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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)

DISCLOSEABLE TRANSACTIONS

BEIJING ACQUISITION

On 12 August 2010, Heilongjiang Interchina, a subsidiary of the Company, entered into the Beijing Acquisition Agreements to acquire an aggregate of 85% equity interest in Beijing Zhongke at the aggregate consideration of RMB34,850,000 (equivalent to approximately HK\$39,602,273), being the Beijing Acquisition. Beijing Tianning together with its ultimate beneficial owners and the Individuals (all being the vendors) are, to best knowledge, information and belief of the Directors having made all reasonable enquiries, parties independent of the Group and its connected persons (as defined in the Listing Rules).

Beijing Zhongke is principally engaged in providing environmental protection engineering services in the PRC. It is interested in 5% equity interest of Zhuozhou Zhongke, which is principally engaged in sewage treatment business in Zhuozhou, Hebei Province, the PRC. Heilongjiang Interchina shall also acquire the entire equity interest of Zhuozhou Zhongke in accordance with the terms of the Zhuozhou Acquisition Agreements, as detailed below.

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

ZHUOZHOU ACQUISITION

On 12 August 2010, Heilongjiang Interchina also entered into the Zhuozhou Acquisition Agreements to acquire the entire equity interest in Zhuozhou Zhongke at the aggregate consideration of RMB44,650,000 (equivalent to approximately HK\$50,738,636), being the Zhuozhou Acquisition. Zhongke Shiye and Beijing Zhongke (both being the vendors), which together with their ultimate beneficial owners are, to best knowledge, information and belief of the Directors having made all reasonable enquiries, parties independent of the Group and its connected persons (as defined in the Listing Rules).

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

BACKGROUND

Reference is made to the announcement of the Company dated 8 March 2010 and the circular of the Company dated 29 March 2010 in respect of the submission of the proposal to the Shanghai Stock Exchange by Heilongjiang Interchina, a subsidiary of the Company, to increase its issued share capital by issuing not more than 115,000,000 new A shares to 10 target investors at a price of not less than RMB6.51 per A share to raise not more than RMB750,000,000 (the “**Share Issue**”). Heilongjiang Interchina will use the proceeds from the Share Issue to acquire seven water projects in the PRC including the internal transfer of five water projects from the Group.

On 22 January 2010, Heilongjiang Interchina entered into the relevant non-legally binding letter of intent with the relevant vendors in relation to the Zhuozhou Acquisition and the Beijing Acquisition. According to the relevant PRC regulations as regards transfer of state-owned assets, the Zhuozhou Acquisition and Beijing Acquisition should be made through public tender at the China Beijing Equity Exchange. On 12 August 2010, Heilongjiang Interchina received acceptance of tender from the China Beijing Equity Exchange confirming that Heilongjiang Interchina won the tenders for the Zhuozhou Acquisition and the Beijing Acquisition. On the same day, Heilongjiang Interchina entered into the Beijing Tianning Agreement, the Individuals Agreements and the Zhuozhou Acquisition Agreements with the relevant vendors.

THE BEIJING ACQUISITION

On 12 August 2010, Heilongjiang Interchina, a subsidiary of the Company, entered into the Beijing Acquisition Agreements (being the Beijing Tianning Agreement and the Individuals Agreements) to acquire an aggregate of 85% equity interest in Beijing Zhongke at the aggregate consideration of RMB34,850,000 (equivalent to HK\$39,602,273).

The Beijing Tianning Agreement

Date

12 August 2010

Parties

Purchaser: Heilongjiang Interchina, which is indirectly owned as to 70.2% by the Company as at the date of this announcement.

Vendor: Beijing Tianning, which together with its ultimate beneficial owners are, to best knowledge, information and belief of the Directors having made all reasonable enquiries, parties independent of the Group and its connected persons (as defined in the Listing Rules). To the best knowledge of the Directors, Beijing Tianning is principally engaged in development of environmental protection technology and providing consultancy services in environmental protection.

