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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 AND CONNECTED TRANSACTION

THE ACQUISITION

The Board is pleased to announce that on 16 December 2012, the Company entered into the Sale and Purchase Agreement with Mr. Jiang regarding the Acquisition. Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to acquire for and Mr. Jiang has conditionally agreed to dispose of the Sale Shares, representing the entire issued share capital of Pengxin Agricultural, and the Sale Loan at the aggregate Consideration of US$65,000,000 (equivalent to approximately HK$507,000,000).

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Acquisition are above 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Jiang, an executive Director and the chairman of the Company, is interested in 709,000,000 Shares, representing approximately 11.66% of the issued share capital of the Company. Accordingly, Mr. Jiang is a connected person of the Company and the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules subject to the reporting, announcement and the Independent Shareholders' approval requirements.

An Independent Board Committee has been formed to advise the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder. Guangdong Securities has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in this regard.

The Company will seek the Independent Shareholders' approval of the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM by way of poll whereby Mr. Jiang and his associates shall abstain from voting.

GENERAL

A circular containing, inter alia, (i) details of the Acquisition; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter of advice from Guangdong Securities to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 9 January 2013 in accordance with the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 16 December 2012, the Company entered into the Sale and Purchase Agreement with Mr. Jiang regarding the Acquisition. Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to acquire for and Mr. Jiang has conditionally agreed to dispose of the Sale Shares, representing the entire issued share capital of Pengxin Agricultural, and the Sale Loan at the aggregate Consideration of US$65,000,000 (equivalent to approximately HK$507,000,000).

Particulars of the Sale and Purchase Agreement are described in the following sections:

THE SALE AND PURCHASE AGREEMENT

Date

16 December 2012

Parties

Vendor: Mr. Jiang, an executive Director and the chairman of the Company. As at the date of this announcement, Mr. Jiang is interested in 709,000,000 Shares, representing approximately 11.66% of the issued share capital of the Company. Therefore, he is a connected person of the Company under the Listing Rules.

Purchaser: the Company

Assets to be acquired

(i) the Sale Shares, representing the entire issued share capital of Pengxin Agricultural, which in turn will hold 99.9% equity interest in the Bolivian Company upon Completion; and

(ii) the Sale Loan, being the aggregate sum due and owing by Pengxin Agricultural to Mr. Jiang immediately prior to Completion.

As at the date of this announcement, the amount due and owing by Pengxin Agricultural to Mr. Jiang is nil. It is expected that upon Completion, the Sale Loan would amount to approximately US$26,500,000 (equivalent to approximately HK$206,700,000).

The Consideration

The aggregate Consideration shall be US$65,000,000 (equivalent to approximately HK$507,000,000), of which the consideration for the Sale Loan is equivalent to its face value and the consideration for the Sale Shares shall be the balance of the Consideration after deducting the consideration of the Sale Loan. The Consideration shall be satisfied in the following manner:

(i) as to US$30,000,000 (equivalent to approximately HK$234,000,000) (the "**Deposit**") payable by the Company to Mr. Jiang in cash within seven days after the date of the Sale and Purchase Agreement as deposit and part payment of the Consideration; and

(ii) as to US$35,000,000 (equivalent to approximately HK$273,000,000) (the "**Balance**") payable by the Company to Mr. Jiang in cash on Completion, subject to the adjustment set out below.

Adjustment to the Consideration

Pursuant to the Sale and Purchase Agreement, Mr. Jiang represents and warrants to the Company that the Net Profit for the year ended 30 June 2012 as shown in the Audited Statements (the "**Actual Profit**") shall not be less than US$3,349,000 (the "**Guaranteed Profit**"). In the event that the Actual Profit is less than the Guaranteed Profit (the shortfall between the Guaranteed Profit and the Actual Profit shall be regarded as the "**Profit Shortfall**"), Mr. Jiang agrees that a downward adjustment shall be made to the Balance payable by the Company to Mr. Jiang upon Completion calculated by the following formula:

Amount to be deducted from the Balance = Profit Shortfall x 11.5

However, no such adjustment will be made in the event the Profit Shortfall is less than 5% of the Guaranteed Profit.

The Consideration shall be financed by the internal resources of the Group.

