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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)

REGARDING THE FORMATION OF A JOINT VENTURE WITH XIANGTAN JIUHUA ECONOMIC CONSTRUCTION INVESTMENT COMPANY LIMITED

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

The Company is pleased to announce that on 16 May 2011, Heilongjiang Interchina, a subsidiary of the Company with its A shares listed on the Shanghai Stock Exchange, the PRC, entered into a joint venture agreement with Xiangtan Jiu Hua Investment. The parties agreed to establish Xiangtan Interchina Water Treatment in the PRC to engage in the construction and operation of water supply projects in the Xiangtan Jiu Hua Demonstration Zone, except areas with water supply operated by General Water of China.

Pursuant to the terms of the joint venture agreement, the registered capital of the joint venture will be RMB150,000,000 (approximately HK\$178,570,000). Xiangtan Jiu Hua Investment will make a capital contribution of RMB27,300,000 (approximately HK\$32,500,000) in cash and hold 18.2% equity interest in Xiangtan Interchina, and Heilongjiang Interchina will make a capital contribution of RMB122,700,000 (approximately HK\$146,070,000) in cash and hold 81.8% equity interest in Xiangtan Interchina and become its controlling shareholder.

This announcement is made by Interchina Holdings Company Limited (the “**Company**”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Reference is made to the Chinese version of the overseas regulatory announcement made by the Company dated 18 May 2011 in relation to the announcement (“**Heilongjiang Announcement**”) published by Heilongjiang Interchina Water Treatment Company Limited (“**Heilongjiang Interchina**”) on the Shanghai Stock Exchange regarding external investment.

The Company is pleased to announce that on 16 May 2011, Heilongjiang Interchina, a subsidiary of the Company with its A shares listed on the Shanghai Stock Exchange, the PRC, entered into a joint venture agreement with Xiangtan Jiuhoa Investment, pursuant to which the parties agreed to establish a joint venture in the PRC.

Date : 16 May 2011

Parties : (1) Heilongjiang Interchina
(2) Xiangtan Jiuhoa Investment

Xiangtan Jiuhoa Investment is a company incorporated in the PRC with limited liabilities engaging in investment and construction of infrastructure facilities, land development and operation of park projects (first class land reserve and operation), construction and investment of park projects, project planning and property management. Having made all reasonable enquiries, to the best of the knowledge, information and belief of the directors of the Company, Xiangtan Jiuhoa Investment and its ultimate beneficial owner(s) are third parties independent of the Group and not connected persons (as defined in the Listing Rules) of the Group.

FORMATION OF JOINT VENTURE

The parties to the joint venture agreement agreed to establish a company with the name as Xiangtan Interchina Water Treatment Company Limited (hereinafter referred to as the “**Joint Venture**” or “**Xiangtan Interchina Water Treatment**”) in the PRC. Heilongjiang Interchina, a subsidiary of the Company, will make a capital contribution of RMB122,700,000 (approximately HK\$146,070,000) in cash and hold 81.8% equity interest in Xiangtan Interchina and become its controlling shareholder, whereas Xiangtan Jiuhoa Investment will make a capital contribution of RMB27,300,000 (approximately HK\$32,500,000) in cash and hold 18.2% equity interest in Xiangtan Interchina. After establishment, Xiangtan Interchina Water Treatment will become a non-wholly owned subsidiary of the Company.

The scope of business of Xiangtan Interchina Water Treatment after its establishment will be: production, supply and sale of tap water; consultancy, design, construction, equipment supply, installation and operation of water supply facilities; scientific research, development and utilisation of water treatment and other water treatment related business (as approved by the Administration for Industry and Commerce). Upon the formal incorporation of Xiangtan Interchina Water Treatment, Xiangtan Interchina Water Treatment will enter into the Franchise Agreement for Tap Water Supply to the Xiangtan Jiuhoa Demonstration Zone of Hunan Province (“**Franchise Agreement**”) with the Management Committee of the Xiangtan Jiuhoa Demonstration Zone. The Management Committee of the Xiangtan Jiuhoa Demonstration Zone will grant the franchise for the water supply plant project of the Xiangtan Jiuhoa Demonstration Zone (hereinafter referred to as the “**Project**”), with the franchise period commencing on the date the Project is ready to supply water and ends on the 30th anniversary of that date. Xiangtan Interchina Water Treatment will invest, construct, produce and operate a water supply plant project of the Xiangtan Jiuhoa Demonstration Zone with a capacity of 300,000 tonnes/day during the franchise period. Of which, the phase I investment and construction projects will include the construction of new water pipeline, a water treatment plant of 50,000 tonnes/day and a raw water plant of 50,000 tonnes/day, as well as the main water distribution pipe and related auxiliary facilities. If Xiangtan Interchina Water Treatment enters into the Franchise Agreement, the transaction contemplated under the agreement may constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and the Company will make further announcement as and when appropriate in accordance with the Listing Rules.

REASONS FOR ENTERING THE JOINT VENTURE AGREEMENT

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 Company believes that the establishment of the Joint Venture will provide the Group with the opportunity of operating the Project which will bring financial benefit to the Group in the long term. It will also allow the Group to capture financial benefit in the future from a continuing business growth in Xiangtan City of Hunan, the PRC.

DEFINITIONS

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

“Board”	the board of Directors
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Xiangtan Jiuhua Investment”	湘潭九華經濟建設投資有限公司 (Xiangtan Jiuhua Economic Construction Investment Company Limited*)
“%”	per cent.

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

Hong Kong, 18 May 2011

As at the date of this announcement, the executive Directors are Mr. Zhang Yang, 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, Mr. Ko Ming Tung, Edward and Dr. Fu Tao.

* For identification purpose only