Assets to be acquired

The 46% equity interest of Beijing Zhongke.

Beijing Tianning shall continue to hold 5% equity interest of Beijing Zhongke upon completion of the Beijing Tianning Agreement.

Consideration

The consideration for 46% equity interest of Beijing Zhongke is RMB 18,860,000 (equivalently to approximately HK\$21,431,818).

The consideration was determined by Heilongjiang Interchina after taking into account the valuation of Beijing Zhongke of RMB29,246,200 as at 31 December 2009, as assessed by 北京中企華資產評估有限公司 (China Enterprise Assets Appraisal Company Limited*), an independent professional PRC valuer, adopting the asset based method. The consideration was accepted by Beijing Tianning by way of its acceptance of the Heilongjiang Interchina's tender. The consideration will be financed by the internal resources of the Group.

Payment

The consideration for 46% equity interest of Beijing Zhongke shall be payable within three working days after the Beijing Tianning Agreement has become effective. In accordance with the rules of the China Beijing Equity Exchange, RMB3,772,000 has been paid as surety prior to the signing of the Beijing Tianning Agreement, which shall be applied towards satisfaction of payment of part of the consideration.

Effectiveness

The Beijing Tianning Agreement shall become effective upon signing by the authorised representatives of Beijing Tianning and Heilongjiang Interchina.

Conditions precedent

Completion of the transactions contemplated under the Beijing Tianning Agreement is conditional upon:

1. Beijing Tianning having completed the procedures as regards the public tender on the China Beijing Entity Exchange in relation to the sale of its 46% equity interest in Beijing Zhongke; and
2. Heilongjiang Interchina having obtained all necessary approvals and authorisations in relation to the transactions contemplated under the Beijing Tianning Agreement.

Completion

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

Undertakings

Heilongjiang Interchina undertakes that upon completion of the Beijing Tianning Agreement, it shall maintain stability of the employees of Beijing Zhongke and shall not change the management of Beijing Zhongke within three years.

The Individuals Agreements

Save in relation to the identity of the Individuals, the percentage of equity interests subject to acquisition and the amount of consideration, the terms of the Individuals Agreements are the same, which are summarised as follows:

Date

12 August 2010

Parties

Purchaser: Heilongjiang Interchina, which is indirectly owned as to 70.2% by the Company as at the date of this announcement.

Vendors: the Individuals, being 龐博 (Pang Bo), 徐楊 (Xu Yang), 李永定 (Li Yong Ding), 車愛偉 (Ju Ai Wei), 吳霞 (Wu Xia) and 李開明 (Li Kai Ming). To best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Individuals is a party independent of the Group and its connected persons (as defined in the Listing Rules).

Assets to be acquired and amount of consideration

Individuals	Assets involved	Consideration
1. 龐博 (Pang Bo)	: 7% of the equity interest of Beijing Zhongke	RMB 2,870,000 (equivalent to approximately HK\$3,261,364)
2. 徐楊 (Xu Yang)	: 4% of the equity interest of Beijing Zhongke	RMB1,640,000 (equivalent to approximately HK\$1,863,636)
3. 李永定 (Li Yong Ding)	: 3% of the equity interest of Beijing Zhongke	RMB1,230,000 (equivalent to approximately HK\$1,397,727)
4. 車愛偉 (Ju Ai Wei)	: 1% of the equity interest of Beijing Zhongke	RMB410,000 (equivalent to approximately HK\$465,909)
5. 吳霞 (Wu Xia)	: 1% of the equity interest of Beijing Zhongke	RMB410,000 (equivalent to approximately HK\$465,909)
6. 李開明 (Li Kai Ming)	: 23% of the equity interest of Beijing Zhongke	RMB 9,430,000 (equivalent to approximately HK\$10,715,909)

No public tender has been conducted in relation to the transactions contemplated under the Individuals Agreements. The consideration was determined after arm's length negotiations between the parties to the Individuals Agreements, after taking into account the valuation of Beijing Zhongke of RMB29,246,200 as at 31 December 2009, as assessed by 北京中企華資產評估有限公司 (China Enterprise Assets Appraisal Company Limited*), an independent professional PRC valuer, adopting the asset based method. The consideration will be financed by internal resources of the Group.

