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EVERCHINA INT'L HOLDINGS COMPANY LIMITED

潤中國際控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 202)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL MANDATE AND RESUMPTION OF TRADING

THE DISPOSAL MANDATE

As at the date of this announcement, the Group held 227,312,500 Heilongjiang Interchina Shares, representing approximately 15.61% of the issued share capital of Heilongjiang Interchina. The Company would like to seek the Shareholders' approval in relation to the Disposal Mandate which involves the possible disposal of Heilongjiang Interchina Shares held by the Company in one or more transactions which in aggregate will constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules. Details of the terms of the Disposal Mandate are set out under the sub-paragraph headed "Terms of the Disposal Mandate" in this announcement. Immediately after the exercise in full of the Disposal Mandate, the Company will cease to have any interest in Heilongjiang Interchina.

The Disposal Mandate standing alone, if exercised in full, will constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Shareholders. The Disposal, when aggregated with the Second Disposal, will also constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules. To the best of the knowledge of the Company, no Shareholder has a material interest in the Disposal as at the date of this announcement, and therefore, no Shareholder is required to abstain from voting at the EGM.

A circular containing, among other things, further information on the Disposal, financial information relating to the Group, financial information relating to the Remaining Group and the notice of EGM will be despatched to the Shareholders on or before 8 August 2014.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 8 July 2014 at the request of the Company pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 10 July 2014.

THE DISPOSAL MANDATE

As at the date of this announcement, the Company held 227,312,500 Heilongjiang Interchina Shares, representing approximately 15.61% of the issued share capital of Heilongjiang Interchina. Heilongjiang Interchina is principally engaged in sewage and water treatment operation, construction of sewage and water treatment plants, the provision of technical services that is related to sewage treatment in the PRC.

The Company would like to seek the Shareholders' approval in relation to the Disposal Mandate which involves the possible disposal of Heilongjiang Interchina Shares held by the Company in one or more transactions which in aggregate will constitute a very substantial disposal of the Company. The Board resolved and approved the proposed terms of the Disposal Mandate on 7 July 2014.

Terms of the Disposal Mandate

The Disposal Mandate to be sought from the Shareholders will be on the following terms:

Maximum number of Heilongjiang Interchina Shares to be sold : 227,312,500 Heilongjiang Interchina Shares, being approximately 15.61% of the issued share capital of Heilongjiang Interchina as at the date of this announcement

Minimum disposal price : The higher of:

(a) RMB4.1, which represents:

(i) a discount of approximately 6.61% to the closing price of RMB4.39 per Heilongjiang Interchina Share as quoted on the Shanghai Stock Exchange on 7 July 2014, being the last trading day immediately preceding the date of this announcement; and

(ii) a discount of approximately 8.85% to the average closing price of RMB4.498 per Heilongjiang Interchina Share as quoted on the Shanghai Stock Exchange for the last five consecutive trading days up to and including 7 July 2014; and

(b) 90% of the 5-day average closing price of Heilongjiang Interchina Shares as quoted on the Shanghai Stock Exchange immediately prior to any proposed disposal

Settlement of consideration : Cash

Mandate period : the Disposal Mandate to be sought from the Shareholders is to be valid for a period of six months from the date on which the Disposal Mandate is approved by the Shareholders

Potential buyer(s) : as 227,312,500 Heilongjiang Interchina Shares will be disposed of through the block trading system, the persons to whom the Heilongjiang Interchina Shares will be disposed and the ultimate beneficial owner of such persons will, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, be third parties who are independent of the Company and its connected persons (as defined in the Listing Rules)

The Company intends to dispose of the 227,312,500 Heilongjiang Interchina Shares via the bulk-volume trading system of the Shanghai Stock Exchange at or above the minimum disposal price. The bulk-volume trading system is a trading platform under the Shanghai Stock Exchange and was specifically designed for trading of securities of not less than 50,000 shares (in terms of share number) or RMB3,000,000 (in terms of value) on each transaction. The bulk-volume trading system is open between 3:00 p.m. to 3:30 p.m. after normal trading hours of the Shanghai Stock Exchange. Any transaction via the bulk-volume trading system must be handled by recognised broker of the Shanghai Stock Exchange. During the opening session of the bulk-volume trading system between 3:00 p.m. and 3:30 p.m., broker of the potential seller will negotiate with broker of the potential buyer on transaction details, including the number of shares and price per share. The transaction price per share should be set between the highest and lowest price of the transaction date. The transaction shares will be transferred to broker of the buyer on the date of transaction and the seller will receive the consideration on the following business day after the transaction. The advantage is cost-saving (because it incurs less commission rate) and efficient. Such block trade transactions are not necessarily conducted under any placing agreements with specified investment banks/financial institutions as placing agent. China Securities Co. Ltd. (中信建投證券股份有限公司) is the broker of Interchina (Tianjin) Water Treatment Co Ltd., being the Company's subsidiary holding the Heilongjiang Interchina Shares.

