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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)

PROFIT FORECAST IN RELATION TO THE DISCLOSEABLE TRANSACTION

Reference is made to (i) the announcement of Interchina Holdings Company Limited (the “**Company**”) dated 8 March 2010 and the circular of the Company dated 29 March 2010 (the “**Circular**”) in relation to the submission of the proposal to the Shanghai Stock Exchange by 黑龍江國中水務股份有限公司 (Heilongjiang Interchina Water Treatment Company Limited) (“**Heilongjiang Interchina**”), a subsidiary of the Company, to increase its capital by issuing not more than 115,000,000 new A shares to 10 target investors at a price of not less than RMB6.51 per A share to raise not more than RMB750,000,000 (the “**Share Issue**”); (ii) the announcement of the Company dated 17 August 2010 in relation to the acquisition of 85% equity interest in 北京中科國益環保工程有限公司 (Beijing Zhongke Guoyi Environmental Protection Engineering Company Limited*) (“**Beijing Zhongke**”) and the acquisition of the entire equity interest of 涿州中科國益水務有限公司 (Zhuozhou Zhongke Guoyi Water Treatment Company Limited*) (“**Zhuozhou Zhongke**”); (iii) the Chinese version of the overseas regulatory announcement made by the Company dated 25 October 2010 in relation to the announcement published by Heilongjiang Interchina on the Shanghai Stock Exchange together with the auditors’ report, valuation report, profit forecast, legal opinions and report from independent financial advisors regarding the Share Issue; and (iv) the announcement of the Company dated 26 October 2010 (the “**Announcement**”) in relation to the forecast on the revenue and profit of (a) the target companies, including the internal transfer of five water projects from the Group (i.e., the acquisition of five companies, namely Interchina (Changli) Sewage Treatment Company Limited (“**Changli**”), Interchina (Maanshan) Sewage Treatment Company Limited (“**Maanshan**”), Ordos Interchina Water Treatment Company Limited (“**Ordos**”), Interchina (Qinhuangdao) Sewage Treatment Company Limited (“**Qinhuangdao**”) and Taiyuan Haofeng Wastewater Treatment Company Limited (“**Taiyuan**”)), the acquisition of Beijing Zhongke and Zhuozhou Zhongke (together with Changli, Maanshan, Ordos, Qinhuangdao and Taiyuan, the “**Target Companies**”); and (b) Heilongjiang Interchina for the year ending 31 December 2010. Unless the context requires otherwise, terms used in this announcement shall have the same meaning as those defined in the Circular.

PROFIT FORECAST

As set out in the Announcement, the Company was required to publish a further announcement setting out the information required under Rule 14.62 of the Listing Rules. Set out below are the texts of the letter from the Board and the letter from the Company's auditors in connection with the profit forecast of the Targets Companies and Heilongjiang Interchina:

(a) Letter from the Board

26 October 2010

The Stock Exchange of Hong Kong Limited
11th Floor, One International Finance Centre
1 Harbour View Street,
Hong Kong

Dear Sir/Madam,

Profit Forecast of the Target Companies and Heilongjiang Interchina

We, hereby confirm that, in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, have reviewed the calculations for profit forecast in the profit forecast review report issued by Zonzun Accounting Office Limited (the “**Zonzun**”), the PRC auditors of the Heilongjiang Interchina, regarding the profit forecast of Heilongjiang Interchina Water Treatment Company Limited, Interchina (Qinhuangdao) Sewage Treatment Company Limited, Interchina (Changli) Sewage Treatment Company Limited, Interchina Maanshan Sewage Treatment Company Limited, Ordos Interchina Water Treatment Company Limited, Taiyuan Haofeng Wastewater Treatment Company Limited, Beijing Zhongke Guoyi Environmental Protection Engineering Company Limited and Zhuozhou Zhongke Guoyi Water Treatment Company Limited for the year ending 31 December 2010 (the “**Profit Forecast Reports**”). Pursuant to the Rule 14.62 of the Listing Rules, the Reporting Accountant of the Company have examined the arithmetical accuracy of the calculation of the Profit Forecast Reports in accordance with Hong Kong Standard on Related Services 4400 “Engagement to Perform Agreed-Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants.

We hereby confirm that the profit forecast made pursuant to the Profit Forecast Reports is made after due and careful enquiry.

