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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 AND RESUMPTION OF TRADING

THE ACQUISITION

On 21 June 2012, Heilongjiang Interchina entered into the Sale and Purchase Agreement with the Vendors in relation to the Acquisition, being the acquisition of an aggregate of 90% equity interest in Beijing Company. The aggregate Consideration is RMB495,000,000 (equivalent to approximately HK\$611,111,000) which shall be payable upon Completion.

The Acquisition is subject to the conditions set out in the paragraph headed “Conditions” below.

As at the date of this announcement, the Group is interested in 10% of the equity capital of the Beijing Company pursuant to the February Agreement, details of which are set out in the announcement of the Company dated 15 February 2012. The Beijing Company is principally engaged in the development of the treatment technology and technique and the production of equipment/construction of facility for sewage water treatment purpose.

As at the date of this announcement, the Company is indirectly interested in approximately 53.77% of the capital of Heilongjiang Interchina. As the relevant percentage ratios (as defined in the Listing Rules) exceed 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and subject to the Shareholders’ approval at the EGM. The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further information on the Sale and Purchase Agreement, financial information relating to the Beijing Company, the notice of the EGM and other information as required under the Listing Rules, will be despatched to the Shareholders on or before 19 July 2012.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 1:00 p.m. on 25 June 2012 pending release of this announcement. Application has been made by the Company for resumption of trading in the Shares at 9:00 a.m. on 28 June 2012.

INTRODUCTION

Reference is made to the announcements of the Company dated 15 February 2012 and 25 June 2012 in relation to, among others, the Option Agreement and the Acquisition. On 21 June 2012, Heilongjiang Interchina entered into the Sale and Purchase Agreement with the Vendors in relation to the Acquisition, being the acquisition of an aggregate of 90% equity interest in Beijing Company.

THE SALE AND PURCHASE AGREEMENT

Date

21 June 2012

Parties

Purchaser: Heilongjiang Interchina, which is indirectly owned as to 53.77% by the Company as at the date of this announcement.

Vendors: 韓德民 (Han Demin), 韓立新 (Han Lixin), 韓宇 (Han Yu), 韓子石 (Han Zishi), 朱東柯 (Zhu Dongke), 張靜 (Zhang Jing) and 北京首佳融通物流技術有限公司 (Beijing Sojarton Logistics Technology Co., Ltd.), which is principally engaged in providing of storage management and supervision services, auction services, distribution services and information services.

To best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Vendors (and its ultimate beneficial owner(s), as regards 北京首佳融通物流技術有限公司 (Beijing Sojarton Logistics Technology Co., Ltd.)) is a party independent of the Group and its connected persons (as defined in the Listing Rules), save that (i) the Vendors are parties to the Option Agreement; and (ii) 韓德民 (Han Demin), one of the Vendors, had disposed of 7.584% of the equity interest of Beijing Company to Heilongjiang Interchina pursuant to the February Agreement.

Assets to be acquired and amount of consideration

Name of Vendor	Amount of equity interest subject to disposal pursuant to the Sale and Purchase Agreement	Consideration
1. 韓德民 (Han Demin) :	4.832% of the equity interest of Beijing Company	RMB26,576,000 (equivalent to approximately HK\$32,810,000)
2. 韓立新 (Han Lixin) :	63.5711% of the equity interest of Beijing Company	RMB349,641,050 (equivalent to approximately HK\$431,656,000)
3. 韓宇 (Han Yu) :	0.9664% of the equity interest of Beijing Company	RMB5,315,200 (equivalent to approximately HK\$6,562,000)
4. 韓子石 (Han Zishi) :	5.168% of the equity interest of Beijing Company	RMB28,424,000 (equivalent to approximately HK\$35,091,000)
5. 朱東柯 (Zhu Dongke) :	12.0801% of the equity interest of Beijing Company	RMB66,440,550 (equivalent to approximately HK\$82,025,000)
6. 張靜 (Zhang Jing) :	2.4160% of the equity interest of Beijing Company	RMB13,288,000 (equivalent to approximately HK\$16,405,000)
7. 北京首佳融通物流技術有限公司 (Beijing Sojarton Logistics Technology Co., Ltd.) :	0.9664% of the equity interest of Beijing Company	RMB5,315,200 (equivalent to approximately HK\$6,562,000)
Total:	<u><u>RMB495,000,000</u></u>	

The aggregate consideration is RMB495,000,000 (the “**Consideration**”) (equivalent to approximately HK\$611,111,000), shall be satisfied in cash. The Consideration is payable as follows:

- (a) RMB10,000,000 shall be payable by the Purchaser as deposit and part payment of the Consideration within 10 working days upon the Sale and Purchase Agreement having become effective; and
- (b) RMB485,000,000 (the “**Balance**”) shall be payable upon Completion.

