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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 29 November 2013, the Company entered into the Sale and Purchase Agreement with the Vendors (being Mr. Jiang and his brother) in relation to the Acquisition. Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to acquire for and the Vendors have conditionally agreed to dispose of the Sale Shares, representing the entire issued share capital of Loyal Rich, and the Sale Loan at the Consideration (being an aggregate of HK\$573,000,000).

Completion is subject to fulfilment (or waiver, as the case may be) of the conditions precedent as set out below.

Based on the information provided by the Vendors, Loyal Rich is indirect holder of the Properties, being the Hotel (Express by Holiday Inn Wujiaochang Shanghai (上海五角場快捷假日酒店)) and the Carpark.

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, (i) Mr. Jiang, being one of the Vendors and an executive Director and the chairman of the Company, is interested in 1,742,300,000 Shares, representing approximately 28.66% of the issued share capital of the Company; and (ii) Mr. Jiang Lei, being one of the Vendors, is the brother of Mr. Jiang. Accordingly, the Vendors are regarded as connected persons 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.

The Independent Board Committee has been formed to provide recommendation to the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise 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 (including Mr. Jiang Lei) shall abstain from voting.

GENERAL

A circular containing, among other things, (i) details of the Acquisition; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the independent financial adviser 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 10 January 2014 in accordance with the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 26 November 2013.

The Board is pleased to announce that on 29 November 2013, the Company entered into the Sale and Purchase Agreement with the Vendors (being Mr. Jiang and his brother) in relation to the Acquisition. Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to acquire for and the Vendors have conditionally agreed to dispose of the Sale Shares, representing the entire issued share capital of Loyal Rich, and the Sale Loan at the Consideration (being an aggregate of HK\$573,000,000)

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

THE SALE AND PURCHASE AGREEMENT

Date

29 November 2013 (after trading hours of the Stock Exchange)

Parties

Vendors: (i) Mr. Jiang, an executive Director and the chairman of the Company. As at the date of this announcement, Mr. Jiang is interested in 1,742,300,000 Shares, representing approximately 28.66% of the issued share capital of the Company.

(ii) Mr. Jiang Lei, the brother of Mr. Jiang.

Both Mr. Jiang and Mr. Jiang Lei are regarded as connected persons of the Company under the Listing Rules.

Purchaser: the Company

Assets to be acquired

- (i) the Sale Shares, being 10,000 shares of Loyal Rich (of which 6,000 shares are held by Mr. Jiang and 4,000 shares are held by Mr. Jiang Lei as at the date of this announcement), representing the entire issued share capital of Loyal Rich as at the date of this announcement; and
- (ii) the Sale Loan, being the aggregate sum due and owing by Loyal Rich to the Vendors upon Completion.

As at the date of this announcement, the amount due and owing by Loyal Rich to the Vendors is approximately HK\$139,576,000. It is expected that upon Completion, the Sale Loan would amount to approximately HK\$360,000,000.

The Consideration

The Consideration is HK\$573,000,000, of which the consideration for the Sale Loan is equivalent to its face value and the remaining amount shall be the consideration for the Sale Shares. The Consideration shall be payable in cash by the Company as follows:

- (i) as to HK\$255,000,000 payable immediately upon signing of the Sale and Purchase Agreement as deposit and part payment of the Consideration (the “**Deposit**”); and
- (ii) as to HK\$318,000,000 (the “**Balance**”) payable upon Completion.

In the event the conditions precedent set out below are not satisfied (or waived, as the case may be) on or before the Long Stop Date, or the Company has served a notice to the Vendors stating it is not satisfied with the results of the due diligence review, or the Company has exercised its right of rescission, Completion does not take place in accordance with the terms of the Sale and Purchase Agreement, the Vendors shall refund the Deposit (with interest calculated at 5% per annum) to the Company within 7 Business Days after written demand from the Company in such method as the Company may agree in writing.

