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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 MAJOR TRANSACTION

Reference is made to the announcement (the “Announcement”) of Interchina Holdings Company Limited (the “Company”) dated 27 June 2012 in relation to, among others, the Acquisition. Unless the context otherwise requires, terms used in this announcement shall have the same meanings as defined in the Announcement.

PROFIT FORECAST

As set out in the Announcement, the valuation of Beijing Company constitutes profit forecast under Rule 14.61 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 valuation of the Beijing Company:

(a) Letter from the Board

27 June 2012

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

Dear Sir/Madam,

Discounted Cash Flow Forecast of Beijing Company

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 discounted cash flow forecast in the valuation report issued by 北京中科華資產評估有限公司 (Beijing Zhongkehua Assets Appraisal Company Limited) (the “Valuer”) regarding the fair value of Beijing Company as at 31 December 2011 (the “Valuation 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 Valuation Reports in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants.

We hereby confirm that the discounted cash flow forecast made pursuant to the Valuation 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
Executive Director and Chief Executive Officer

(b) Letter from the Company's auditor



國 衛 會 計 師 事 務 所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

27 June 2012

The Directors

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

Dear Sirs

Interchina Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group")

Comfort letter on forecasts underlying the valuation of Beijing TDR Enviro-Tech Co., Ltd (北京天地人環保科技有限公司) ("Beijing TDR") in connection with major acquisition transaction of Beijing TDR by the Group

We report on the calculations of the discounted future estimated cash flows on which the business valuation (the "Valuation") dated 15 June 2012 prepared by 北京中科華資產評估有限公司 in respect of the Valuation of Beijing TDR as at 31 December 2011 in connection with proposed acquisition of 90% equity interest in Beijing TDR, as published in the Company's announcement dated 27 June 2012.

The Valuation which is determined based on the discounted cash flows and is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Respective responsibilities of the directors of the Company and the reporting accountants

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows for the Valuation which is regarded as a profit forecast under Rule 14.62 of the Listing Rules.

It is our responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. The discounted future estimated cash flows do not involve the adoption of accounting policies.

The discounted future estimated cash flows depend on future events and on a number of bases and assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Consequently, we have not reviewed, considered or conducted any work on the appropriateness and validity of the bases and assumptions and express no opinion on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows, and thus the Valuation, are based.

Basis of opinion

We conducted our work in accordance with Hong Kong Standards on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to the procedures under Auditing Guideline 3.341 “Accountants’ report on profit forecasts” issued by Hong Kong Institute of Certified Public Accountants. We examined the arithmetical accuracy of the Valuation. Our work has been undertaken solely to assist the directors of the Company in evaluating whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled and for no other purpose. We accept no responsibility to any other person in respect of, arising out of in connection with our work. Our work does not constitute any valuation of Beijing TDR.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company.

Yours faithfully

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

VALUATION

Set out below is a summary of the valuation of Beijing Company as at 31 December 2011, as assessed by 北京中科華資產評估有限公司 (Beijing Zhongkehua Assets Appraisal Company Limited), an independent professional PRC valuer, adopting the income approach (收益法) and containing their principal assumptions at arriving at the valuation:

Valuation Target:	Beijing Company.
Valuation Institution:	北京中科華資產評估有限公司 (Beijing Zhongkehua Assets Appraisal Company Limited), a valuation institution with an Asset Appraisal Qualification Certificate issued by the Ministry of Finance, which can engage in valuations involving state-owned assets and financial reporting purpose, as well as valuations of corporate value, intangible assets, machinery and equipment, real estates and etc.
Valuation Purpose:	Heilongjiang Interchina proposed to acquire the 90% equity interests of Beijing Company. As a result, a valuation of the shareholders' interests in Beijing Company is required. This asset valuation report is deemed as the reference for the determination of the price of this economic behavior.
Valuation Reference Date:	31 December 2011.
Valuation Method:	Income approach refers to an appraisal method of calculating the value of the corporation being appraised by means of translating the expected future earnings into a present value at an appropriate discount rate or capitalization rate.
Discount Rate:	This valuation used the capital assets pricing model (CAPM) to determine the discount rate of the net cash flow. The discount rate used is 15% for the valuation of Beijing Company.