The Consideration was determined after arm’s length negotiations between the parties to the Sale and Purchase Agreement, after taking into account the valuation of the 90% equity interest of Beijing Company of RMB456,955,000 (equivalent to approximately HK\$564,142,000) as at 31 December 2011, as assessed by 北京中科華資產評估有限公司 (Beijing Zhongkehua Assets Appraisal Company Limited), an independent professional PRC valuer, adopting the income approach and the business development and prospects of Beijing Company in the medium to long term. The Consideration will be financed by the fund raising activity to be conducted by Heilongjiang Interchina. Such valuation constitutes profit forecast pursuant to the Listing Rules. Further announcement will be made in relation thereto by the Company.

Conditions precedent

Completion is subject to the following conditions:

1. the representations and warranties given by the Vendors under the Sale and Purchase Agreement being true, accurate and complete;
2. (a) Beijing Company having completed all necessary internal procedures to approve the Acquisition, including but not limited to the shareholders of Beijing Company passing the relevant resolution; and (b) the Group having passed the relevant resolutions to approve the Acquisition and the transactions contemplated thereunder;
3. (a) the Sale and Purchase Agreement and other documents (the “**Relevant Documents**”) relating to the Acquisition having been signed by the relevant parties;
(b) the Sale and Purchase Agreement and the Relevant Documents being true, accurate and complete and enforceable against the Vendors;
(c) the Vendors having complied with the obligations under the Sale and Purchase Agreement and the Relevant Documents;
4. there being no material adverse change to Beijing Company relating to the transactions under the Sale and Purchase Agreement;
5. Heilongjiang Interchina having received the audited financial statements of Beijing Company for the two years ended 31 December 2011 and there being no material adverse change upon Completion;

6. there being no court judgment, governmental decision or other regulatory requirements:
 - (a) prohibiting or restricting any transactions contemplated under the Sale and Purchase Agreement;
 - (b) prohibiting or restricting the completion of the transactions contemplated under the Sale and Purchase Agreement;
 - (c) whereupon Beijing Company, the Vendors and/or Heilongjiang Interchina shall be subject to material penalty or legal consequence upon completion of the transactions contemplated under the Sale and Purchase Agreement;
 - (d) restricting the operation of the Beijing Company which constitute material adverse change.
7. there being no litigations, arbitrations or civil proceedings, and where there being litigations, arbitrations or civil proceedings against Beijing Company and/or Heilongjiang Interchina and/or the Vendors, and those judgements:
 - (a) shall constitute material adverse effect to the consummation of the Sale and Purchase Agreement or obligations under other transaction documents; or
 - (b) shall constitute actual adverse effect to the transactions contemplated under the Sale and Purchase Agreement; and
8. there being no change to the management of Beijing Company save for being approved by Heilongjiang Interchina.

Completion

Upon the above conditions having been fulfilled, Completion shall take place: (i) in whole within 10 working days upon receipt of fund by Heilongjiang Interchina from its fund raising activity; or (ii) in part within 18 months upon the Sale and Purchase Agreement becoming effective, whichever is earlier.

Heilongjiang Interchina shall have the right to acquire the aggregate 90% equity interest simultaneously or by instalments. In the event Heilongjiang Interchina decided to acquire the aggregate 90% equity interest by instalments, it shall complete the Acquisition within 18 months upon the Sale and Purchase Agreement having become effective.

Effectiveness

The Sale and Purchase Agreement shall become effective upon (i) signing by all parties of the Sale and Purchase Agreement; (ii) the board of directors and shareholders of Heilongjiang Interchina having approved the Sale and Purchase Agreement; and (iii) the Shareholders approving the Sale and Purchase Agreement.

Profit guarantee and management bonus

Pursuant to the Sale and Purchase Agreement, in the event that:

- (i) the audited net profit after taxation of the Beijing Company for the year ending 31 December 2012 shall not be less than RMB65,000,000 (the “**2012 Profit Guarantee**”), the Vendors shall pay the Management Team an amount of RMB20,000,000 as management bonus (the “**2012 Management Bonus**”);
- (ii) the audited net profit after taxation of the Beijing Company for the year ending 31 December 2013 shall not be less than RMB78,000,000 (the “**2013 Profit Guarantee**”), the Vendors shall pay the Management Team an amount of RMB20,000,000 as management bonus (the “**2013 Management Bonus**”, together with the 2012 Management Bonus, the “**Management Bonus**”);
- (iii) the actual audited net profit after taxation of the Beijing Company for the year ending 31 December 2012 (the “**2012 Actual Profit**”) is less than the 2012 Profit Guarantee, the Vendors shall pay the Beijing Company the amount calculated as follows:

$$c = a - b$$

a means the 2012 Profit Guarantee

b means the 2012 Actual Profit

c means the amount payable by the Vendors to the Beijing Company which shall be capped at RMB20,000,000.

In such event, the Management Team shall be entitled to a management bonus equivalent to the difference between RMB20,000,000 and the amount of “c”, and

- (iv) the actual audited net profit after taxation of the Beijing Company for the year ending 31 December 2013 (the “**2013 Actual Profit**”) is less than the 2013 Profit Guarantee, the Vendors shall pay the Beijing Company the amount calculated as follows:

$$f = d - e$$

d means the 2013 Profit Guarantee

e means the 2013 Actual Profit

f means the amount payable by the Vendors to the Beijing Company which shall be capped at RMB20,000,000.