The Consideration was determined between the Company and the Vendors after arm’s length negotiations taking into account the preliminary valuation of the Properties at RMB454,500,000 (equivalent to approximately HK\$578,980,000) as at 31 October 2013. The aforesaid preliminary valuation was assessed by DTZ Debenham Tie Leung Limited, a firm of independent professional PRC valuers, adopting the direct comparison approach by making reference to comparable sales evidences as available in the relevant market and, wherever appropriate, by investment approach on the basis of capitalisation of rental potential derived from the Properties. The Consideration will be financed by internal resources of the Group.

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 the independent financial adviser) is of the view that the terms of the Sale and Purchase Agreement (including the Consideration) is fair and reasonable.

Conditions precedent

Completion shall be conditional upon:

- (a) the Company being solely and absolutely satisfied with the results of the due diligence review to be conducted on the Reorganised Group;
- (b) the warranties as set out in the Sale and Purchase Agreement remaining true and accurate and not misleading in any respect at Completion as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and Completion;
- (c) completion of the Reorganisation with the Vendors having provided evidence to the Company to its satisfaction and the making of such enquiries, investigations and reviews of the business, affairs, operations and financial position of the Reorganised Group by the Company and any of its officers, employees, agents, professional advisers or other persons authorised by the Company which the Company in its discretion deems necessary, desirable or appropriate in respect of completion of the Reorganisation;
- (d) the Company having obtained a legal opinion issued by a firm of lawyers qualified to practise laws in the PRC in such form and substance to the satisfaction of the Company covering such matters in relation to the transactions contemplated under the Sale and Purchase Agreement, including but not limited to the valid establishment of the PRC Company, the legal ownership of the Properties and the validity of the transfer of ownership of the Properties from the WFOE to Loyal Rich, the management agreement as set out in paragraph (g) below;
- (e) the Company having obtained a valuation report in relation to the Properties issued by an independent valuer prepared in compliance with the HKIS Valuation Standards in such form and substance to the satisfaction of the Company whereupon the value of the Properties shall be no less than RMB450,000,000;
- (f) the passing of the necessary resolution(s) by the Independent Shareholders at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (g) upon completion of the Reorganisation, (i) the WFOE having terminated the Existing Management Agreement; (ii) the PRC Company having entered into a management agreement with 六洲酒店管理(上海)有限公司 (in such form and substance to the satisfaction of the Company) regarding the operation and management of the Hotel; (iii) the termination of any contracts by the WFOE in relation to the operation of the Properties as the Company may require; and (iv) the novation and assignment to the PRC Company of any other contracts entered into by the WFOE in relation to the operation of the Properties as the Company may require; and
- (h) all other necessary consent from third parties (including governmental or official or regulatory authorities) and all other necessary consents and approvals required pursuant to any legal or regulatory requirement in respect of the transactions contemplated under the Sale and Purchase Agreement having been obtained.

The Company may, in its absolute discretion, waive all or any of the conditions specified above (other than the conditions specified in (c) to (h)) at any time by notice in writing to the Vendors. The conditions specified in (c) to (h) above cannot be waived in any circumstance.

If any of the conditions have not been satisfied (or waived, as the case may be) on or before 31 March 2014 (or such other date as may be agreed by the Company in writing) (the “**Long Stop Date**”), or the Company has served a notice to the Vendors stating it is not satisfied with the results of the due diligence review, the Vendors and the Company shall not be bound to proceed with the sale and purchase of the Sale Shares and the Sale Loan and, subject to the refund of the Deposit (with interest calculated at 5% per annum) by the Vendors to the Company, the Sale and Purchase Agreement shall cease to be of any effect and neither party shall not have any obligations thereunder save for any antecedent breaches of the Sale and Purchase Agreement.

Completion

Completion shall take place at 4:00 p.m. on the third Business Day after the fulfilment (or waiver, as the case may be) of the conditions precedent or such other date as the Company may agree.

