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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 TRANSACTION PROPOSED DISPOSAL OF 99% EQUITY INTERESTS IN XIAN AVIATION TECHNOLOGY ASSETS ZONE WATER SUPPLY CO., LTD.

The Board announces that on 28 October 2011, Heilongjiang Interchina, a 53.77% owned subsidiary of the Company, entered into the Share Transfer Agreement with Hang Cheng Water pursuant to which Heilongjiang Interchina agreed to sell and Hang Cheng Water agreed to acquire 99% equity interest in Xian Aviation Water Supply and the Sale Loan at an aggregate consideration of RMB149,500,000 (equivalent to approximately HK\$184,568,000). Upon completion of the Disposal, Xian Aviation Water Supply will cease to be a subsidiary of Heilongjiang Interchina and the Company.

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, Hang Cheng Water and its ultimate beneficial owner are third parties independent of the Company and its connected persons. As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Disposal exceed 5% but are below 25%, the Disposal constitutes a discloseable transaction for the Company under Rule 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

On 28 October 2011, Heilongjiang Interchina, a 53.77% owned subsidiary of the Company, entered into the Share Transfer Agreement with Hang Cheng Water pursuant to which Heilongjiang Interchina agreed to sell and Hang Cheng Water agreed to acquire 99% equity interest in Xian Aviation Water Supply at an aggregate consideration of RMB149,500,000 (equivalent to approximately HK\$184,568,000).

Principal terms of the Share Transfer Agreement are set out as follows.

THE SHARE TRANSFER AGREEMENT

Date : 28 October 2011

Parties:

Vendor : Heilongjiang Interchina

Purchaser : Hang Cheng Water, a company incorporated in the PRC with limited liability and principally engaged in sale of tap-water, design, construction and installation of water supply facility in the PRC.

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, Hang Cheng Water and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Assets to be disposal of:

The Sale Share, representing 99% equity interests in Xian Aviation Water Supply and the Sale Loan.

Further particulars of Xian Aviation Water Supply are set out in the paragraph headed "Information on Xian Aviation Water Supply" of this announcement.

Consideration:

The consideration for the Sale Share shall be RMB128,310,000 (equivalent to approximately HK\$158,407,000). The consideration for the Sale Share is payable in the following manner:

- (1) RMB38,493,000 (equivalent to approximately HK\$47,522,000), being 30% of the consideration for the Sale Share, is payable within 5 days after the signing of the Share Transfer Agreement; and
- (2) RMB51,324,000 (equivalent to approximately HK\$63,363,000), being 40% of the consideration for the Sale Share, is payable within 5 days after the completion of the registration procedures with the industry and commerce administration department in respect of the change of the shareholder contemplated under the Share Transfer Agreement; and
- (3) RMB38,493,000 (equivalent to approximately HK\$47,522,000), being the remaining 30% of the consideration for the Sale Share, is payable within 5 days after 90 days of the announcement to be published by both parties.

The consideration for the Sale Loan shall be RMB21,190,000 (equivalent to approximately HK\$26,160,000), is payable within 5 days after the completion of the registration procedures with the industry and commerce administration department in respect of the change of the shareholder contemplated under the Share Transfer Agreement.

The consideration was determined after arm's length negotiations between the parties with reference to (i) the preliminary market value of Xian Aviation Water Supply in the amount of RMB145,159,200 as at 31 December 2010, assessed by 北京北方亞事資產評估有限責任公司 (Beijing Northern Yashi Assets Appraisal Co., Ltd.*), the independent professional valuers based on asset based approach; and (ii) the audited net assets value of the Xian Aviation Water Supply of RMB110,559,506 as of 31 December 2010, which was prepared in accordance with PRC accounting standard.

Completion:

Completion shall take place on the date of the first 30% of the Consideration for the Sale Share paid by Hang Cheng Water. Upon Completion, Xian Aviation Water Supply will no longer be treated as subsidiary of the Group.

INFORMATION ON XIAN AVIATION WATER SUPPLY

Xian Aviation Water Supply was established on 16 July 2003 in the PRC with limited liability and is a 99% owned subsidiary of Heilongjiang Interchina. Xian Aviation Water Supply had entered into a services concession agreement with 西安閻良國家航空高技術產業基地發展中心 (Development Center of Xian Yanliang National Aviation Hi-tech Industrial Base*) to transfer, operate and transfer a water supply plant in Xian Aviation Asset Zone, Yanliang, Xian, PRC with a daily treatment capacity of 120,000 tonnes for a period of 20 years from January 2008 to January 2028.