Before the transaction is executed, a potential buyer is already identified. The Company will procure that any Disposal will not involve any connected person of the Company. However, should the circumstances arise and that the Disposal be made to a connected person of the Company, it will comply with the requirements of Chapter 14A of the Listing Rules.

The minimum disposal price is the higher of RMB4.1 (the “**Benchmark Price**”) or 90% of the 5-day average closing price of Heilongjiang Interchina Shares as quoted on the Shanghai Stock Exchange immediately prior to any proposed disposal. The Benchmark Price has been determined after taking into account the recent price performance of Heilongjiang Interchina Shares, which represents:

- (i) a discount of approximately 6.61% to the closing price of RMB4.39 per Heilongjiang Interchina Share as quoted on the Shanghai Stock Exchange on 7 July 2014, being the date immediately prior to the suspension of trading in Shares pending the publication of this announcement;
- (ii) a discount of approximately 8.85% to the average closing price of RMB4.498 per Heilongjiang Interchina Share as quoted on the Shanghai Stock Exchange for the last 5 consecutive trading days up to and including 7 July 2014;
- (iii) a discount of approximately 6.61% to the lowest closing price of RMB4.39 per Heilongjiang Interchina Share as quoted on the Shanghai Stock Exchange during the last 5 consecutive trading days up to and including 7 July 2014; and
- (iv) a discount of approximately 10.09% to the highest closing price of RMB4.56 per Heilongjiang Interchina Share as quoted on the Shanghai Stock Exchange during the last 5 consecutive trading days up to and including 7 July 2014.

The Benchmark price also represents price-to-earning ratio of approximately 41, based on the net profit of Heilongjiang Interchina for the year ended 31 December 2013. The Directors consider that the terms of the Disposal Mandate, including the minimum disposal price per Heilongjiang Interchina Share, are fair and reasonable.

INFORMATION OF HEILONGJIANG INTERCHINA

Heilongjiang Interchina is an associate investment of the Company, and the Company through its wholly-owned subsidiary Interchina Tianjin indirectly held 227,312,500 Heilongjiang Interchina Shares, representing approximately 15.61% of the issued share capital of Heilongjiang Interchina as at the date of this announcement.

Heilongjiang Interchina and its subsidiaries (collectively referred to as the “**Heilongjiang Interchina Group**”) are principally engaged in sewage and water treatment operation, construction of sewage and water treatment plants, the provision of technical services that is related to sewage treatment in the PRC. Currently the Heilongjiang Interchina Group operates eight sewage treatment projects, two water supply projects, a water project construction company, a technical company specialising in the development and production of landfill leachate treatment technology and hold approximately 36.8% equity interest in Josab International AB, a public limited company the shares of which are listed on the Stockholm Stock Exchange, Sweden.

Set out below is a summary of the audited consolidated financial information of the Heilongjiang Interchina Group for the two years ended 31 December 2013, which was prepared in accordance with PRC accounting standard:

	For the year ended 31 December 2013 RMB (audited)	For the year ended 31 December 2012 RMB (audited)
Profit before taxation	176,089,486.09	90,604,515.69
Profit after taxation	146,488,455.37	79,064,692.23

The audited consolidated net assets of the Heilongjiang Interchina Group as at 31 December 2012 and 2013 were approximately RMB1,297,144,305.35 and RMB2,622,684,318.23 respectively.

Set out below is a summary of the consolidated financial information of the Heilongjiang Interchina Group for the six months ended 30 September 2013 and the year ended 31 March 2014, which was prepared in accordance with Hong Kong Financial Reporting Standards:

	For the six months ended 30 September 2013 HK\$ (unaudited)	For the year ended 31 March 2014 HK\$ (audited)
Profit before taxation	69,964,000	275,750,000
Profit after taxation	58,655,000	232,688,000
Net assets value	3,327,006,000	3,501,719,000

As at 31 March 2014, the audited carrying value of the investment in the Heilongjiang Interchina Group amounted to HK\$1,879,624,000.

FINANCIAL EFFECT AND USE OF PROCEEDS

As at the date of this announcement, the Company through Interchina Tianjin indirectly held 227,312,500 Heilongjiang Interchina Shares, being approximately 15.61% of the issued share capital of Heilongjiang Interchina. It is expected that upon exercise in full of the Disposal Mandate, the Group will cease to have any interest in Heilongjiang Interchina. The Group will also cease to engage in environmental water treatment operation.

