THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Interchina Holdings Company Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

INTERCHINA HOLDINGS COMPANY LIMITED

國 中 控 股 有 限 公 司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

MAJOR TRANSACTION
AND
EXTRAORDINARY GENERAL MEETING

A letter from the board of directors of Interchina Holdings Company Limited (the "**Company**") is set out on pages 4 to 18 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Room 701, Aon China Building, 29 Queen's Road Central, Hong Kong on Wednesday, 19 December 2012, at 10:00 a.m. is set out on pages 111 to 112 of this circular. A form of proxy for use at the extraordinary general meeting of the Company is enclosed with this circular.

Whether or not you are able to attend the extraordinary general meeting of the Company, you are requested to complete the accompanying form of proxy in accordance with instructions printed thereon and return it to the share registrar of the Company, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time for holding the extraordinary general meeting of the Company or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting of the Company or any adjournment thereof should you so wish.

23 November 2012

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the acquisition of an aggregate of 90% equity interest of Beijing Company pursuant to the Sale and Purchase Agreement
"Beijing Company"	北京天地人環保科技有限公司 (Beijing TDR Enviro-Tech Co., Ltd), a company established in the PRC and is 90% owned by the Vendors as at the Latest Practicable Date
"Board"	the board of Directors
"BOT"	Build, Operate and Transfer
"BT"	Build and Transfer
"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
"CSRC"	China Securities Regulatory Commission
"Directors"	directors of the Company
"Disposal Mandate"	a specific mandate proposed by the Board to seek approval from the Shareholders to allow the Board to dispose of up to 110,000,000 shares in Heilongjiang Interchina on the terms set out in the circular of the Company dated 28 September 2012
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged upon Completion
"February Agreement"	the sale and purchase agreement dated 10 February 2012 entered into between Heilongjiang Interchina, 韓立新 (Han Lixin) and 姚淑華 (Yao Shuhua) in relation to the sale and purchase of 10% of the equity interest of the Beijing Company at the aggregate consideration of RMB55,000,000, details of which are set out in the announcement of the Company dated 15 February 2012
"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 Shares"	the shares of RMB1.00 each in the share capital of Heilongjiang Interchina
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	20 November 2012, being the latest practicable date prior to the bulk-printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Management Team"	the management team of Beijing Company (which includes 王晶 Wang Jing (manager), 齊奇 Qi Qi (technical officer), 牛媛媛 Niu Yuanyuan (marketing officer), 宋延冬 Song Yandong (production officer), 謝濤 Xie Tao (engineering officer), 汪黎 Wang Li (administration and human resources officer), 黃自力 Huang Zili (vice president) and 霍然 Huo Ran (industrial water officer))
"Non-public Share Issue"	the proposed non-public offering of new Heilongjiang Interchina Shares to not more than 10 subscribers at the issue price of not less than RMB8.03 per new Heilongjiang Interchina Shares, details of which are set out in the circular of the Company dated 28 September 2012
"Option Agreement"	the option agreement entered into between Heilongjiang Interchina and the Vendors dated 10 February 2012 in respect of the options (the "**Purchase Option**") granted by the Vendors to Heilongjiang Interchina to acquire an aggregate of 90% of equity interest of Beijing Company at the aggregate premium of RMB10,000,000, details of which are set out in the announcement of the Company dated 15 February 2012
"PRC"	the People's Republic of China (which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"RMB"	Renminbi, the lawful currency of the PRC

"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% equity interest of Beijing Company
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholders"	holder(s) of the Shares
"Shares"	the shares of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendors"	韓德民 (Han Demin), 韓立新 (Han Lixin), 韓宇 (Han Yu), 韓子石 (Han Zishi), 朱東柯 (Zhu Dongke), 張靜 (Zhang Jing) and 北京首佳融通物流技術有限公司 (Beijing Sojarton Logistics Technology Co., Ltd.)

In this circular, RMB are converted into HK$ on the basis of RMB0.81 = HK$1 for illustrative purpose.

INTERCHINA HOLDINGS COMPANY LIMITED

國中控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

Executive Directors:
Mr. Jiang Zhaobai *(Chairman)*
Mr. Lam Cheung Shing, Richard
Mr. Zhu Yongjun
Mr. Shen Angang
Mr. Zhu Deyu
Mr. Lu Yaohua

Independent non-executive Directors:
Mr. Ho Yiu Yue, Louis
Mr. Ko Ming Tung, Edward
Mr. Chen Yi, Ethan

Registered office:
Room 701, 7th Floor
Aon China Building
29 Queen's Road Central
Hong Kong

23 November 2012

To the Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTION
AND
EXTRAORDINARY GENERAL MEETING

INTRODUCTION

On 21 June 2012, Heilongjiang Interchina entered into the Sale and Purchase Agreement with the Vendors in relation to the Acquisition, being the acquisition of an aggregate of 90% equity interest in Beijing Company. The aggregate consideration is RMB495,000,000 (equivalent to approximately HK$611,111,000) which shall be payable upon Completion.

As at the Latest Practicable Date, the Company is indirectly interested in approximately 53.77% of the issued share capital of Heilongjiang Interchina. As the relevant percentage ratios (as defined in the Listing Rules) exceed 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and subject to the Shareholders' approval at the EGM.