Yours faithfully,
For and on behalf of the board of directors of
Interchina Holdings Company Limited
Lam Cheung Shing, Richard
Chief Executive Officer and Executive Director

(b) Letter from the Company's Auditors



Chartered Accountants
Certified Public Accountants

31/F., Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

26 October 2010

The Directors
Interchina Holdings Company Limited
Room 701, 7/F., Aon China Building
29 Queen's Road
Central
HONG KONG

Dear Sir/Madam

REPORT OF FACTUAL FINDINGS

We have performed the procedures agreed with you and enumerated below with respect to the profit forecast announcement made by the Interchina Holdings Company Limited (the "Company") dated 26 October 2010 in connection with the profit forecast of the revenue and profit of the 國中(秦皇島)污水處理有限公司, 國水(昌黎)污水處理有限公司, 國水(馬鞍山)污水處理有限公司, 鄂爾多斯市國中水務有限公司, 太原豪峰污水處理有限公司, 北京中科國益環保工程有限公司, 涿州中科國益水務有限公司 (hereinafter collectively referred as to the "Target Companies") and 黑龍江國中水務股份有限公司 (the "Heilongjiang Interchina") for the year ending 31 December 2010 prepared by 中准會計師事務所有限公司 dated 3 March 2010 (the "Profit Forecast Review Report").

Our engagement was undertaken in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The procedures were performed solely to assist the directors of the Company to comply with Rule 14.62 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Our procedures are summarised as follows:

1. We obtained the supporting worksheets of the Profit Forecasts Review Report provided by the Company which comprises the profit forecast of the revenue and profit of the Target Companies and Heilongjiang Interchina for the year ending 31 December 2010 carried out by the Target Companies and Heilongjiang Interchina under various assumptions adopted in the preparation of the Profit Forecasts Review Report.
2. We checked the mathematical accuracy of the calculation of the Profit Forecast Review Report carried out by the Target Companies and Heilongjiang Interchina contained in the supporting worksheets of the Profit Forecasts Review Report and reviewed those accounting policies adopted in the preparation of the profit forecast by the directors of the Target Companies and Heilongjiang Interchina which was in turn used for the preparation of supporting worksheets of the Profit Forecast Review Report, where appropriate.

We report our findings below:

- a) With respect to item 1, we obtained the supporting worksheets of the Profit Forecasts Review Report provided by the Company which comprises the profit forecast of the revenue and profit of the Target Companies and Heilongjiang Interchina for the year ending 31 December 2010 carried out by the Target Companies and Heilongjiang Interchina under various assumptions adopted in the preparation of the Profit Forecasts Review Report.
- b) With respect to item 2, we found that the calculation of the Profit Forecast Review Report carried out by the Target Companies and Heilongjiang Interchina contained in the supporting worksheets of the Profit Forecasts Review Report is mathematically accurate. For those accounting policies adopted in the preparation of the profit forecast by the directors of the Target Companies and Heilongjiang Interchina which was in turn used for the preparation of supporting worksheets of the Profit Forecast Review Report, we found that they are consistent with the Target Companies and Heilongjiang Interchina's accounting policies, where appropriate.

Because the above procedures do not constitute an assurance engagement made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, we do not express any such assurance on the Profit Forecast Review Report.

Had we performed additional procedures or had we performed an assurance engagement of the Profit Forecast Review Report in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, other matters might have come to our attention that would have been reported to you. Our report is solely for the purpose set forth in the second paragraph of this report and for your information and is not to be filed with, or referred to (either in whole or in part) or otherwise quoted, circulated or used for any other purpose or to be distributed to any other parties without our prior written consent. This report relates only to the matters specified above and does not extend to any financial statements of the Company, taken as a whole.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

PROFIT FORECASTS

Set out below is a summary of basis preparation and assumptions in preparing the Profit Forecast Reports of the Target Companies and Heilongjiang Interchina for the year ending 31 December 2010:

Basis for the preparation of the profit forecast report of the Target Companies

The profit forecast of the Target Companies for the year ending 31 December 2010 has been prepared on the basis of the actual operating results for the year ended 31 December 2009 audited by Zonzun Accounting Office Limited, combining with the operating plan for the year ending 31 December 2010 and the existing conditions of the production technology, and taking into consideration the marketing and business development plans.

The profit forecast has been prepared on the basis of accounting policies and accounting estimates in compliance with relevant requirements of the prevailing laws, regulations, new enterprise accounting standards issued by the PRC, and is consistent in all material respects with those actually adopted by the Target Companies. The preparation of the profit forecast report of the Target Companies has followed the principle of prudence.

Basic assumptions for the profit forecast of the Target Companies

A) The profit forecast report is prepared on the basis of the following assumptions:

1. There will be no material change in the existing national and local policies, laws followed by the Target Companies and in the current social, political and economic environment during the forecast period.
2. There will be no material change in the existing national credit policy, loan interest rates, exchange rates, etc during the forecast period.
3. There will be no material change in the tax policy adopted by the Target Companies during the forecast period.
4. The Target Companies are able to obtain raw materials, energy and labor with no material change in their price during the forecast period.
5. The business and results of the Target Companies will not be affected by the government action, industry or labor disputes during the forecast period.
6. There will be no material change in conditions of sales market of the Target Companies during the forecast period.
7. There will be no material change in the pricing principles of the Target Companies during the forecast period.
8. The production plans, marketing plans, investment plans, financing plans etc of the Target Companies can be implemented smoothly during the forecast period.

