevant regulatory authorities and therefore the Further Amount has not yet been committed for injection as at the date of this announcement. Any injection of the Further Amount out of the proceeds from the Revised Share Increase Proposal may be aggregated with the New Internal Disposal and the New Internal Acquisition pursuant to Rule 14.22 of the Listing Rules. Further announcements (if required) will be made by the Company in relation to the application of the above proceeds in compliance with the Listing Rules.

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 was 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 nine months ended 31 December 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 approximately HK\$262,773,000, and the unaudited net asset value as at 31 December 2009 amounted to approximately HK\$275,868,000. The audited net profit before taxation and after taxation for the year ended 31 March 2009 were approximately HK\$6,070,000 and HK\$4,322,000 respectively. The unaudited net profit before taxation and after taxation for the nine months ended 31 December 2009 were approximately HK\$21,884,000 and HK\$13,144,000 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.

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 Revised Share Increase in full, it is expected that the Company's interest in Heilongjiang Interchina will be diluted to 51.95%, constituting the Revised Deemed Disposal. As the relevant percentage ratios (as defined in the Listing Rules) exceed 25% but are less than 75%, the Revised 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.

TERMINATION OF THE INTERNAL DISPOSAL AGREEMENTS AND THE SHAJING AGREEMENT

Under the Internal Disposal Agreements, the consideration for the Internal Acquisition was determined based on the net assets value of the Targets as at 30 June 2009. Given the Share Increase Proposal has yet been implemented after almost 9 months from the aforesaid valuation date and given the need to submit the Revised Share Increase Proposal, the Directors considered the consideration set out in the Internal Disposal Agreements could not fully reflect the updated value of the Targets. Therefore, on 3 March 2010, Heilongjiang Interchina entered into the Termination Agreement with the Intermediate Holdco to terminate the Internal Disposal Agreements. On the same date, Heilongjiang Interchina also entered into the Shajing Termination Agreement to terminate the Shajing Acquisition.

Save in relation to the parties, the terms of the Termination Agreement and the Shajing Termination Agreement are the same, which are summarised below:

Date

3 March 2010

Parties

	Termination Agreement	Shajing Termination Agreement
Vendor	the Intermediate Holdco, which is a wholly-owned subsidiary of the Company	General Group Infrastructure Companies Limited, which together with its ultimate beneficial owners are, to best knowledge, information and believe of the Directors having made reasonable enquiries, parties independent of the Group and its connected persons (as defined in the Listing Rules).

Termination Agreement

Shajing Termination Agreement

Purchaser

Heilongjiang Interchina, which is indirectly owned as to 70.2% by the Company as at the date of this announcement. It is principally engaged in environmental protection and water treatment operation.

Heilongjiang Interchina

Termination

Pursuant to the Termination Agreement and the Shajing Termination Agreement, all rights and obligations of the parties thereto under the Internal Disposal Agreements or the Shajing Agreement (as the case may be) shall cease and be terminated with immediate effect. The Intermediate Holdco and Heilongjiang Interchina shall enter into new agreements in relation to the disposal and acquisition of the Targets.

THE NEW INTERNAL DISPOSAL AND NEW INTERNAL ACQUISITION

On 3 March 2010, the New Internal Disposal Agreements (being the New Qinhuangdao Agreement, the New Changli Agreement, the New Maanshan Agreement, the New Ordos Agreement and the Taiyuan Agreement) were signed for:

- (i) acquisition of 75% of the equity interest of Qinhuangdao;
- (ii) acquisition of the entire equity interest of Changli;
- (iii) acquisition of the entire equity interest of Maanshan;
- (iv) acquisition of the entire equity interest of Ordos; and
- (v) acquisition of 80% equity interest of Taiyuan.

The New Internal Disposal Agreements

Save in relation to the identity of the vendors, the subject company, the percentage of equity interests to be disposed/acquired and the amount of consideration, the terms of the New Internal Disposal Agreements are the same, which are summarised below:

