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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)

PROPOSED NON-PUBLIC SHARE ISSUE OF A SUBSIDIARY POSSIBLE DEEMED DISPOSAL

This announcement is made pursuant to rule 13.09 of the Listing Rules.

THE PROPOSED NON-PUBLIC SHARE ISSUE

On 21 June 2012, the board of directors of Heilongjiang Interchina, a subsidiary of the Company with its shares listed on the Shanghai Stock Exchange, the PRC approved a proposal (being the Non-public Share Issue Proposal) in respect of the issue of not more than 160,000,000 Heilongjiang Interchina New Shares at the price of not less than RMB8.03 per Heilongjiang Interchina Share to not more than ten subscribers. The maximum proceeds shall not exceed RMB1,290,000,000. The proposed Non-public Share Issue is subject to the approval from (i) the shareholders of Heilongjiang Interchina; (ii) the shareholders of the Company; and (iii) the CSRC. It is proposed that the shareholder's meeting of Heilongjiang Interchina in respect of the Non-public Share Issue will be held on 11 July 2012. If the approval of the shareholders of Heilongjiang Interchina on the proposed Non-public Share Issue is obtained, Heilongjiang Interchina will need to submit a formal Non-public Share Issue Proposal to the Shanghai Stock Exchange.

POSSIBLE DEEMED DISPOSAL

The Company through Interchina Tianjin, indirectly held approximately 53.77% of the capital of Heilongjiang Interchina. On assumption that Interchina Tianjin has not subscribed any of Heilongjiang Interchina New Shares from the proposed Non-public Share Issue, it is expected that upon completion of the Non-public Share Issue, the Company's interest in Heilongjiang Interchina will be diluted by 15.03% to 38.74%, constituting a Deemed Disposal. As at the date of this announcement, the Company has not decided whether to subscribe any of Heilongjiang Interchina New Shares from the Non-public Share Issue to maintain the equity interested in Heilongjiang Interchina at 53.77%.

MAJOR TRANSACTION

On 21 June 2012, after trading hours, Heilongjiang Interchina entered into the Sale and Purchase Agreement with the vendors in relation to the Beijing TDR Acquisition, being the acquisition of an aggregate of 90% equity interest in Beijing TDR. The aggregate consideration is RMB495,000,000 (equivalent to approximately HK\$611,111,000). The transaction constitutes a major transaction for the Company under the Listing Rules. The announcement in respect of this major transaction will be made by the Company as soon as possible. Trading in the Shares will remain suspended.

The Board wishes to emphasise that the proposed Non-Public Share Issue may or may not proceed. In the event that the approval of the shareholders of Heilongjiang Interchina on the proposed Non-Public Share Issue is obtained, the implementation of the Non-Public Share Issue is still subject to approval by the relevant regulatory authorities. However, if the Non-Public Share Issue materialises, it may constitute a notifiable transaction for the Company under the Listing Rules. Further announcement(s) in respect of the Non-Public Share Issue will be made by the Company on or before 11 July 2012 (the proposed date of shareholder's meeting of Heilongjiang Interchina). Shareholders and potential investors should exercise caution when dealing in the Shares.

This announcement is made pursuant to rule 13.09 of the Listing Rules.

THE PROPOSED NON-PUBLIC SHARE ISSUE

On 21 June 2012, the board of directors of Heilongjiang Interchina, a subsidiary of the Company with its shares listed on the Shanghai Stock Exchange, the PRC approved a proposal (being the Non-public Share Issue Proposal) in respect of the issue of not more than 160,000,000 Heilongjiang Interchina New Shares at the price of not less than RMB8.03 per Heilongjiang Interchina Share to not more than ten subscribers. The maximum proceeds shall not exceed RMB1,290,000,000. Set out below are the proposed principal terms of the Non-public Share Issue:

Number of Heilongjiang Interchina Shares to be Issued	:	not more than 160,000,000, the exact amount is subject to the limit to be approved by the shareholders of Heilongjiang Interchina and to be determined with the underwriter
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- Issue price : the Issue Price of the Heilongjiang Interchina New Shares shall be not less than 90% of the average closing price of Heilongjiang Interchina as quoted on the Shanghai Stock Exchange for the 20 trading days immediately before the Price Determination Date, which is RMB8.03, an exact amount to be determined basing on the principles of the price priority from the subscribers after the approval from the CSRC has been obtained. In the case there is new issue, bonus issue and placing of Heilongjiang Interchina Shares, or distribution of dividends etc. by Heilongjiang Interchina during the period between the Price Determination Date and the date the New Shares are issued, the Issue Price shall be adjusted accordingly.
- Subscribers : to be determined, but tentatively not more than 10 subscribers, which might include financial institutions, securities investment and fund management companies, trust investment companies, insurance companies, qualified PRC offshore investors, individuals or other qualified investors under the PRC laws. As at the date of this announcement, the Group does not intend to issue any Heilongjiang Interchina New Shares to its connected persons (as defined in the Listing Rules)
- Lock-up : the new Heilongjiang Interchina Shares issued shall be subject to a lock-up of 12 months from the date of issue
- Use of proceeds : the net proceeds from the proposed Non-public Share Issue is expected to be not more than RMB1,242,000,000 which Heilongjiang Interchina plans to apply in the following manner:
- (a) as to approximately RMB495,000,000 in Beijing TDR Acquisition;
 - (b) as to approximately RMB34,300,000 to acquire the 100% in Huaibei Zhonglian Acquisition;
 - (c) as to approximately RMB422,700,000 for the development of the existing water projects of Heilongjiang Interchina;
 - (d) as to approximately RMB100,000,000 to increase the registered capital of Beijing TDR;
 - (e) as to approximately RMB45,000,000 to increase the registered capital of Beijing Zhongke;

- (f) as to approximately RMB45,000,000 as registered capital of Interchina CAS Ecological Scientific Innovation; and
- (g) the balance of RMB100,000,000 as general working capital of Heilongjiang Interchina Group.