Payment

The consideration for the Individuals Agreements shall be payable within three working days after the Individuals Agreements have become effective.

Effectiveness

The Individuals Agreements shall become effective upon signing by the authorised representative of Heilongjiang Interchina and the Individuals.

Completion

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

Status of Beijing Zhongke upon completion of the Beijing Acquisition

Upon completion of the Beijing Acquisition, Beijing Zhongke shall become interested as to 85% by Heilongjiang Interchina, as to 5% by Beijing Tianning and as to 10% by a third party (whom together with its ultimate beneficial owners are independent of the Group and its connected person to the information and belief of the Directors after having made all reasonable enquiries). Beijing Zhongke will become a subsidiary of the Company and its results shall be consolidated into the accounts of the Company.

The Directors consider the terms of the Beijing Acquisition Agreements 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.

Information of Beijing Zhongke

Beijing Zhongke is a company established in the PRC in 2003 with a registered capital of RMB10,000,000. Beijing Zhongke is principally engaged in providing environmental protection engineering services in the PRC. It is interested in 5% equity interest of Zhuozhou Zhongke, which is principally engaged in sewage treatment business in Zhuozhou, Hebei Province, the PRC. Heilongjiang Interchina shall also acquire the entire equity interest of Zhuozhou Zhongke in accordance with the terms of the Zhuozhou Acquisition Agreements, as detailed below.

Set out below is a summary of the financial information of Beijing Zhongke for each of the two years ended 31 December 2009 and the six months ended 30 June 2010, which was prepared in accordance with PRC accounting standard:

	For the six months ended 30 June 2010	For the year ended 31 December 2009	For the year ended 31 December 2008
	<i>RMB</i> (Unaudited)	<i>RMB</i> (audited)	<i>RMB</i> (audited)
Net assets	20,492,851	21,004,222	19,015,622
Profit/(loss) before taxation	(511,371)	3,177,107	3,579,813
Profit/(loss) after taxation	(511,371)	2,988,600	3,271,660

Listing Rule implications

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

THE ZHUOZHOU ACQUISITION

On 12 August 2010, Heilongjiang Interchina, a subsidiary of the Company, entered into the Zhuozhou Acquisition Agreements to acquire the entire equity interest in Zhuozhou Zhongke at the aggregate consideration of RMB44,650,000 (equivalent to approximately HK\$50,738,636).

The Zhuozhou Acquisition Agreements

Save in relation to the identity of the vendors, the percentage of equity interests subject to acquisition and the amount of consideration, the terms of the Zhuozhou Acquisition Agreements are the same, which are summarised as follows:

Date

12 August 2010

Parties

Purchaser: Heilongjiang Interchina, which is indirectly owned as to 70.2% by the Company as at the date of this announcement.

Vendors: Zhongke Shiye and Beijing Zhongke. To best knowledge, information and belief of the Directors having made all reasonable enquiries, Zhongke Shiye, Beijing Zhongke (save for it being the subject of the Beijing Acquisition) and their respective ultimate beneficial owner(s) are parties independent of the Group and its connected persons (as defined in the Listing Rules). To the best knowledge of the Directors, Zhongke Shiye is principally engaged in investment holding business in the PRC while Beijing Zhongke is principally engaged in providing environmental protection engineering services in the PRC.

Assets to be acquired and amount of consideration

Vendors	Assets involved	Consideration
1. Zhongke Shiye	: 95% of the equity interest of Zhuozhou Zhongke	RMB 42,417,500 (equivalent to approximately HK\$48,201,705)
2. Beijing Zhongke	: 5% of the equity interest of Zhuozhou Zhongke	RMB2,232,500 (equivalent to approximately HK\$2,536,932)

The consideration was determined by Heilongjiang Interchina after taking into account the valuation of Zhuozhou Zhongke of RMB42,627,000 as at 31 December 2009, as assessed by 北京中企華資產評估有限公司 (China Enterprise Assets Appraisal Company Limited*), an independent professional PRC valuer, adopting the asset based method. The consideration was accepted by Zhongke Shiye and Beijing Zhongke respectively by way of their acceptance of the Heilongjiang Interchina's tender. The consideration will be financed by the internal resources of the Group.