The Consideration was determined between the Company and Mr. Jiang after arm's length negotiations with reference to:

(a) the unaudited profit after tax of the Bolivian Company for the year ended 30 June 2012;

(b) market comparables in terms of price to earnings ratio for similar business as the Bolivian Company;

(c) the estimated current market value of the Properties owned by the Bolivian Company amounting to approximately US$37,000,000 (equivalent to approximately HK$288,600,000) (the carrying value of the Properties is approximately US$16,000,000 (equivalent to approximately HK$124,800,000)); and

(d) the prospects of the Bolivian Company.

The Board (other than the independent non-executive Directors whose view will be included in the circular of the Company to be published in relation to the Acquisition after being advised by Guangdong Securities) is of the view that the Consideration is fair and reasonable.

Conditions precedent

Completion shall be conditional upon and subject to:

(a) the passing of the necessary resolution(s) by the shareholders of the Company (other than those who are required to abstain from voting under the Listing Rules) at the extraordinary general meeting of the Company to approve the Sale and Purchase Agreement and the transactions contemplated thereunder;

(b) Pengxin Agricultural having become the legal and beneficial owner of 99.9% of the issued share capital of the Bolivian Company;

(c) the obtaining of an Bolivian legal opinion (in form and substance satisfactory to the Company) from a firm of Bolivian legal adviser appointed by the Company in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder (including but not limited to (a) the Bolivian Company's due and proper incorporation and valid existence under the laws of the Republic of Bolivia; (b) the power and authority of the Bolivian Company to carry out its business as set forth in the Bolivian Company's constitutional document; (c) the obtaining by the Bolivian Company and the validity of the legal title of the Farm and the Properties owned by the Bolivian Company; (d) Pengxin Agricultural's ownership of the share capital of the Bolivian Company; and (e) any other matters as may be required by the Company);

(d) (if required) all necessary consents, licences and approvals required to be obtained on the part of Mr. Jiang and the Pengxin Agricultural Group in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remained in full force and effect;

(e) the Company being satisfied with the results of the due diligence review to be conducted pursuant to the Sale and Purchase Agreement;

(f) the Company having received the Audited Statements including the balance sheet, profit and loss accounts together with the notes thereon, the cash flow statement and the auditors' and directors' reports of the Bolivian Company for the two years ended 30 June 2012 which are prepared in accordance with International Financial Reporting Standards by the auditors to be engaged by Mr. Jiang acceptable to the Company, in respect of which the auditors' report must be unqualified;

(g) the Consideration being not less than US$50,000,000 after the adjustment set out above; and

(h) there being no breach of the representations, warranties and undertakings given by Mr. Jiang under the Sale and Purchase Agreement and such representations, warranties and undertakings having remained true and accurate.

The Company may at its absolute discretion at any time waive in writing any of the conditions (c) and (e) above. Mr. Jiang may at his discretion at any time waive in writing the condition set out in (g) above. All other conditions set out in (a), (b), (d), (f) and (h) cannot be waived. If any of the conditions have not been satisfied (or as the case may be, waived) on or before 4:00 p.m. on the Long Stop Date, or such later date as the Company may agree, the Sale and Purchase Agreement shall cease and determine and Mr. Jiang, shall within one Business Day from the cessation and termination of the Sale and Purchase Agreement refund the Deposit to the Company with interest, and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place at 3:00 p.m. on the third Business Day after the fulfillment (or waiver, as the case may be) of the conditions precedent or such other date as the Company may agree.

Upon Completion, Pengxin Agricultural will become a wholly-owned subsidiary of the Company and its results will be consolidated in the financial statements of the Company.

INFORMATION OF THE PENGXIN AGRICULTURAL GROUP

Pengxin Agricultural is a company incorporated in the BVI on 11 July 2012 with limited liability and is legally and beneficially owned by Mr. Jiang as at the date of this announcement. It is engaged in investment holding which, upon Completion, shall be directly interested in 99.9% of the issued share capital of the Bolivian Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the remaining shareholding interest of the Bolivian Company are held by parties independent of the Group and its connected persons.