Based on (i) the Benchmark Price of RMB4.1; and (ii) the maximum of 227,312,500 Heilongjiang Interchina Shares to be disposed of under the Disposal Mandate, the Disposal will raise approximately RMB931,981,250 (equivalent to approximately HK\$1,164,977,000) for the Group. The net proceeds are estimated to be approximately RMB928,000,000 (equivalent to approximately HK\$1,160,000,000), and the Group intends to use the proceeds towards funding the working capital needs of its existing business and funding any future

acquisition or investment as and when suitable opportunities arise. To maximize flexibility in seeking further suitable investment opportunities, the Company will, in addition to seeking investment opportunities in the property investment (including hotel property) which, in the Directors' opinion, are expected to provide stable income stream, enhance the assets base of the Group and increase the future profitability to the Group.

It is estimated that, as a result of the exercise in full of the Disposal Mandate, the Group will recognise an estimated loss of approximately HK\$267,478,000, being the net proceeds of HK\$1,160,000,000 to be received from the Disposal if all of the Heilongjiang Interchina Shares under the Disposal Mandate are sold less the unaudited carrying book value of the 227,312,500 Heilongjiang Interchina Shares as at 30 June 2014 is HK\$1,427,478,000. The amount of the actual loss arising from the Disposal will be determined by the actual carrying value per Heilongjiang Interchina Share as at completion of the Disposal, and therefore may be different from the estimated amount mentioned above.

REASONS FOR THE DISPOSAL MANDATE

The Group is principally engaged in the investment of investment of property operation, financing and securities operation, natural resources operation and environmental water treatment operation. The Group mainly operates the environmental water treatment operation through its associate company, Heilongjiang Interchina.

The Company obtained the first disposal mandate from the Shareholders for disposal of up to 110,000,000 Heilongjiang Interchina Shares for a period of 6 months from 19 October 2012 (the “**First Disposal Mandate**”) in order to realise part of its investment in Heilongjiang Interchina which could bring immediate cash inflow to the Group to repay part of the Group's borrowings as well as additional funding for the expansion of the Group's business. During the period from 19 October 2012 to 25 February 2013, the Group had fully disposed of 110,000,000 Heilongjiang Interchina Shares in accordance with the terms of the First Disposal Mandate (the “**First Disposal**”). As a result, Heilongjiang Interchina ceased to be a subsidiary of the Company and became a 28.03% owned associate of the Group. The Group recognised an aggregate gain of HK\$1,601,858,000 from the First Disposal for the year ended 31 March 2013.

On 12 April 2013, Heilongjiang Interchina received the approval notice from the China Securities Regulatory Commission for the non-public share issue proposal (the “**Non-public Share Issue**”) which was approved by the Shareholders at the Company's extraordinary general meeting held on 19 October 2012. After careful consideration of the relevant factors including the investment risks of Heilongjiang Interchina, the financial risks to the Group if participating in the Non-public Share Issue and the benefit of broadening the shareholder base of Heilongjiang Interchina, the Company decided not to participate in the Non-public Share Issue. Completion of the Non-public Share Issue took place on 21 June 2013 and Heilongjiang Interchina finally issued an aggregate of 155,024,691 Heilongjiang Interchina Shares to 8 institutional investors. As a result, the Company's interest in Heilongjiang Interchina had been further reduced from 28.03% to 20.56% (the “**Deemed Disposal**”). However, the Group recognised a gain of HK\$169,442,000 from the Deemed Disposal for the year ended 31 March 2014.

On 16 May 2014, the Group further disposed of an aggregate of 72,000,000 Heilongjiang Interchina Shares at an aggregate consideration of RMB311,760,000 (equivalent to approximately HK\$392,151,000) (the “**Second Disposal**”) for the purpose of providing financial resources for the Group to repay its borrowing, which constituted a discloseable transaction of the Company under the Listing Rules. Following the Second Disposal, the aggregate number of Heilongjiang Interchina Shares held by the Group was decreased from 299,312,500, representing approximately 20.56% of the issued share capital of Heilongjiang Interchina, to 227,312,500, representing approximately 15.61% of the issued share capital of Heilongjiang Interchina. Details of the Second Disposal were set out in the Company’s announcement dated 16 May 2014.

The Group acquired the Heilongjiang Interchina Shares in January 2009. The average cost of investment in Heilongjiang Interchina Shares amounted to approximately RMB2.73 (equivalent to approximately HK\$3.41) per Heilongjiang Interchina Share. The Directors consider that it would be an appropriate time to realise the Group’s investment in Heilongjiang Interchina to capture its return should the market sentiment and share prices become favourable.

Although environmental water treatment business has been supported by the PRC government policies, it also renders the market becoming more and more competitive. Enterprises with larger scale of operation such as central enterprises have been taking competitive advantage in enlarging the market share. As at 31 March 2014, the aggregate daily treatment capacity of Heilongjiang Interchina Group was approximately 1,500,000 tonnes, which represented a relatively small scale for companies engaged in this sector of the PRC. In order to strength Heilongjiang Interchina’s competitiveness, mergers and acquisitions seem to be the fastest way to expand the size of its operation. However, this would also mean requirement of a significant amount of additional capital.