Date

3 March 2010

Parties and assets involved and amount of consideration

	Vendor	Purchaser	Assets involved	Consideration
1. New Qinhuangdao Agreement	the Intermediate Holdco	Heilongjiang Interchina	75% of the equity interest of Qinhuangdao, which as at the date of this announcement is a wholly-owned subsidiary of the Company	RMB68,550,000 (equivalent to approximately HK\$78,793,000)
2. New Changli Agreement	the Intermediate Holdco	Heilongjiang Interchina	the entire equity interest of Changli, which as at the date of this announcement is a wholly-owned subsidiary of the Company	RMB24,600,000 (equivalent to approximately HK\$28,276,000)
3. New Maanshan Agreement	the Intermediate Holdco	Heilongjiang Interchina	the entire equity interest of Maanshan, which as at the date of this announcement is a wholly-owned subsidiary of the Company	RMB59,300,000 (equivalent to approximately HK\$68,161,000)
4. New Ordos Agreement	the Intermediate Holdco	Heilongjiang Interchina	the entire equity interest of Ordos, which as at the date of this announcement is a wholly-owned subsidiary of the Company	RMB65,600,000 (equivalent to approximately HK\$75,402,000)

	Vendor	Purchaser	Assets involved	Consideration	
5.	Taiyuan Agreement	Regent Victor	Heilongjiang Interchina	80% of the equity interest of Taiyuan, which as at the date of this announcement is owned as to 80% by Regent Victor and as to 20% by 太原市排水管理處 (Taiyuan City Drainage Management Bureau)	RMB76,480,000 (equivalent to approximately HK\$87,908,000)

As at the date of this announcement, (i) the Intermediate Holdco is a wholly-owned subsidiary of the Company; (ii) Regent Victor is a subsidiary of the Company which is owned as to 71% by the Company; and (iii) Heilongjiang Interchina is a subsidiary of the Company which is indirectly owned as to 70.2% by the Company. Heilongjiang Interchina is principally engaged in environmental protection and water treatment operation.

The consideration set out above was determined after arm's length negotiations (i) (in relation to the acquisition of the Targets) between the Intermediate Holdco and Heilongjiang Interchina; and (ii) (in relation to the Taiyuan Acquisition) between Regent Victor and Heilongjiang Interchina. In arriving at the consideration set out above, the parties had taken into account the valuation of the New Targets as at 31 December 2009, as assessed by 廣州中天衡資產評估有限公司 (GZZA INC.), an independent professional PRC valuer, adopting the income approach (收益法).

In the event the unaudited net assets of the New Targets as at completion of the relevant New Internal Disposal and New Internal Acquisition exceed those as at 31 December 2009, the relevant consideration shall be increased by such difference. In the event the unaudited net assets of the New Targets as at completion of the relevant New Internal Disposal and New Internal Acquisition are less than those as at 31 December 2009, the relevant consideration shall be reduced by such difference.

The Directors consider the terms of the New Internal Disposal and the New Internal Acquisition are fair and reasonable and are on normal commercial terms and it is 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 Revised Share Increase (the "**Deposit**"). In the event completion of the New Internal Disposal and the New Internal Acquisition do not take place, (in relation to the acquisition of the Targets) the Intermediate Holdco or (in relation to the Taiyuan Acquisition) Regent Victor shall refund the Deposit to Heilongjiang Interchina;

2. 50% of the consideration shall be payable within 10 working days after completion of the relevant New Internal Disposal and the New Internal Acquisition; and
3. the balance of the consideration shall be payable within 3 months after completion of the relevant New Internal Disposal and the New Internal Acquisition, in the event there being no litigation affecting the New Targets.

Conditions

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

1. (in relation to the acquisition of the Targets) the Intermediate Holdco or (in relation to the Taiyuan Acquisition) Regent Victor having obtained the relevant approvals, consents or no-comment indication from the relevant authorities in connection with the relevant New Internal Disposal and New Internal Acquisition, including but not limited the approval from the Stock Exchange (if applicable) and the approval from the Shareholders at the 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 Revised Share Increase, the relevant New Internal Disposal and the New Internal Acquisition having been obtained; and
3. the approval from the CSRC in relation to the Revised Share Increase.

The New 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 New Internal Disposal and the New Internal Acquisition, all of the New Targets (except Qinhuangdao and Taiyuan) shall become wholly-owned subsidiaries of Heilongjiang Interchina. Qinhuangdao shall become interested as to 75% by Heilongjiang Interchina and as to 25% by the Intermediate Holdco. Taiyuan shall be become interested as to 80% by Heilongjiang Interchina and as to 20% by 太原市排水管理處 (Taiyuan City Drainage Management Bureau). 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 New 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 2008 and 2009 and the nine months ended 31 December 2009, which was prepared in accordance with PRC accounting standard and adjusted in accordance with HKFRSs by the Company:

	For the nine months ended 31 December 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	118,964,000	106,673,000	94,108,000
Profit/(loss) before taxation	13,507,000	9,928,000	(10,479,000)
Profit/(loss) after taxation	12,291,000	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 2008 and 2009 and the nine months ended 31 December 2009, which was prepared in accordance with PRC accounting standard and adjusted in accordance with HKFRSs by the Company:

	For the nine months ended 31 December 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	61,918,000	57,421,000	48,177,000
Profit/(loss) before taxation	4,497,000	10,478,000	(10,307,000)
Profit/(loss) after taxation	4,497,000	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 2008 and 2009 and the nine months ended 31 December 2009, which was prepared in accordance with PRC accounting standard and adjusted in accordance with HKFRSs by the Company:

	For the nine months ended 31 December 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	75,304,000	68,764,000	61,473,000
Profit/(loss) before taxation	6,540,000	8,206,000	(10,416,000)
Profit/(loss) after taxation	6,540,000	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 nine months ended 31 December 2009, which was prepared in accordance with PRC accounting standard and adjusted in accordance with HKFRSs by the Company:

	For the nine months ended 31 December 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	71,824,000	72,530,000	—
Loss before taxation	706,000	66,000	—
Loss after taxation	706,000	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 and net loss before or after taxation for the year ended 31 March 2008.

Taiyuan

Taiyuan is a company established in the PRC on 18 June 2009 for a term of 20 years, of which 80% and 20% of its equity interest are owned by Regent Victor and 太原市排水管理處 (Taiyuan City Drainage Management Bureau) as at the date of this announcement. The business scope of Taiyuan includes provision of sewage treatment service, construction, operation and maintenance of sewage treatment facilities and consultation, design and installment of sewage treatment facilities.

As at the date of this announcement, Taiyuan is still under construction and has not commenced business since the date of its establishment in June 2009. Therefore, Taiyuan has no net assets nor net loss before or after taxation for the two years ended 31 March 2009.

Set out below is a summary of the financial information of Taiyuan for the nine months ended 31 December 2009, which was prepared in accordance with PRC accounting standard and adjusted in accordance with HKFRSs by the Company:

	For the nine months ended 31 December 2009 HK\$ (Unaudited)	For the year ended 31 March 2009 HK\$ (audited)	For the year ended 31 March 2008 HK\$ (audited)
Net assets	82,916,000	–	–
Loss before taxation	874,000	–	–
Loss after taxation	874,000	–	–

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

Listing Rule Implications

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

As the valuation of the New Targets as set out above constitutes profit forecast under Rule 14.61 of the Listing Rules, further announcement will be made by the Company setting out the information required under Rule 14.60A of the Listing Rules within 21 days from the date of this announcement.

FINANCIAL EFFECT

Upon completion of the Revised 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\$397,499,000 from the Revised Deemed Disposal, which is based on (i) the net assets value of Heilongjiang Interchina of HK\$193,659,000 as at 31 December 2009 attributable to the Company, representing 70.2% of the net assets value of Heilongjiang Interchina of HK\$275,868,000 as at 31 December 2009; (ii) the enlarged net assets value of Heilongjiang Interchina of HK\$591,158,000 as at 31 December 2009 attributable to the Company, representing 51.95% of the enlarged net assets value of Heilongjiang Interchina of HK\$1,137,937,000 as at 31 December 2009 upon completion of the Revised Share Increase; and (iii) the maximum proceeds of RMB750,000,000 (equivalent to approximately HK\$862,069,000) that can be raised from the Revised Share Increase.

Upon completion of the New Internal Disposal and the New Internal Acquisition, the New Targets will continue to be subsidiaries of the Company. Subject to the review by auditors, it is estimated that there will be a loss of approximately HK\$42,645,000 which is calculated based on the aggregate consideration of RMB294,530,000 (equivalent to approximately HK\$338,540,000) less the aggregate net assets value of the New Targets of approximately HK\$381,185,000 upon completion of the New Internal Disposal and the New Internal Acquisition.

REASONS FOR THE NEW INTERNAL DISPOSAL AND THE NEW INTERNAL 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 New Internal Disposal can further 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 New Internal Acquisition can also further enrich the asset base of Heilongjiang Interchina and improve the Group's profitability and income stream.

Accordingly, the Directors consider that the Revised Share Increase, the New Internal Disposal and the New Internal 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 Revised Share Increase. A circular containing, among other things, further information on the Revised Share Increase, financial information relating to the Group and the notice of the EGM will be dispatched 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 5 March 2010 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 9:30 a.m. on 9 March 2010.