The Bolivian Company is a company incorporated in the Republic of Bolivia on 19 October 2005 with limited liability and is engaged in the agricultural business over the Farm. The principal activities of the Farm are the growing and selling of agricultural products, including soybean, sorghum, corn and rice in the South American market. As at the date of this announcement, the issued share capital of the Bolivian Company is held as to 60% by Pengxin Shanghai Holdings Company Limited (the "**Pengxin Group**") and as to the aggregate of 40% by two third parties independent of the Group and its connected persons. Mr. Jiang is the chairman of the board of Pengxin Group and is directly interested in 99% equity interests in Pengxin Group. Prior to the date of this announcement, Pengxin Agricultural has entered into sale and purchase agreements (i) with Sociedad de Inversiones INVX S.A. to acquire 31 shares of the Bolivian Company at the consideration of US$7,753,875 (equivalent to approximately HK$60,480,225); and (ii) with Roberto Saavedra Rengifo to acquire 1 share of the Bolivian Company at the consideration of US$246,125 (equivalent to approximately HK$1,919,775). Pengxin Agricultural is proposing to acquire the remaining 60% of the issued share capital of the Bolivian Company from Pengxin Group at a consideration of US$18,500,000 (equivalent to approximately HK$144,300,000). The total investment cost of 60% of the issued share capital of the Bolivian Company by Pengxin Group is approximately US$18,500,000 (equivalent to approximately HK$144,300,000). It is estimated that the aggregate investment cost of the 99.9% of the issued share capital of the Bolivian Company to Pengxin Agricultural will be approximately

US$26,500,000 (equivalent to approximately HK$206,700,000). As at the date of this announcement, the Bolivian Company is undergoing a corporate restructuring such that Pengxin Agricultural shall become the legal and beneficial owner of 99.9% of the issued share capital of the Bolivian Company prior to Completion.

Set out below is a summary of the unaudited financial information of the Bolivian Company for each of the two years ended 30 June 2012, which was prepared in accordance with the Bolivia Financial Reporting Standards:

	For the year ended 30 June 2012	**For the year ended 30 June 2011**
	US$'000	*US$'000*
Profit before tax	3,349	3,547
Profit after tax	3,349	3,547

	As at 30 June 2012	**As at 30 June 2011**
	US$'000	*US$'000*
Net assets	17,661	14,333

REASONS FOR THE ACQUISITION

The principal activities of the Group are environmental water treatment operation, property investment operation and natural resources operation.

The Group has been interested in looking for opportunities to diversify the existing businesses into new lines of businesses with growth potential. Meanwhile, the Group derives its revenue mainly from the environmental water treatment operation through a wholly-owned subsidiary and Heilongjiang Interchina. Nonetheless, Heilongjiang Interchina will cease to be a subsidiary of the Company but instead will become an associate investment of the Company upon completion of the proposed non-public offering of the new domestic shares of Heilongjiang Interchina which constitutes a deemed disposal of the Company and the proposed disposal by the Company of part of its shareholdings in Heilongjiang Interchina. In order to enhance Shareholders' value, the Board is actively seeking overseas investment projects of superb quality to diversify the Group's revenue stream.

As the world population continues to grow, urbanisation rates in most countries also accelerate as a result, which increase the demand for both natural resources and food products at the same time. The Company is optimistic about the prospects in the agricultural industry. The Bolivian Company owns approximately 12,500 hectare of premium farmland in the north of Santa Cruz, the Republic of Bolivia with an estimated appraisal value amounting to approximately US$35,000,000 (equivalent to approximately HK$273,000,000). Currently, the main croppers of the Farm are glycine max and corn. The maximum capacity per annum of the Farm can reach 50,000 tonnes as its location is subject to excellent weather conditions that allows double or even triple harvests. The Company is of the view that an investment in the Bolivian Company will not only facilitate the Group's expansion into the agricultural industry, but also diversify the Group's current operations and minimise the investment risks in relation to its existing businesses. In addition, the Bolivian Company has been under operation for over six years, and from which it has been able to derive stable cash flow. The agricultural business of the Bolivian Company is not a capital intensive business, except the investment in land, but can contribute stable and long term profit to the Group without further significant amount of capital investment. Therefore, it is expected that subsequent to the Completion, the Bolivian Company will provide steady income and cash flow to the Group immediately. Assuming the annual net profit of the Bolivian Company can maintain at the average net profit for its past two financial years, the earning rate of this investment per annum is approximately 5.3% which the Board considers to be reasonable.