Upon Completion, Loyal Rich will become a wholly-owned subsidiary of the Company and its results, assets and liabilities will be consolidated in the financial statements of the Company after Completion.

INFORMATION OF THE LOYAL RICH GROUP AND THE REORGANISED GROUP

Based on the information provided by the Vendors, Loyal Rich is a company incorporated in Hong Kong on 8 January 2003 with limited liability and is authorised to issue 10,000 shares of HK\$1.00 each, of which 10,000 shares have been allotted and issued and are fully paid or credited as fully paid. As at the date of this announcement, Loyal Rich is owned as to 60% and 40% by Mr. Jiang and Mr. Jiang Lei respectively. It is engaged in investment holding and its major asset is the entire equity interest in the WFOE.

Based on the information provided by the Vendors, the WFOE is a company established in the PRC on 6 April 2004 with the registered capital of US\$18,000,000. The WFOE is the current owner of the Properties, being the Hotel and the Carpark. The WFOE has entered into the Existing Management Agreement with 六洲酒店管理(上海)有限公司 in 2006 regarding the operation and management of the Hotel. The Hotel and the Carpark have been in operations since December 2007.

According to the Vendors, the Properties are located in 1729 Huang Xing Road, Yangpu District, Shanghai, the PRC, within minutes of walking distance from the Shanghai Metro Station and well-connected to some of Shanghai’s most popular tourist attractions, including Lujiazui (陸家嘴)、The Bund (外灘), People’s Square (Shanghai) (人民廣場)、Yuyuan Garden (豫園) and East Nanjing Road Business Street (南京東路步行街). Additionally, the Hotel is just a 35-minute drive from the Shanghai Pudong International Airport and Shanghai Hongqiao International Airport. Yangpu District lies in the west of Shanghai and has been developed as centre of trade and industry, as well as commerce and education, with

25 colleges and universities such as Fudan University (復旦大學)、Tongji University (同濟大學)、Shanghai University of Finance and Economics (上海財經大學) and Shanghai Open University (上海開放大學, formally known as 上海電視大學) located in the area.

According to the Vendors, the Hotel is a 20-storey budget hotel comprising 296 guest rooms, 3 function rooms, business centre and a restaurant with gross floor area of approximately 15,949 sq.m. The Hotel is currently managed and operated by 六洲酒店管理(上海)有限公司, member of InterContinental Hotels Group under the Existing Management Agreement until end of 2017. As at 31 October 2013, the Hotel had 68 employees.

According to the Vendors, the Carpark is a 2-storey basement with gross floor area of approximately 18,329 sq.m. which can provide approximately 370 carparking spaces, of which approximately 110 carparking spaces have been leased under rental agreement and the remaining 260 carparking spaces are hourly parking spaces. The Carpark is currently managed by the WFOE.

Set out below is the audited financial information of Loyal Rich for the year ended 31 December 2011 and the unaudited financial information of Loyal Rich for the year ended 31 December 2012 and the ten months ended 31 October 2013 prepared (on a non-consolidated basis) in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2011 (audited) HK\$	For the year ended 31 December 2012 (unaudited) HK\$	For the ten months ended 31 October 2013 (unaudited) HK\$
Loss before tax	(13,505)	(14,110)	(5,110)
Loss after tax	(13,505)	(14,110)	(5,110)
Net liabilities	(82,925)	(97,035)	(102,145)

Set out below is the unaudited financial information attributable to the Properties and derived from the operations of the Hotel and the Carpark for the two years ended 31 December 2012 and the ten months ended 31 October 2013:

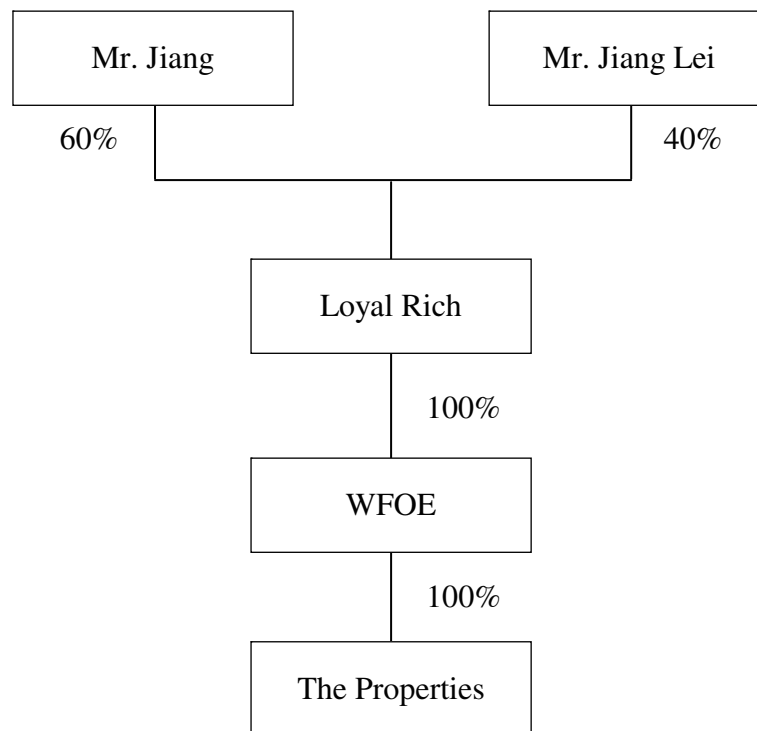
	For the year ended 31 December 2011 RMB	For the year ended 31 December 2012 RMB	For the ten months ended 31 October 2013 RMB
Revenue	18,895,000	23,245,000	19,030,000
Profit before and after tax	6,977,000	9,713,000	8,010,000

Base on the information available, the investment cost of the Properties is approximately RMB300,000,000 which represents the initial construction cost and leasehold improvement of the Properties.

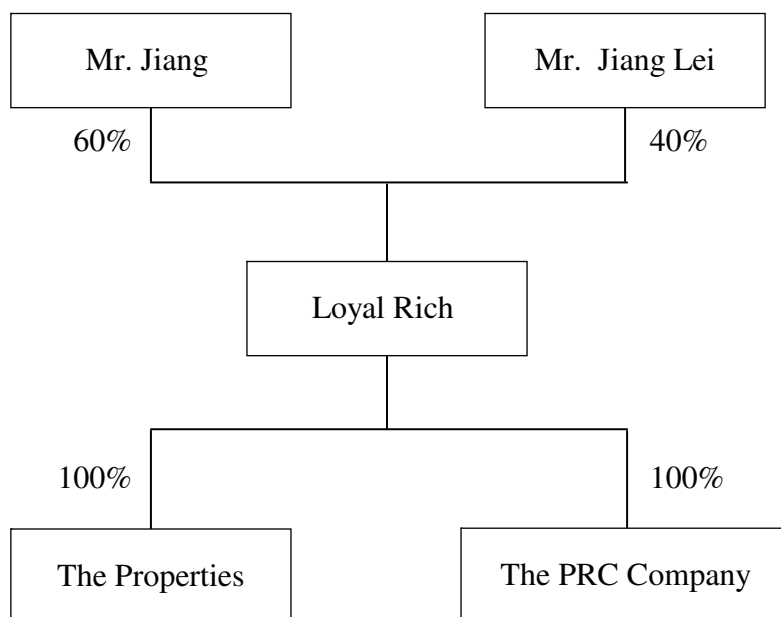
Loyal Rich Group will undergo the Reorganisation such that upon completion of the Reorganisation, (i) Loyal Rich shall be the sole owner of the Properties and the equity interest of the PRC Company (which is to be established prior to Completion); (ii) the WFOE will no longer be a subsidiary of Loyal Rich; and (iii) the PRC Company will enter into a management agreement with 六洲酒店管理(上海)有限公司 regarding the operation and management of the Hotel.