Valuation Assumptions-The valuation was prepared on the following principle assumptions:

Valuation Basis

The bases for this assessment include the economic behaviour basis, policy and regulation basis, assessment criteria basis, asset ownership basis, pricing basis and other bases, the details of which are set out as follows:

(A) *Economic Behaviour Basis*

1. the relevant documents of Heilongjiang Interchina;
2. the "Engagement Letter of Asset Assessment Services" entered into between valuation institution and Heilongjiang Interchina.

(B) Legal and Regulatory Basis

1. the Presidential Decree No. 42 of the People's Republic of China, namely the "Company Law of the People's Republic of China" (27 October 2005);
2. the "Management Methods for Assessment of State-owned Assets" (1991 State Council Decree No. 91);
3. the "Provisional Regulations on Value Added Tax of the People's Republic of China" (State Council Decree No. 538);
4. the "Enterprise Income Tax Law of the People's Republic of China" (Presidential Decree No. 63 of the People's Republic of China);
5. the "Enterprise Accounting Standards" (Cai Kuai [2006] No. 3);
6. other relevant laws, regulations as well as rules and regulations relating to the assessment hereof.

(C) Assessment Criteria Basis

1. the notice issued by the Ministry of Finance on the "Asset Assessment Standards — Basic Norms" and the "Code of Ethics for Asset Assessment — Basic Guidelines" (Cai Qi [2004] No. 20);
2. the notice issued by the China Association of Certified Public Accountants (中國註冊會計師協會) on the guidance and advice for registered assets appraisers concerning the legal ownership of the assessed object (Kuai Xie [2003] No. 18);
3. the notice issued by the China Appraisal Society (中國資產評估協會) on seven asset appraisal criteria including "Assets Appraisal Criteria — Appraisal Report" (Zhong Ping Xie [2007] No. 189);
4. the "Guidance and Advice on the Assessment of the Corporate Value (Trial Implementation)" (China Appraisal Society Zhong Ping Xie [2004] No. 134);
5. the "Asset Appraisal Standards — Intangible Assets" (China Appraisal Society Zhong Ping Xie [2008] No. 217).

(D) Asset Ownership Basis

1. the business license and the articles of association of the enterprise involved in the assessed object;
2. the previous asset verification reports and audit reports of the enterprise involved in the assessed object;
3. the financial information and other business information of the enterprise involved in the assessed object as of the assessment base date;

4. the motor vehicle driving license and other related property right information of the assets involved in the assessed object;
5. the future forecasts of the enterprise involved in the assessed object.

Valuation Assumption and Limitation

(A) General Assumptions

1. If an assessed object is in the course of transaction processes, it is assumed that the asset appraiser will conduct the assessment according to simulated marketplace situation including transaction conditions of the assessed object. The result of the assessment is an estimate of the price at which the assessed object is most likely to be transacted.
2. If the assets involved in the assessed object are transacted in the open market where each of the buyer and the seller is provided with equal opportunity and time to have access to adequate market information, it is assumed that the trading behaviour of both the buyer and the sellers is conducted under voluntary, rational, non-mandatory conditions.
3. Upon the realization of the economic behaviour of the assessment purpose, it is assumed that the assets involved in the assessed object will be subject to continued use on an in-situ basis according to their purposes and uses as of the assessment base date.

(B) Assumptions Relating to the State of the Assessed Object as of the Assessment Base Date

1. It is assumed that financial statements as of the assessment base date provided by the enterprise are audited, and this assessment is made by relying upon the asset book value which is assumed to be legitimate and fair.
2. It is assumed that the purchase, acquisition, construction and development process of the assets involved in the assessed object are in line with the relevant laws and regulations of the country.
3. It is assumed that the assets involved in the assessed object bear no defects of rights, liabilities and restrictive conditions that may affect their value, and it is presumed that taxes and various payments relating to the assets involved in the assessed object have been fully settled.
4. It is assumed that the tangible assets including real estate and equipment involved in the assessed object are free from any major technical failure that may affect their continued use, that such assets contain no hazardous substances that may adversely influence their value, and that the places where such assets are located are subject to no hazardous materials and other harmful environmental conditions that may cause detrimental impacts on the value of such assets.