Accordingly, the Directors (excluding the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Acquisition are above 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Jiang, an executive Director and the chairman of the Company, is interested in 709,000,000 Shares, representing approximately 11.66% of the issued share capital of the Company. Accordingly, Mr. Jiang is a connected person of the Company and the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, subject to the reporting, announcement and the Independent Shareholders' approval requirements.

An Independent Board Committee has been formed to advise the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder. Guangdong Securities has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in this regard.

The Company will seek the Independent Shareholders' approval of the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM by way of poll whereby Mr. Jiang and his associates shall abstain from voting.

GENERAL

A circular containing, inter alia, (i) details of the Acquisition; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter of advice from Guangdong Securities to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 9 January 2013 in accordance with the Listing Rules.

DEFINITIONS

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

"Acquisition"	the proposed acquisition of the Sale Shares and the Sale Loan by the Company from Mr. Jiang pursuant to the Sale and Purchase Agreement
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audited Statements"	the balance sheet, profit and loss accounts together with the notes thereon, the cash flow statement and the auditors' and directors' reports of the Bolivian Company for the two years ended 30 June 2012 which are prepared in accordance with International Financial Reporting Standards by the auditors to be engaged by Mr. Jiang acceptable to the Company
"Board"	the board of the Directors
"Bolivian Company"	Empresa Agropecuaria Novagro S.A., a company incorporated in the Republic of Bolivia with limited liability
"Business Day"	a day (other than a Saturday or any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"BVI"	the British Virgin Islands
"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
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the aggregate consideration of US$65,000,000 (equivalent to approximately HK$507,000,000) for the sale and purchase of the Sale Shares and the Sale Loan under the Sale and Purchase Agreement
"Director(s)"	the director(s) of the Company

"EGM"	the extraordinary general meeting of the Company to be held and if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder
"Farm"	Tres Marinas Farm, located in San Pedro (大豆新興產業帶), the north of Santa Cruz, the Republic of Bolivia, with aggregate area of 12,488 hectare, approximate 3,700 hectare in the mid of the land is reserved as primeval forest and approximately 8,600 hectare is under cultivation. The main croppers of the Farm are glycine max and corn
"Group"	the Company and its subsidiaries
"Guangdong Securities" or "Independent Financial Adviser"	Guangdong Securities Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the Securities and Futures Ordinance and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder
"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
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company formed to consider the Sale and Purchase Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than Mr. Jiang and his associates
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 March 2013
"Mr. Jiang"	Mr. Jiang Zhaobai, an executive Director and the chairman of the Company
"Net Profit"	the net profit (or loss) after tax and after extraordinary items and minority interest of the Bolivian Company

"Pengxin Agricultural"	Pengxin Agricultural Holdings Company Limited (鵬欣農業控股有限公司), a company incorporated in the BVI with limited liability
"Pengxin Agricultural Group"	Pengxin Agricultural and the Bolivian Company
"PRC"	the People's Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"Properties"	the land and properties owned, rented, used or occupied by the Pengxin Agricultural Group
"Sale and Purchase Agreement"	the sale and purchase agreement entered into between the Company and Mr. Jiang dated 16 December 2012 in respect of the Acquisition
"Sale Loan"	the aggregate sum due and owing by Pengxin Agricultural to Mr. Jiang immediately prior to Completion
"Sale Shares"	100 shares of US$1.00 each in the capital of Pengxin Agricultural, being the entire issued share capital of Pengxin Agricultural as at the date of this announcement
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	US dollars, the lawful currency of the United States of America
"%"	per cent.

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

Hong Kong, 16 December 2012

For the purpose of this announcement, all amounts denominated in US$ has been translated (for information only) into HK$ using the exchange rate of US$1: HK$7.8. No representation is made that any amounts in US$ or HK$ can be or could have been converted at the relevant dates at the above rate or any other rates at all.

As at the date of this announcement, the executive Directors are Mr. Jiang Zhaobai, Mr. Shen Angang, Mr. Lam Cheung Shing, Richard, Mr. Zhu Yongjun, Mr. Zhu Deyu and Mr. Lu Yaohua; and the independent non-executive Directors are Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Mr. Chen Yi, Ethan.