- 9 There will be no other force majeure and unforeseen factors leading to materially adverse effects.
10. The construction projects of the Target Companies can be completed as scheduled (if applicable).

B) Special explanation on income tax

1. There is no change in the preferential tax policies enjoyed by Qinhuangdao for the year ending 31 December 2010.
2. Pursuant to Article 27(3) of the “Enterprise Income Tax Law of the People’s Republic of China”, the enterprise income tax of the income derived from the followings of Changli may be exempted or reduced: (3) income earned from projects engaged in qualifying environmental protection, energy and water conservation. According to Article 88 of “Implementation Rules of the Enterprise Income Tax Law of the People’s Republic of China”, qualifying environmental protection, energy and water saving projects mentioned in Article 27(3) of the Enterprise Income Tax Law include public sewage treatment, public refuse disposal, comprehensive development and utilization of biogas, technological upgrade of energy saving and remission reduction, seawater desalination, etc. For income derived from the abovementioned qualifying environmental protection, energy and water conservation projects by enterprises, starting from the first year to which manufacturing or business operational revenue earned from the project is attributable, there shall be allowed a credit for the entire enterprise income tax on that income for the first to third years, and a 50% credit for the fourth to sixth years. Changli has filed with and has been approved by the State Administration of Taxation of Changli City, Hebei Province for the tax incentives on 21 January 2010.
3. Maanshan is a foreign-invested enterprise. Pursuant to Article 57 of the “PRC Enterprise Income Tax Law”, starting from 1 January 2008, it is entitled to enjoy income tax exemption for two years commencing from its first profit making year of operation and thereafter, entitled to a 50% relief from income tax for the following three years. The income tax of Maanshan was exempted for the years 2008 and 2009, and a 50% reduction of the enterprise income tax rate of 25% (12.5%) is applicable for the years 2010 to 2012. As Heilongjiang Interchina intends to acquire Maanshan, if the acquisition succeeds, Maanshan will then become a domestic-funded enterprise and will not be entitled to tax concession in 2010.
4. Pursuant to the provision of Article 27(3) of “Enterprise Income Tax Law”, the enterprise income tax of Ordos will be exempted for the first year to third year, and half of the enterprise income tax will be exempted for the fourth to sixth years for the income derived from the qualifying public sewage treatment projects engaged by Ordos, starting from the first year to which manufacturing or business operational revenue earned from the project is attributable. According to provisions of the “Notice of related issues of the implementation of the Enterprise Income Tax Incentive Catalogue for Comprehensive Utilization of Resources “ (Cai Shui [2008] No. 47), starting from 1 January 2008, income derived from the products listed in the “Catalogue” which are in line with related national or industry standards by making use of the resources listed in the “Enterprise Income Tax Incentive Catalogue for Comprehensive Utilization of Resources” as the main raw materials, taxable income will be calculated at a reduced rate of 90% of the total revenue for that year. To be entitled to the abovementioned tax benefits, the ratio of the resources listed in the “Catalogue” and the raw materials used for the product should be consistent with the required technical standards stated in the “Catalogue”.

5. Pursuant to Article 27(3) of the “Enterprise Income Tax Law”, the enterprise income tax of Taiyuan will be exempted for the first year to third year, and half of the enterprise income tax will be exempted for the fourth to sixth years for the income derived from the qualifying public sewage treatment projects engaged by Taiyuan, starting from the first year to which manufacturing or business operational revenue earned from the project is attributable.
6. There is no change in the preferential tax policies enjoyed by Beijing Zhongke and Zhuozhou Zhongke in 2010.

C) Other special explanations

1. Existing administration and management staff will be retained after the Target Companies being merged into Heilongjiang Interchina.
2. The “Franchise Contract” and the supplementary agreement signed by Qinhuangdao and the People’s Government of Qinhuangdao are still effective.
3. The “Franchise and Wastewater Services Contracts” and the implementation of the Supplementary Agreement signed by Changli and the People’s Government of Changli, Qinhuangdao are still effective.
4. The “Cooperation Agreement” and the supplementary agreement of the Wang Jia Shan sewage treatment plant project signed by Maanshan and Maanshan Municipal Management Bureau shall continue to be implemented.
5. The “Franchise Agreement” signed by Ordos and Dalada Qi Government, Ordos City, Inner Mongolia shall continue to be implemented.
6. The “Franchise Agreement” signed by Taiyuan and Taiyuan Municipal Management Bureau shall continue to be implemented.
7. The “Franchise Contract” and the supplementary agreement signed by Zhuozhou Zhongke and the People’s Government of Zhuozhou City shall continue to be implemented.