(C) Assumption of the Forecast

1. It is assumed that the enterprise operates on a going concern basis in connection with the actual status of its business operations as of the assessment base date. It is also presumed that the business runners of the enterprise are persons who duly take up their responsibilities, and the corporate management personnel are competent in discharging their duties.
2. Unless otherwise stated, it is assume that the enterprise has fully complied with all relevant laws and regulations.
3. It is assume that the accounting policies which will be adopted by the enterprise in the future are fundamentally consistent with the accounting policies used in the preparation of this report in all material aspects.
4. It is assumed that the scope of business and the way of business operation of the enterprise are consistent with the current direction on the basis of the existing management style and management level.
5. It is assumed that there are no significant changes in the relevant interest rates, exchange rates, tax bases and tax rates, as well as policy tax charges.
6. It is assumed that there are no other force majeure events and unforeseen factors that may lead to material adverse impacts on the enterprise.
7. It is assumed that the forecast basis for this assessment is subject to and conditional upon a prerequisite where the enterprise is in an ordinary course of business, without taking into account of occasional factors and non-comparable factors, and is built upon the proceeds of the enterprise in its ordinary course of business.
8. It is assumed that the profit forecast in this assessment is based on the audited results of the enterprise. The reasonableness of the forecast is justified by combining the profit forecast provided by the enterprise with the relevant data and information collected by assessment personnel in their survey, and by carrying out the necessary analyses and judgments of the profit forecast of the enterprise.
9. It is assumed that the business information of the previous years have been provided by the enterprise.
10. It is assumed that the accounting treatment methods that are relied upon remain consistent.

(D) Restrictive Conditions for this Assessment

This assessment conclusion represents the determination of the current fair market value according to the purpose of this assessment, the going concern principle and the open market principle. The conclusion neither gives consideration to any security and guarantee that may incur in the future or any possible additional price bid made by a special party to the transaction that may affect the value so assessed, nor takes into account of any change in the country's macroeconomic policy or any occurrence of natural force incidents and other force majeure events that may affect asset prices.

In case of the occurrence of any event that is inconsistent with the above assumptions and conditions, the result of this assessment will generally lapse.

Valuation Conclusion and Description

(A) Assessment Conclusion

After taking the necessary assessment steps and measures, under the assessment purposes, assessment assumptions and restrictive conditions set out in this report, as of 31 December 2011 (being the assessment base date), the following assessment conclusion is reached by using the income approach:

The entire shareholders' equity of Beijing TDR Environ-Tech Co., Ltd. is determined at a book value of RMB80,980,200, with an assessed value of RMB507,727,700, representing an increase in the assessed value over the book value of the equity shareholders' by RMB426,747,500 or an increase rate of 526.98%.

The 90% of the shareholders' equity of Beijing TDR Environ-Tech Co., Ltd. under the proposed acquisition is valued at: $507,727,700 \times 90\% = \text{RMB}456,955,000$.

(B) Analyses of Reasons for Increase in Value

The increase in value is mainly attributable to the following reasons: Firstly, the intangible assets of Beijing TDR Environ-Tech Co., Ltd., including its position in the industry, business pipeline, technical team and management team, have not yet been quantified in its financial statements as of the assessment base date; Secondly, Beijing TDR Environ-Tech Co., Ltd. is an enterprise engaging in a high-tech sector, where a substantial amount of inputs is mainly devoted by the company to research and development expenditures rather than to the requirement for a large size of asset expansion according to the characteristics of the industry in which the company is engaged. Accordingly, the current book asset size of Beijing TDR Environ-Tech Co., Ltd. cannot give an objective picture of the value of the company as of the assessment base date. Thirdly, given the industry trends and the operating conditions of Beijing TDR Environ-Tech Co., Ltd., the company has achieved proven records of profitability and is relatively well-positioned to deliver continued profitability, such that the value embodied in the gains brought by the company to its shareholders is greater than the book value.

GENERAL

The following are the qualifications of the experts who have given their opinion in this announcement:

Name	Qualification
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants
北京中科華資產評估有限公司 (Beijing Zhongkehua Assets Appraisal Company Limited)	Registered valuer of the PRC

As at the date of this announcement, each of the experts above did not have any shareholding in any shares of the Company or any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group. Each of the experts above has given and has not withdrawn its written consent to the issue of this announcement with reference to its name included herein in the form and context in which it appears.

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

Hong Kong, 27 June 2012

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 Bosco; 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.