On the other hand, although the trading price of each Heilongjiang Interchina Share has been maintained at a relatively high level, the price-to-earning ratio of Heilongjiang Interchina is also relatively high. Heilongjiang Interchina recorded a profit after tax of RMB146,488,455.37 for the year ended 31 December 2013 and based on the number of total issued Heilongjiang Interchina Shares of 1,455,624,228 as at the date of this announcement, the profit after tax per Heilongjiang Interchina Share is approximately RMB0.10. Heilongjiang Interchina has a price-to earning ratio of (i) 43.9 as at 7 July 2014 based on the closing price of Heilongjiang Interchina Shares as quoted on the Shanghai Stock Exchange on that date and (ii) 41 based on the Benchmark Price.

As stated in the business review of the Company’s annual results announcement dated 26 June 2014 for the year ended 31 March 2014 (the “**Results Announcement**”), it would not preclude the chance of realising its investment in the sector of environmental water treatment operation should the opportunity arise. Having considered (i) the further development prospect and the relative investment risk of Heilongjiang Interchina; and (ii) the recent trading price of Heilongjiang Interchina Shares and the relevant price-to-earning ratio of Heilongjiang Interchina; and (iii) the Benchmark Price of RMB4.1 representing an increase of RMB1.37 or 50.18% to the average investment cost of RMB2.73, the Board considered the Disposal Mandate provides a good opportunity to realise part of and/or all of the investment in Heilongjiang Interchina in a period of 6 months from the date of Shareholders’ approval at the EGM.

As set out in the Results Announcement, as at 31 March 2014, there were still deposits paid for acquisitions of water plant projects in the PRC and prepayments to contractors for construction of environmental protection and water treatment projects in the PRC. Should the Disposal Mandate be fully exercised by the end of the 6-month period relating thereto, the Company will reassess the market condition and determine whether to continue the aforesaid environmental water treatment-related operations.

The Directors will ensure that the Disposal to be effected pursuant to the Disposal Mandate will be conducted on normal commercial terms and will be fair and reasonable. As at the date of this announcement, the Group is not in any discussion with any party in relation to the Disposal.

LISTING RULE IMPLICATIONS

As at the date of this announcement, the Company held 227,312,500 Heilongjiang Interchina Shares, representing approximately 15.61% of the existing issued share capital of Heilongjiang Interchina. The Disposal Mandate, if exercised in full, will constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Shareholders.

On 16 May 2014, the Company announced that the Group had disposed of 72,000,000 Heilongjiang Interchina Shares through the block trading system of the Shanghai Stock Exchange at an aggregate consideration of RMB311,760,000 (equivalent to approximately HK\$392,151,000) on the same date, being the Second Disposal. The Disposal, when aggregated with the Second Disposal, will also constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Company, no Shareholder has a material interest in the Disposal as at the date of this announcement, and, therefore, no Shareholder is required to abstain from voting at the EGM.

A circular containing, among other things, further information on the Disposal, financial information relating to the Group, financial information of the Remaining Group and the notice of EGM will be despatched to the Shareholders on or before 8 August 2014.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 8 July 2014 at the request of the Company pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 10 July 2014.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	EverChina Int’l Holdings Company Limited, a company incorporated in Hong Kong with limited liabilities, the issued Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it in Rule 1.01 of the Listing Rules and as extended under Rule 14A.11 of the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Heilongjiang Interchina Shares pursuant to the Disposal Mandate
“Disposal Mandate”	a specific mandate proposed by the Board to seek approval from the Shareholders to allow the Board to dispose of up to 227,312,500 Heilongjiang Interchina Shares on the terms as set out under the sub-paragraph headed “Terms of the Disposal Mandate” under the paragraph headed “The Disposal Mandate” of this announcement
“EGM”	the extraordinary general meeting to be commenced to be held by the Company to approve the Disposal Mandate
“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
“Heilongjiang Interchina Share(s)”	the shares of RMB1.00 each in the share capital of Heilongjiang Interchina
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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)
“Second Disposal”	has the meaning ascribed to it in the section headed “Reasons for the Disposal Mandate”
“Shareholder(s)”	holder(s) of the Shares

“Share(s)”	ordinary share(s) of HK\$0.1 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

Conversion of RMB into HK\$ is based on the exchange rate of RMB0.8 = HK\$1.00.

By Order of the Board of
EverChina Int’l Holdings Company Limited
Lam Cheung Shing, Richard
Executive Director and Chief Executive Officer

Hong Kong, 9 July 2014

As at the date of this announcement, the executive Directors are Mr. Jiang Zhaobai, Mr. Shen Angang, Mr. Lam Cheung Shing, Richard 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.