In such event, the Management Team shall be entitled to a management bonus equivalent to the difference between RMB20,000,000 and the amount of “f”.

INFORMATION OF BEIJING COMPANY

Beijing Company is a company established in the PRC in 2002 with a registered capital of RMB38,700,000 with a term of operation of twenty years. Beijing Company is principally engaged in the development of the treatment technology and technique and the production of equipment/construction of facility for sewage water treatment purpose. As at the date of this announcement, Heilongjiang Interchina is interested in 10% equity interest of Beijing Company.

On 25 June 2012, the board of directors of Heilongjiang Interchina also approved the granting of a guarantee to 上海浦東發展銀行股份有限公司 in favour of Beijing Company for the term of one year for an amount up to RMB30,000,000. Beijing Company has currently obtained a number of construction projects which will need additional working capital, the board of directors of Heilongjiang Interchina considered that the provision of the guarantee is necessary to enable Beijing Company to obtain the loan facility in order to provide general working capital to the Beijing Company to continue carrying out its existing business.

Having considered the above and after taking into account the Beijing Company will become a subsidiary of the Company, the Directors consider that the provision of the guarantee is fair and reasonable, and in the interests of the Group.

Set out below is a summary of the financial information of Beijing Company for each of the three years ended 31 December 2011, which was prepared in accordance with PRC accounting standard:

	For the year ended 31 December 2011 RMB (Audited)	For the year ended 31 December 2010 RMB (Audited)	For the year ended 31 December 2009 RMB (Audited)
Net assets	80,980,200	13,530,100	17,828,900
Profit before taxation	66,652,300	13,045,800	711,300
Profit after taxation	55,950,000	11,264,300	336,100

Beijing Company will become a subsidiary of the Company and its results will be consolidated in the financial statements of the Company after Completion.

REASONS FOR THE 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 Acquisition (i) can strength and further consolidate the Group's leading position in the environmental water treatment sector and create a broader platform for the expansion of the Group's environmental water treatment operation; and (ii) can improve the Group's profitability and income stream. Upon Completion, Beijing Company will become a wholly-owned subsidiary of Heilongjiang Interchina.

Accordingly, the Directors consider that the Acquisition is 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.

Listing Rules Implication

As at the date of this announcement, the Company is indirectly interested in approximately 53.77% of the capital of Heilongjiang Interchina. As the relevant percentage ratios (as defined in the Listing Rules) exceed 5% but are less than 25%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and subject to the Shareholders' approval at the EGM. The EGM will be convened and held for the Shareholders to consider and, if consider appropriate, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

GENERAL

A circular containing, among other things, further details of the Sale and Purchase Agreement, financial information relating to the Beijing Company, the notice of the EGM and other information as required under the Listing Rules will be despatched to the Shareholders on or before 19 July 2012.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 1:00 p.m. on 25 June 2012 pending release of this announcement. Application has been made by the Company for resumption of trading in the Shares from 9:00 a.m. on 28 June 2012.

TERMS USED IN THIS ANNOUNCEMENT

“Acquisition”	the acquisition of an aggregate of 90% equity interest of Beijing Company pursuant to the Sale and Purchase Agreement
“Beijing Company”	北京天地人環保科技有限公司 (Beijing TDR Enviro-Tech Co., Ltd), a company established in the PRC and is 90% owned by the Vendors as at the date of this announcement
“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
“Completion”	completion of the Acquisition
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder

“February Agreement”	the sale and purchase agreement dated 10 February 2012 entered into between Heilongjiang Interchina, 韓立新 (Han Lixin) and 姚淑華 (Yao Shuhua) in relation to the sale and purchase of 10% of the equity capital of the Beijing Company, details of which are set out in the announcement of the Company dated 15 February 2012
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Team”	the management team of the Beijing Company
“Option Agreement”	the option agreement entered into between Heilongjiang Interchina and the Vendors dated 10 February 2012 in respect of the options granted by the Vendors to Heilongjiang Interchina to acquire an aggregate of 90% of equity interest of Beijing Company, details of which are set out in the announcement of the Company dated 15 February 2012
“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)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Heilongjiang Interchina and the Vendors dated 21 June 2012 in respect of the acquisition of an aggregate of 90% equity interest of Beijing Company
“Shareholders”	holder(s) of the Shares
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	韓德民 (Han Demin), 韓立新 (Han Lixin), 韓宇 (Han Yu), 韓子石 (Han Zishi), 朱東柯 (Zhu Dongke), 張靜 (Zhang Jing) and 北京首佳融通物流技術有限公司 (Beijing Sojarton Logistics Technology Co., Ltd.)

In this announcement, RMB are converted into HK\$ on the basis of RMB0.81 = HK\$1 for illustrative purpose.

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

Hong Kong, 27 June 2012

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