The proposed Non-Public Share Issue is subject to the approval from (i) the shareholders of Heilongjiang Interchina; (ii) the shareholders of the Company; and (iii) the CSRC. It is proposed that the shareholder's meeting of Heilongjiang Interchina in respect of the Non-public Share Issue will be held on 11 July 2012. If the approval of the shareholders of Heilongjiang Interchina on the proposed Non-public Share Issue Proposal is obtained, Heilongjiang Interchina will need to submit a formal Non-public Share Issue Proposal to the Shanghai Stock Exchange.

POSSIBLE DEEMED DISPOSAL

As at the date of this announcement, the Company through Interchina Tianjin, indirectly held approximately 53.77% of the capital of Heilongjiang Interchina. On assumption that Interchina Tianjin has not subscribed any of Heilongjiang Interchina New Shares from the proposed Non-public Share Issue, it is expected that upon completion of the Non-public Share Issue, the Company's interest in Heilongjiang Interchina will be diluted by 15.03% to 38.74%, constituting a Deemed Disposal. As at the date of this announcement, the Company has not decided whether to subscribe any of new shares from the Non-public Share Issue to maintain the equity interested in Heilongjiang Interchina at 53.77%.

REASONS FOR THE PROPOSED SHARE INCREASE

The Directors consider that disregarding the Group's interest in Heilongjiang Interchina will be diluted (as the case may be), the Non-public Share Issue can broaden its shareholder base of Heilongjiang Interchina and increase its capital base which in turn, to facilitate the future development of the business of Heilongjiang Interchina and maintain its competitive edge.

MAJOR TRANSACTION

On 21 June 2012, after trading hours, Heilongjiang Interchina entered into the Sale and Purchase Agreement with the vendors in relation to the Beijing TDR Acquisition, being the acquisition of an aggregate of 90% equity interest in Beijing TDR. The aggregate consideration is RMB495,000,000 (equivalent to approximately HK\$611,111,000). The transaction constitutes a major transaction for the Company under the Listing Rules. The announcement in respect of this major transaction will be made by the Company as soon as possible. Trading in the Shares will remain suspended.

GENERAL

The Board wishes to emphasise that the proposed Non-Public Share Issue may or may not proceed. In the event that the approval of the shareholders of Heilongjiang Interchina on the proposed Non-Public Share Issue is obtained, the implementation of the Non-Public Share Issue is still subject to approval by the relevant regulatory authorities. However, if the Non-Public Share Issue materialises, it may constitute a notifiable transaction for the Company under the Listing Rules. Further announcement(s) in respect of the Non-Public Share Issue will be made by the Company on or before 11 July 2012 (the proposed date of shareholder's meeting of Heilongjiang Interchina). Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

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

“Board”	the board of Directors
“Beijing TDR”	Beijing TDR Enviro-Tech Co., Ltd (北京天地人環保科技有限公司), a company established in the PRC
“Beijing TDR Acquisition”	the acquisition of an aggregate of 90% of equity interest of Beijing TDR pursuant to the Sale and Purchase Agreement
“Beijing Zhongke”	北京中科國益環保工程有限公司 (Beijing Zhongke Guoyi Environmental Protection Engineering Company Limited*), a company established in the PRC and is a 90% owned subsidiary of Heilongjiang Interchina as at the date of this announcement
“Company”	Interchina 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
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Deemed Disposal”	the reduction of the Company's interest in the capital of Heilongjiang Interchina from approximately 53.77% to 38.74% upon completion of the Non-public Share Issue in full
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“Huaibei Zhonglian Acquisition”	the acquisition of the entire equity interest of 淮北中聯環水環境有限公司 (Huaibei Zhonglian Huanshui Environmental Company Limited*) at the consideration of RMB34,300,000
“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 shares are listed on the Shanghai Stock Exchange
“Heilongjiang Interchina Board”	the board of directors of Heilongjiang Interchina
“Heilongjiang Interchina Group”	Heilongjiang Interchina and its subsidiaries
“Heilongjiang Interchina Share(s)”	the shares of RMB1.00 each in the share capital of Heilongjiang Interchina
“Heilongjiang Interchina New Share(s)”	the new domestic shares (A shares) of RMB1.00 each in the share capital of Heilongjiang Interchina to be issued by Heilongjiang Interchina under the Non-public Share Issue
“Interchina CAS Ecological Scientific Innovation”	國中中科環境科技創新有限責任公司 (Interchina CAS Ecological Scientific Innovation Co. Limited*), a company to be established under the strategic cooperation framework agreement entered into between Heilongjiang Interchina and Research Centre for Eco-Environmental Sciences, Chinese Academy of Sciences dated 31 May 2012
“Interchina Tianjin”	Interchina (Tianjin) Water Treatment Company Limited, a company established in the PRC and is a wholly owned subsidiary of the Company
“Issue Price”	the proposed issue price of not less than RMB8.03 per Heilongjiang Interchina New Share under Non-public Share Issue
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-public Share Issue”	the proposed non-public offering of Heilongjiang Interchina New Shares to not more than 10 investors at the Issue Price
“PRC” or “China”	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)
“Price Determination Date”	21 June 2012, being the day of Heilongjiang Interchina Board’s resolutions approving the Non-public Share Issue

“RMB”	Renminbi, the lawful currency of the PRC
“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
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between Heilongjiang Interchina and the vendors dated 21 June 2012 in respect of the acquisition of an aggregate of 90% of equity interest of Beijing TDR
“%”	per cent.

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

Hong Kong, 25 June 2012

** for identification purpose only*

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; 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.