DEFINITIONS

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

“Board”	the board of Directors
“Changli”	國水(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, which has been terminated by the Termination Agreement on 3 March 2010
“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
“Directors”	directors of the Company
“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”	A shares of Heilongjiang Interchina
“Hong Kong”	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 pursuant to the Internal Disposal Agreements
“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 pursuant to the Internal Disposal Agreements
“Internal Disposal Agreements”	Changli Agreement, Maanshan Agreement, Qinhuangdao Agreement and Ordos Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maanshan”	國水(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, which has been terminated by the Termination Agreement on 3 March 2010
“New Changli Agreement”	a conditional agreement entered into between the Intermediate Holdco and Heilongjiang Interchina dated 3 March 2010 in respect of the disposal of the entire equity interests of Changli by the Intermediate Holdco to Heilongjiang Interchina
“New Internal Acquisition”	the acquisition of (i) the entire equity interests of Changli, Maanshan and Ordos and 75% equity interest of Qinhuangdao by Heilongjiang Interchina from the Intermediate Holdco; and (ii) 80% equity interest of Taiyuan by Heilongjiang Interchina from Regent Victor, all pursuant to the New Internal Disposal Agreements
“New Internal Disposal”	the disposal of (i) the entire equity interests of Changli, Maanshan and Ordos and 75% equity interest of Qinhuangdao by the Intermediate Holdco to Heilongjiang Interchina; and (ii) 80% equity interest of Taiyuan by Regent Victor to Heilongjiang Interchina, all pursuant to the New Internal Disposal Agreements

“New Internal Disposal Agreements”	the New Changli Agreement, the New Maanshan Agreement, the New Qinhuangdao Agreement, the New Ordos Agreement and the Taiyuan Agreement
“New Maanshan Agreement”	a conditional agreement entered into between the Intermediate Holdco and Heilongjiang Interchina dated 3 March 2010 in respect of the disposal of the entire equity interests of Maanshan by the Intermediate Holdco to Heilongjiang Interchina
“New Ordos Agreement”	a conditional agreement entered into between the Intermediate Holdco and Heilongjiang Interchina dated 3 March 2010 in respect of the disposal of the entire equity interests of Ordos by the Intermediate Holdco to Heilongjiang Interchina
“New Qinhuangdao Agreement”	a conditional agreement entered into between the Intermediate Holdco and Heilongjiang Interchina dated 3 March 2010 in respect of the disposal of 75% equity interests of Qinhuangdao by the Intermediate Holdco to Heilongjiang Interchina
“New Targets”	Changli, Maanshan, Qinhuangdao, Ordos and Taiyuan
“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, which has been terminated by the Termination Agreement on 3 March 2010
“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, which has been terminated by the Termination Agreement on 3 March 2010

“Regent Victor”	Regent Victor Development Limited (豪峰發展有限公司), a company incorporated in Hong Kong and is owned as to 71% by the Company
“Revised Deemed Disposal”	the reduction of the Company’s interest in the capital of Heilongjiang Interchina from approximately 70.2% to 51.95% upon completion of the Revised Share Increase in full
“Revised Share Increase”	the non-public issue of up to 115,000,000 Heilongjiang Interchina Shares pursuant to the Revised Share Increase Proposal
“Revised Share Increase Proposal”	the revised proposal regarding the non-public issue of up to 115,000,000 Heilongjiang Interchina Shares to not more than 10 investors
“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, which has been terminated by the Shajing Termination Agreement on 3 March 2010
“Shajing Termination Agreement”	the termination agreement dated 3 March 2010 entered into between General Group Infrastructure Companies Limited and Heilongjiang Interchina to terminate the Shajing Agreement
“Share Increase”	the non-public issue of up to 130,000,000 Heilongjiang Interchina Shares pursuant to the Share Increase Proposal
“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
“Shareholders”	holder(s) of the Shares
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiyuan”	太原豪峰污水處理有限公司 (Taiyuan Haofeng Wastewater Treatment Company Limited), a joint venture company established in the PRC
“Taiyuan Acquisition”	the acquisition of 80% equity interests of Taiyuan by Heilongjiang Interchina from Regent Victor

“Taiyuan Agreement”	an agreement entered into between Regent Victor and Heilongjiang Interchina dated 3 March 2010 regarding the Taiyuan Acquisition
“Targets”	Changli, Maanshan, Qinhuangdao and Ordos
“Termination Agreement”	the termination agreement dated 3 March 2010 entered into between the Intermediate Holdco and Heilongjiang Interchina to terminate the Internal Disposal Agreements

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, 8 March 2010

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