Set out below is the corporate structure of the Loyal Rich Group as at the date of this announcement and the corporate structure of the Reorganised Group upon completion of the Reorganisation:

(a) Corporate structure of the Loyal Rich Group as at the date of this announcement



(b) Corporate structure of the Reorganised Group upon completion of the Reorganisation



REASONS FOR THE ACQUISITION

The Company is an investment holding company, the subsidiaries of which are principally engaged in environmental water treatment operation, property investment operation, natural resources operation and financing and securities investment operations.

As disclosed in the Company's annual report for the year ended 31 March 2013, the Group is prudently optimistic to the prospect of the property investment operation and believes that it can provide a stable income stream, enhance the assets base of the Group and increase the future profitability to the Group. The Acquisition is in line with the Group's strategy in investing in income generating property with potential of capital appreciation in the long term. Besides, having taken into account, among other things, the flourishing domestic tourism industry of the PRC and the popularity of budget hotels in the PRC, the Company is optimistic about the budget hotel business in the PRC.

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, (i) Mr. Jiang, being one of the Vendors and an executive Director and the chairman of the Company, is interested in 1,742,300,000 Shares, representing approximately 28.66% of the issued share capital of the Company; and (ii) Mr.

Jiang Lei, being one of the Vendors, is the brother of Mr. Jiang. Accordingly, the Vendors are regarded as connected persons 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 provide recommendation to the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise 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 (including Mr. Jiang Lei) shall abstain from voting.

GENERAL

A circular containing, among other matters, (i) details of the Acquisition; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the independent financial adviser 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 10 January 2014 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 the Vendors pursuant to the Sale and Purchase Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors
“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
“Carpark”	a 2-storey carpark with a gross floor area of 18,329.46 sq.m, located in 上海市楊浦區五角場街道黃興路1737號地下2及地下3層
“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 HK\$573,000,000 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 to consider and if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“Existing Management Agreement”	the management agreement entered into between the WFOE and 六洲酒店管理(上海)有限公司 dated 12 July 2006
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel”	Express by Holiday Inn Wujiaochang Shanghai (上海五角場快捷假日酒店), a 20-storey hotel with a gross floor area of approximately 15,949.09 sq. m, located in 上海市楊浦區五角場街道黃興路1729號1–20層
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors established to provide recommendation to the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Jiang and his associates (including Mr. Jiang Lei)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loyal Rich”	Loyal Rich International Investment Limited (來富國際投資有限公司), a company incorporated in Hong Kong with limited liability
“Loyal Rich Group”	Loyal Rich and the WFOE
“Mr. Jiang”	Mr. Jiang Zhaobai, an executive Director and the chairman of the Company
“PRC”	the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“PRC Company”	the wholly foreign-owned enterprise to be established in the PRC by Loyal Rich pursuant to the Reorganisation

“Properties”	the Hotel and the Carpark
“Reorganisation”	the reorganisation of the Loyal Rich Group to be undergone before Completion to the satisfaction of the Company
“Reorganised Group”	Loyal Rich and the PRC Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 29 November 2013 entered into between the Company and the Vendors in relation to the Acquisition
“Sale Loan”	the aggregate sum due and owing by Loyal Rich to the Vendors upon Completion
“Sale Shares”	10,000 shares of HK\$1.00 each in the capital of Loyal Rich (of which 6,000 shares are held by Mr. Jiang and 4,000 shares are held by Mr. Jiang Lei as at the date of this announcement), being the entire issued share capital of Loyal Rich 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
“Vendors”	Mr. Jiang and Mr. Jiang Lei (the brother of Mr. Jiang)
“WFOE”	上海滬裕房地產有限公司, a company established in the PRC and wholly-owned by the Company as at the date of this announcement
“sq.m.”	square metre
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi
“%”	per cent.

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

Hong Kong, 29 November 2013

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