Payment

The consideration for the Zhuozhou Acquisition Agreements shall be payable within three working days after the Zhuozhou Acquisition Agreements have become effective. In accordance with the rules of the China Beijing Equity Exchange, RMB8,480,800 has been paid as regards the acquisition from Zhongke Shiye and RMB446,400 has been paid as regards the acquisition from Beijing Zhongke, both as surety prior to the signing of the Zhuozhou Acquisition Agreements, which shall be applied towards satisfaction of payment of part of the consideration.

In the event Heilongjiang Interchina has not obtained the written approval (the “**Written Approval**”) from 涿州市人民政府 (the People's Government of Zhuozhou City) or 涿州市住房和城鄉建設局 (Housing and Urban-Rural Development Bureau of Zhuozhou City*) within 10 days after the signing of the Zhuozhou Acquisition Agreements, Zhongke Shiye and Beijing Zhongke shall be entitled to forfeit the surety paid as compensation and terminate the Zhuozhou Acquisition Agreements.

Within 60 days after obtaining the Written Approval, if (i) Zhuozhou Zhongke or Heilongjiang Interchina does not repay the Outstanding Loan (as defined below); and (ii) 中國銀行股份有限公司 涿州支行 (Bank of China Limited, Zhuozhou Branch) (the “**Bank**”) has not released the guarantee provided by Zhongke Shiye in favour of the Bank as regards Zhuozhou Zhongke, Zhongke Shiye and Beijing Zhongke shall be entitled to forfeit the surety paid as compensation and terminate the Zhuozhou Acquisition Agreements.

Effectiveness

The Zhuozhou Acquisition Agreements shall become effective upon signing by the authorised representatives of Heilongjiang Interchina, Zhongke Shiye and Beijing Zhongke.

Conditions precedent

Completion of the transactions contemplated under the Zhuozhou Acquisition Agreements is conditional upon:

1. Zhongke Shiye and Beijing Zhongke (as the case may be) having completed the procedures as regards the public tender on the China Beijing Entity Exchange in relation to the sale of their interests in Zhuozhou Zhongke; and
2. Heilongjiang Interchina having obtained all necessary approvals and authorisations in relation to the transactions contemplated under the Zhuozhou Acquisition Agreements.

Completion

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

Loan and guarantee

Prior to completion of the Zhuozhou Acquisition, Zhuozhou Zhongke shall repay the outstanding loan due to Beijing Tianning (being a shareholder of Beijing Zhongke, which in turn is holding 5% equity interest in Zhuozhou Zhongke) in the amount of RMB 22,000,000 together with any accrued interest (the “**Outstanding Loan**”). In the event Zhuozhou Zhongke is unable to repay the Outstanding Loan before completion of the Zhuozhou Acquisition, Heilongjiang Interchina shall advance equivalent amount to Zhuozhou Zhongke for such repayment

Also, prior to completion of the Zhuozhou Acquisition, Heilongjiang Interchina shall provide a guarantee to the Bank or repay the advance from the Bank to Zhuozhou Zhongke, in order to replace the guarantee provided by Zhongke Shiye to the Bank as regards Zhuozhou Zhongke.

Status of Zhuozhou Zhongke upon completion of the Zhuozhou Acquisition

Upon completion of the Zhuozhou Acquisition, Zhuozhou Zhongke shall become wholly owned by Heilongjiang Interchina. Zhuozhou Zhongke will become a subsidiary of the Company and its results shall be consolidated into the accounts of the Company.

