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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)

PLACING OF CONVERTIBLE NOTES

Placing Agent



KINGSTON SECURITIES LIMITED

On 16 September 2010 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agreed amongst other things, on a best effort basis, to procure Placees to subscribe in cash for Convertible Notes up to the principal amount of HK\$495,000,000. Assuming all the Convertible Notes are successfully placed by the Placing Agent, upon full conversion of the HK\$495,000,000 principal amount of the Convertible Notes at the Initial Conversion Price, a total of 550,000,000 Conversion Shares will be issued, representing approximately 19.22% of the existing issued share capital of the Company as at the date of this announcement and approximately 16.12% of the issued share capital as enlarged by the issue of the Conversion Shares.

On the assumption that all Convertible Notes are fully placed, the gross proceeds from the Placing will be HK\$495,000,000 and the net proceeds from the Placing will be approximately HK\$482,500,000.

The Placing is not subject to Shareholders' approval. The Conversion Shares will be issued under the general mandate granted to the Directors at the Company's annual general meeting held on 30 July 2010. This mandate has not been utilized as at the date of this announcement.

Completion of the Placing is subject to the satisfaction of the conditions precedent set out in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING

A summary of the principal terms of the Placing Agreement is set out below:

Issuer: The Company

Placing Agent: Kingston Securities Limited. The Placing Agent is interested in 180,000,000 derivatives as at the date of this announcement. To the best of the director's knowledge, information and belief having made all reasonable enquiry, save for the fact that the Placing Agent holds 180,000,000 derivatives as at the date of this announcement, the Placing Agent and its ultimate beneficial owners are third parties independent of the Company and Connected Persons of the Company.

The Placing Agreement: On 16 September 2010 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agreed on a best effort basis to procure Placees to subscribe in cash for the Convertible Notes up to an aggregate principal amount of HK\$495,000,000.

Placing Conditions Precedent: Completion of the Placing of the Convertible Notes shall be conditional upon the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company does not reasonably object) listing of and permission to deal in the Conversion Shares to be issued upon the exercise of conversion rights under such Convertible Notes.

If the Placing Conditions Precedent for the Convertible Notes are not fulfilled within 10 Business Days from the date of notification by the Placing Agent that the Placing Agent has procured subscribers for such Convertible Notes or such other date as the parties may agree in writing, then the obligations of the parties in respect of the Placing of Convertible Notes will lapse. Each notification of the Placing Agent, once given, is irrevocable, unless revocation is agreed to by both parties in writing.

Placing Agent: The Placing Agent will receive a placement commission of 2.5% of the aggregate principal amount of the Convertible Notes for which it has procured Placees.

Placing Period: A period of 90 days from the date of the Placing Agreement.

Placees: The Placing Agent shall offer the Convertible Notes to Placees who are and whose ultimate beneficial owners are third parties independent of and not connected with the Company and Connected Persons of the Company and not acting in concert (as such term is defined in Takeovers Code) with Connected Persons of the Company.

If the number of Placees procured by the Placing Agent to subscribe for the Convertible Notes is less than six, the Company will make a further announcement specifying the names of those Placees, as required by Rule 13.28 of the Listing Rules.

Completion: Completion for the Convertible Notes is to take place within five Business Days, after the date of fulfillment of Placing Conditions Precedent of Convertible Notes (or such other date as the parties may agree in writing).

Termination: If, at any time prior to 9:00 a.m. on the Completion of the Convertible Notes, in the absolute opinion of the Placing Agent, the success of the Placing or the business or financial prospects of the Group would or might be adversely affected by:

(a) any material breach of any of the representations and warranties set out in the Placing Agreement; or

(b) any of the following events:

(i) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not *eiusdem generis* with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which would, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the placing of the Convertible Notes to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the placing of Convertible Notes; or
- (iii) any change in market conditions (including without limitation, a suspension or limitation on trading in securities generally on the Stock Exchange) which would materially and adversely affect the success of the placing of the Convertible Notes to potential investor(s) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the placing of the Convertible Notes.

then and in any such case, the Placing Agent may terminate this Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 9:00 a.m. on the Completion of the Convertible Notes and provided further that such termination shall not affect any partial completion of the Convertible Notes that have taken place prior to such date of termination.

In the event that the Placing Agent terminate the Placing Agreement, all obligations of each of the Parties under this Agreement shall cease and determine and no Party shall have any claim against any other Party in respect of any matter arising out of or in connection with this Agreement except for any breach arising prior to such termination.

PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

The following summarizes certain of the principal terms of the Convertible Notes:

Aggregate Principal amount of the Convertible Notes:	up to HK\$495,000,000
Authorised denomination for issue, transfer, conversion and redemption:	HK\$9,000,000
Maturity Date:	Two years from the relevant date of issue
Conversion Period:	The holders of Convertible Notes will be able to convert the outstanding principal amount of the Convertible Notes in whole or in part into Shares at any time following the relevant date of issue until a date falling seven days prior to (and excluding) the maturity date.
Initial Conversion Price:	HK\$0.90 per Conversion Share, subject to customary adjustments in certain events, including share consolidation, share subdivision, capitalization issues, capital distribution, rights issue and issues of other securities.
Interest Rate:	5% per annum payable annually.
Transferability:	The Convertible Notes will be transferrable without the consent of the Company except that the Convertible Notes can only be transferred to a Connected Person of the Company if prior written consent of the Company is obtained.
Voting:	Holders of Convertible Notes will not be entitled to receive notice of, attend or vote at any meeting of the Company by reason only of them being holders of Convertible Notes.
Listing:	No application will be made by the Company for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. Application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Notes.

Ranking:

The Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Notes will rank pari passu in all respects with all other Shares outstanding on the date the name of the noteholder is entered on the register of the members of the Company as a holder of the Conversion Shares.

Conversion restriction:

- (i) the conversion rights attaching to a Convertible Note cannot be exercised (and accordingly the Company will not issue Conversion Shares) if and to the extent that the total number of Conversion Shares (together with other Shares) with voting rights held by the holder of the Convertible Notes in question and parties acting in concert with it within the meaning of the Takeovers Code immediately after the issue of the relevant Conversion Shares would be more than 29.9% of the enlarged issued share capital of the Company or of such other amount equal to 0.1% below the amount as may be specified in the Takeovers Code as being the level for triggering a mandatory general offer;
- (ii) if the Conversion Shares are to be issued to a Connected Person in which case the exercise of the relevant Conversion Rights will be subject to approval of shareholders of the Company in a general meeting (if required) and compliance with relevant requirements of the Listing Rules; and
- (iii) the maintenance of public float as required under Rule 8.08 of the Listing Rules immediately after issue of Conversion Shares.

Redemption and Repurchase:

The Company may at any time and from time to time, by written notice (“Redemption Notice”) to a Noteholder elect to redeem the whole or part (being an authorised denomination) of the then outstanding principal amount of its Convertible Notes during a period commencing from the first anniversary of the relevant date of issue of the Convertible Notes until a day falling seven days prior to (and excluding) the relevant Maturity Date.

Despite that a Redemption Notice may have been served, a holder of the Convertible Notes may still exercise its conversion rights under the Convertible Notes within 10 Business Days after the Redemption Notice is served, in which case, the Redemption Notice will be deemed to have been withdrawn by the Company. The Company may also repurchase Convertible Notes at prices to be agreed between the Company and the holder of the Convertible Notes.

Assuming all the Convertible Notes are successfully placed by the Placing Agent, upon full conversion of the HK\$495,000,000 principal amount of the Convertible Notes at the Initial Conversion Price, a total of 550,000,000 Conversion Shares (with an aggregate nominal value of HK\$495,000,000) will be issued, representing approximately 19.22% of the existing issued share capital of the Company as at the date of this announcement and approximately 16.12% of the issued share capital as enlarged by the issue of the Conversion Shares. The Conversion Shares will be issued under the general mandate granted to the Directors at the Company's annual general meeting held on 30 July 2010. This mandate has not been utilized as at the date of this announcement. Accordingly, the Placing is not subject to Shareholders' approval.

CONVERSION PRICE

The Initial Conversion Price of HK\$0.90 per Conversion Share was arrived at after arm's length negotiation between the Company and the Placing Agent and represent:–

- (i) a premium of approximately 1.12% to the closing price of HK\$0.89 per Share quoted on the Stock Exchange on the date of this Announcement; and
- (ii) a discount of approximately 2.17% to the average closing price of HK\$0.92 per Share as quoted on the Stock Exchange for the 5 consecutive trading days of the Shares immediately prior to the date of this Announcement.

The Initial Conversion Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent.

SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Placing is illustrated as follows:

	As at the date of this announcement		Upon completion of the Placing (assuming the Convertible Notes are placed and converted in full) at the Initial Conversion Price	
	Shares	Approximate %	Shares	Approximate %
Mr. Zhang Yang	534,296,500	18.67	534,296,500	15.66
Citigroup Inc.	148,303,035	5.18	148,303,035	4.35
<i>Public</i>				
Places	–	–	550,000,000	16.12
Other Shareholders	2,178,619,828	76.15	2,178,619,828	63.87
TOTAL	2,861,219,363	100.00	3,411,219,363	100.00

REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS

The Placing will enable the Company to obtain funding so as to develop its existing business and explore potential business and take up investment opportunities in the future with readily available funds. The Directors consider that the timing of the fund raising by the Placing is appropriate in view of the favourable economic environment and current stock market condition with flourishing fundraising activities such as initial public offerings, placing of shares and issue of convertible notes in the market and the Placing is an appropriate means of raising additional capital for the Company. On the assumption that all Convertible Notes are fully placed, the gross proceeds from the Placing will be HK\$495,000,000. On the assumption that 550,000,000 Conversion Shares are issued at the Initial Conversion Price, the net price raised per Conversion Share is approximately HK\$0.88. The net proceeds from the Placing of up to approximately HK\$482,500,000 is intended to be used for the development of its environmental protection and water treatment operation and exploration of potential business and investment opportunities in the future.

On the basis that the Placing provides an opportunity for the Company to strengthen its capital base and to be equipped with readily available funds to enable it to grasp the potential investment opportunities, the Directors consider the terms of the Placing to be fair and reasonable and in the interests of the Company and the Shareholders of the Company as a whole.

FUND-RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

Apart from the fund raising activities mentioned below, the Company has not carried out other fund raising activities during the 12 months immediately preceding the date of this announcement.

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
28 April 2010	Placing of 440,000,000 Shares at HK\$0.65 per Share	HK\$278,700,000	Development of its environmental protection and water treatment operation and exploration of potential business and investment opportunities in the future.	Used as intended

GENERAL

The Group is principally engaged in environmental protection and water treatment operation; property investment operation and securities and financial operation.

Completion of the Placing is subject to the satisfaction of the conditions precedent set out in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

The following terms are used in this announcement with the meanings set opposite them:-

“associate(s)”	the meaning ascribed thereto in the Listing Rules
“Business Day”	any day (excluding Saturday, Sunday and public holiday) on which banks in Hong Kong are open for business
“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
“Completion”	the date within five Business Days after the date of satisfaction of the Placing Conditions Precedent
“Connected Person(s)”	the meaning ascribed thereto in the Listing Rules

“Conversion Rights”	the rights to be attached to the Convertible Notes to convert the principal amount of the Convertible Notes or a part thereof into Conversion Shares
“Conversion Shares”	the new Shares falling to be issued by the Company under the Convertible Notes upon exercise by a Noteholder of the Conversion Rights pursuant to the Conditions being up to 550,000,000 new Shares falling to be issued at the initial conversion price of HK\$0.90 per Share (subject to adjustment)
“Convertible Notes”	a series of 5.0% coupon convertible notes in an aggregate principal amount of up to HK\$495,000,000 to be issued by the Company with the benefit of and subject to the provisions of the Conditions
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries (as that term is defined in the Listing Rules)
“Initial Conversion Price”	the initial conversion price of HK\$0.90 per Conversion Share (subject to adjustments)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any professional, institutional or other investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Convertible Notes pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of the Convertible Notes in a maximum aggregate principal amount of HK\$495,000,000 procured by the Placing Agent to selected Placees on the terms and subject to the conditions set out in this Agreement
“Placing Agent”	Kingston Securities Limited, a corporation licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out Type 1 regulated activities (dealing in securities)
“Placing Agreement”	the conditional placing agreement dated 16 September 2010 between the Company and the Placing Agent in respect of placing of the Convertible Notes
“Placing Conditions Precedent”	the conditions precedent referred to in the section headed “Placing Conditions Precedent” in this Announcement
“Placing Period”	a period of 90 days commencing from the date of the Placing Agreement

“Share(s)”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholders”	the holders of Shares
“HK\$” and “cents”	Hong Kong dollars and cents, respectively

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

Hong Kong, 16 September 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.