Basis for the preparation of the pro forma combined profit forecast report of Heilongjiang Interchina

Pursuant to the resolution passed at the tenth meeting of the fourth session of the board of directors of Heilongjiang Interchina, it intends to raise funds to purchase 75% equity interest in Qinhuangdao, 100% equity interest in Changli, Maanshan and Ordos held by Interchina (Tianjin) Water Treatment Co. Limited (the controlling shareholder of Heilongjiang Interchina) (hereinafter referred to as “Interchina (Tianjin)”), 80% equity interest in Taiyuan held by Regent Victor, and 85% equity interest of Beijing Zhongke and 100% equity interest of Zhuozhou Zhongke, by way of private placing of shares. The Board assumes that the takeover has been completed on 1 January 2008. 7 target companies and the accounting subject formed under the framework of Heilongjiang Interchina becomes the subject of accounting preparation of the pro forma combined profit forecasts.

The profit forecast of Heilongjiang Interchina for the year 2010 is prepared on the basis of the actual operating results for the year ended 31 December 2009 audited by Zonzun Accounting Office Limited, combining with the operating plan, capital utilization plan, the investment plan for the year 2009-2010 and other relevant information, on the key assumptions and explanations set out below, taking into account the impact of the National macroeconomic policies, analyzing market environment and the future prospects for development of Heilongjiang Interchina, adopting the major accounting policies of Heilongjiang Interchina, and carrying out analyzes and research.

The profit forecast has been prepared on the basis of accounting policies in compliance with relevant requirement of the prevailing laws, regulations, financial accounting standards issued by the PRC in all material respects, and is consistent in all material respects with those actually adopted by Heilongjiang Interchina. The preparation of the profit forecast report of Heilongjiang Interchina has followed the principle of prudence.

Basic assumptions for the profit forecast of Heilongjiang Interchina

A) The profit forecast report of Heilongjiang Interchina is prepared on the basis of the following assumptions:

1. There will be no material change in the existing national and local policies, laws followed by Heilongjiang Interchina and in the current social, political and economic environment during the forecast period.
2. There will be no material change in the existing national credit policy, loan interest rates, exchange rates, etc during the forecast period.
3. There will be no material change in the tax policy adopted by Heilongjiang Interchina during the forecast period.
4. Heilongjiang Interchina is able to obtain raw materials, energy and labor with no material change in their price during the forecast period.
5. The business and results of Heilongjiang Interchina will not be affected by the government action, industry or labor disputes during the forecast period.
6. There will be no material change in conditions of sales market of Heilongjiang Interchina during the forecast period.
7. There is no material change in the pricing principles of Heilongjiang Interchina during the forecast period.
8. The production plans, marketing plans, investment plans, financing plans etc of Heilongjiang Interchina can be implemented smoothly during the period.
9. The operation projects of Heilongjiang Interchina can be operated as scheduled.
10. There will be no other force majeure and unforeseen factors leading to materially adverse effects.

B) Special explanation on the income tax

For the target companies Changli and Maanshan, pursuant to the provision of the “Notice of the State Council on the Implementation of Transitional Preferential Policies in Respect of Enterprises Income Tax” (Guo Fa [2007] No. 39), since 1 January 2008, enterprises currently enjoying tax exemption for two years commencing from its first profit making year of operation and thereafter entitled to a 50% relief from income tax for the following next three years, and 50% deduction in two successive five-year periods, and other tax concessions on a regular basis, shall enjoy the preferences and period until the expiration date in accordance with the original tax laws, administrative regulations and relevant provisions after the implementation of the new tax law. However, for enterprises that have not made any profits and thus cannot enjoy such preferential treatments, the period for their preferential treatments shall be calculated from 2008. If the acquisition succeeds, the abovementioned companies will not be entitled to income tax concession for foreign-invested enterprises in 2010.

C) Other special explanations

The application of private placing of shares of Heilongjiang Interchina is approved by the China Securities Regulatory Commission. The placement shares are able to be issued in accordance with the offering plan. The funds can be raised in time. All matters involved the project of fund raising to purchase 75% equity interest in Qinhuangdao, 100% equity interest in Changli, Maanshan and Ordos, 80% equity interest of Taiyuan, and 85% equity interest of Beijing Zhongke and 100% equity interest in Zhuozhou Zhongke, by way of private placing of shares, have been approved by the authorized examination authority and have been completed. The project is being carried out in line with the period of the pro forma combined profit forecast.

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

Hong Kong, 12 November 2010

As at the date of this announcement, the executive Directors are Mr. Lam Cheung Shing, Richard, Mr. Zhu Yongjun and Mr. Zhang Chen; and the independent non-executive Directors are Ms. Ha Ping, Mr. Ho Yiu Yue, Louis and Mr. Ko Ming Tung, Edward and Dr. Fu To.

** For identification purpose only*