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

Information of Zhuozhou Zhongke

Zhuozhou Zhongke is a company established in the PRC in 2006 with a registered capital of RMB36,000,000 and a built-operate-transfer arrangement with a term of operation of 25 years. Zhuozhou Zhongke is principally engaged in sewage treatment business in Zhuozhou, Hebei Province, the PRC. The daily operation capacity of Zhuozhou Zhongke is 80,000 tonnes.

Set out below is a summary of the financial information of Zhuozhou Zhongke for each of the two years ended 31 December 2009 and the six months ended 30 June 2010, which was prepared in accordance with PRC accounting standard:

	For the six months ended 30 June 2010	For the year ended 31 December 2009	For the year ended 31 December 2008
	<i>RMB</i> (Unaudited)	<i>RMB</i> (audited)	<i>RMB</i> (audited)
Net assets	34,558,530	33,668,850	34,353,247
Profit/(loss) before taxation	889,680	(684,397)	(498,956)
Profit/(loss) after taxation	889,680	(684,397)	(498,956)

Listing Rule implications

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

REASONS FOR THE BEIJING ACQUISITION AND THE ZHUOZHOU 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 the Zhuozhou Acquisition and the Beijing Acquisition will further enhance the asset base of the Group and strengthen Heilongjiang Interchina as the major platform in the future development of environmental protection and water treatment business of the Group in the PRC.

Accordingly, the Directors consider that the Beijing Acquisition and the Zhuozhou Acquisition are in the best interests of the Company and the Shareholders as a whole, and that their terms are fair and reasonable.

DEFINITIONS

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

“Beijing Acquisition”	the acquisition of an aggregate of 85% equity interest in Beijing Zhongke pursuant to the Beijing Acquisition Agreements
“Beijing Acquisition Agreements”	the Beijing Tianning Agreement and the Individuals Agreements
“Beijing Tianning”	北京中科天寧環保科技股份有限公司 (Beijing Zhongke Tianning Environmental Protection Technology Company Limited*) which is holding 51% equity interest of Beijing Zhongke prior to the completion of the Beijing Acquisition
“Beijing Tianning Agreement”	the sale and purchase agreement dated 12 August 2010 entered into between Heilongjiang Interchina and Beijing Tianning in relation to the acquisition of 46% equity interest in Beijing Zhongke
“Beijing Zhongke”	北京中科國益環保工程有限公司 (Beijing Zhongke Guoyi Environmental Protection Engineering Company Limited*), a company established in the PRC
“Board”	the board of Directors
“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
“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
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Individuals”	龐博 (Pang Bo), 徐楊 (Xu Yang), 李永定 (Li Yong Ding), 車愛偉 (Ju Ai Wei), 吳霞 (Wu Xia) and 李開明 (Li Kai Ming)
“Individuals Agreements”	the six sale and purchase agreements dated 12 August 2010 entered into between Heilongjiang Interchina and each of the Individuals respectively in relation to the acquisition of an aggregate of 39% equity interest in Beijing Zhongke
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holder(s) of the Shares
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhongke Shiye”	中科實業集團(控股)有限公司 (Zhongke Shiye Group (Holding) Company Limited*)
“Zhuozhou Acquisition”	the acquisition of the entire equity interest of Zhuozhou Zhongke pursuant to the Zhuozhou Acquisition Agreements

“Zhuozhou Acquisition Agreements”	the two sale and purchase agreements dated 12 August 2010 entered into between Heilongjiang Interchina and each of Zhongke Shiye and Beijing Zhongke in relation to the acquisition of the entire equity interest of Zhuozhou Zhongke
“Zhuozhou Zhongke”	涿州中科國益水務有限公司 (Zhuozhou Zhongke Guoyi Water Treatment Company Limited*), a company established in the PRC

Conversion of RMB into HK\$ is based on the exchange rate of RMB0.88 = 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, 17 August 2010

As at the date of this announcement, the executive Directors are Mr. Lam Cheung Shing, Richard, Mr. Zhu Yongjun and Mr. Zhang Chen; 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.

* *For identification purpose only*