The audited net profit before and after taxation for Xian Aviation Water Supply prepared under Hong Kong Financial Reporting Standards for the two financial years ended 31 March 2011 are approximately as follows:

	For the year ended 31 March 2010 Audited HK\$	For the year ended 31 March 2011 Audited HK\$
Net profit before taxation	9,323,000	27,170,000
Net profit after taxation	4,966,000	26,660,000

The audited net assets of Xian Aviation Water Supply as of 31 March 2011 was approximately HK\$229,553,000 which including the upward fair value adjustment of approximately HK\$96,742,000 to the intangible assets owned by Xian Aviation Water Supply in accordance with Hong Kong Financial Reporting Standards when Heilongjiang Interchina became the subsidiary of the Company in January 2009.

REASONS FOR THE DISPOSAL

The Company and its subsidiaries (collectively the "Group") principally engaged in environmental protection and water treatment operation, property investment operation, nature resources operation and securities and financial operation.

The Xian Municipal Government intended to include Yanliang into its municipal water supply plan in the past year to coordinate water resources allocation. Yanliang was not previously included into the plan due to its remote location. For convenient resources allocation, Xian Municipal Government intended to designate 西安水務集團 (Xian Water Group*) as the major shareholder of Hang Cheng Water to acquire 99% shareholdings of Xian Aviation Water Supply together with, including but not limited to, Yanliang Municipal Government. In this regard, Xian Municipal Government and Yanliang Municipal Government had been making demand on repurchasing shareholding of Xian Aviation Water Supply held by Heilongjiang Interchina since early 2010.

Xian Aviation Water Supply had been relying on tariff received which merely covered its daily operating expenses. According to the relevant agreement executed between Xian Aviation Water Supply and 西安閩良國家航空高技術產業基地發展中心 (Development Center of Xian Yanliang National Aviation Hi-tech Industrial Base*), Xian Aviation Water Supply will receive government financial subsidy to subsidies its profit level in line with the pre-set investment criteria. Management of the Company considered the tariff to be received by Xian Aviation Water Supply is not sufficient to cover its expenses and the future profitability of the project will be heavily relied on the government subsidy. Given the limitation on its revenue base, it is in the Company's benefit to dispose the Sale Share.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion, Xian Aviation Water Supply will cease to be the subsidiary of Heilongjiang Interchina and the Company.

It is estimated that the Group will record a net loss of approximately HK\$71,353,000 (subject to audit adjustment (if any)) which is calculated based on (i) the net consideration of HK\$158,200,000 for the Sale Share; (ii) the audited net assets value of Xian Aviation Water Supply (before the upward fair value adjustment of approximately HK\$96,742,000) of approximately HK\$132,811,000; and (iii) the upward fair value adjustment of approximately HK\$96,742,000 to the intangible assets owned by Xian Aviation Water Supply in accordance with the Hong Kong Financial Reporting Standards when Heilongjiang Interchina became the subsidiary of the Company in January 2009.

The net proceeds from the Disposal of approximately HK\$184,360,000 will be used as general working capital of the Group and as fund for future development and expansion of the Group's environmental protection and water treatment operation.

IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Disposal exceed 5% but are below 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Interchina Holdings Company Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of Stock Exchange
“Completion”	completion of the Disposal in accordance with the Share Transfer Agreement
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Consideration”	consideration for the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	The disposal of the Sale Share and the Sale Loan by Heilongjiang Interchina as contemplated under the Share Transfer Agreement
“Hang Cheng Water”	西安閻良航城水務有限公司 (Xian Yanliang Hang Cheng Water Co., Ltd.*)
“Heilongjiang Interchina”	Heilongjiang Interchina Water Treatment Co., Ltd., a 53.77% owned subsidiary of the Company listed on the Shanghai Stock Exchange
“Heilongjiang Interchina Group”	Heilongjiang Interchina and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	renminbi, the lawful currency of the PRC
“Sale Loan”	The loan owing by Xian Aviation Water Supply to Heilongjiang Interchina Group as at the date of the Share Transfer Agreement, amounted to RMB21,190,000 (equivalent to approximately HK\$26,160,000)
“Sale Share”	99% equity interests in Xian Aviation Water Supply

“Share Transfer Agreement”	the share transfer agreement dated 28 October 2011 entered into between Heilongjiang Interchina as the vendor and Hang Cheng Water as the purchaser in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xian Aviation Water Supply”	西安航空科技產業園供排水有限公司 (Xian Aviation Technology Asset Zone Water Supply Co., Ltd.*), a 99% owned subsidiary of Heilongjiang Interchina
“%”	per cent.

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

Hong Kong, 28 October 2011

RMB is converted into HK\$ at an exchange of RMB0.81 to HK\$1 for illustrative purpose in this announcement

As at the date of this announcement, the executive Directors are Mr. Lam Cheung Shing, Richard, Mr. Zhu Yongjun and Mr. Wong Hin Shek; and the independent non-executive Directors are Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Mr. Chi Chi Hung, Kenneth.

* *For identification purposes only*