The purpose of this circular is to provide you with further information on the Sale and Purchase Agreement, financial information relating to Beijing Company, the notice of the EGM and other information as required under the Listing Rules.

BACKGROUND

On 15 February 2012, the Company announced the following:

(a) Heilongjiang Interchina entered into the February Agreement with 韓立新 (Han Lixin) and 姚淑華 (Yao Shuhua) on 10 February 2012 in relation to the acquisition of an aggregate of 10% equity interest in Beijing Company at the aggregate consideration of RMB55,000,000; and

(b) Heilongjiang Interchina entered into the Option Agreement with the Vendors on 10 February 2012 in relation to the Purchase Option granted by the Vendors to Heilongjiang Interchina to acquire an aggregate of 90% equity interest in Beijing Company at the aggregate premium of RMB10,000,000. The Purchase Option can be exercised within three months from the date of the Option Agreement (the "**Exercise Period**").

Completion of the February Agreement took place in March 2012. As at the Latest Practicable Date, Heilongjiang Interchina was interested in 10% equity interest in Beijing Company.

On 7 May 2012, Heilongjiang Interchina and the Vendors agreed to extend the Exercise Period. Heilongjiang Interchina exercised the Purchase Option and entered into the Sale and Purchase Agreement with the Vendors on 21 June 2012.

THE SALE AND PURCHASE AGREEMENT

Date

21 June 2012

Parties

Purchaser: Heilongjiang Interchina, which is indirectly owned as to 53.77% by the Company as at the Latest Practicable Date.

Vendors: 韓德民(Han Demin), 韓立新 (Han Lixin), 韓宇 (Han Yu), 韓子石 (Han Zishi), 朱東柯 (Zhu Dongke), 張靜 (Zhang Jing) and 北京首佳融通物流技術有限公司 (Beijing Sojarton Logistics Technology Co., Ltd.), which is principally engaged in providing of storage management and supervision services, auction services, distribution services and information services.

To best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Vendors (and its ultimate beneficial owner(s), as regards北京首佳融通物流技術有限公司 (Beijing Sojarton Logistics Technology Co., Ltd.)) is third party independent of the Group and its connected persons (as defined in the Listing Rules), save that (i) the Vendors are parties to the Option Agreement; and (ii) 韓德民(Han Demin), one of the Vendors, had disposed of 7.584% of the equity interest of Beijing Company to Heilongjiang Interchina pursuant to the February Agreement.

Assets to be acquired and amount of consideration

Name of Vendor		**Amount of equity interest subject to disposal pursuant to the Sale and Purchase Agreement**	**Consideration**
韓德民 (Han Demin)	:	4.832% of the equity interest of Beijing Company	RMB26,576,000 (equivalent to approximately HK$32,810,000)
韓立新 (Han Lixin)	:	63.5711% of the equity interest of Beijing Company	RMB349,641,050 (equivalent to approximately HK$431,656,000)
韓宇 (Han Yu)	:	0.9664% of the equity interest of Beijing Company	RMB5,315,200 (equivalent to approximately HK$6,562,000)
韓子石 (Han Zishi)	:	5.168% of the equity interest of Beijing Company	RMB28,424,000 (equivalent to approximately HK$35,091,000)
朱東柯 (Zhu Dongke)	:	12.0801% of the equity interest of Beijing Company	RMB66,440,550 (equivalent to approximately HK$82,025,000)
張靜 (Zhang Jing)	:	2.4160% of the equity interest of Beijing Company	RMB 13,288,000 (equivalent to approximately HK$16,405,000)
北京首佳融通物流技術有限公司 (Beijing Sojarton Logistics Technology Co., Ltd.)	:	0.9664% of the equity interest of Beijing Company	RMB5,315,200 (equivalent to approximately HK$6,562,000)
		Total:	RMB495,000,000

The aggregate consideration of RMB495,000,000 (the "**Consideration**") (equivalent to approximately HK$611,111,000), shall be satisfied in cash. The Consideration includes the cash consideration of RMB10,000,000 for the Purchase Option under the Option Agreement and is payable as follows:

(a) RMB 10,000,000 shall be payable by the Purchaser as deposit and part payment of the Consideration within 10 working days upon the Sale and Purchase Agreement having become effective; and

(b) RMB485,000,000 (the "**Balance**") shall be payable upon Completion.

The Consideration was determined after arm's length negotiations between the parties to the Sale and Purchase Agreement, after taking into account:

(a) valuation of the 90% equity interest of Beijing Company of RMB456,955,000 (equivalent to approximately HK$564,142,000) 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), a firm of independent professional PRC valuers which is qualified to carry out assets valuation as recognised by the PRC's Ministry of Finance and CSRC, adopting the income approach and the business development. As at the date of the Sale and Purchase Agreement (being 21 June 2012), the only audited financial information available as regards Beijing Company was those as at, and for the year ended, 31 December 2011. Therefore, the Directors consider the valuation date of 31 December 2011 as regards the aforesaid valuation is meaningful, fair and reasonable in the circumstances. The valuation report, the letter from the Board and the Company's auditors in relation to such valuation are set out in Appendix V to this circular; and

(b) the business prospects of Beijing Company in the medium-to-long run as set out in the sections headed "Information of Beijing Company" and "Reasons for the Acquisition" below.

The Directors are of the view that given (i) Beijing Company is one of the market leaders in this sector and having approximately 15% market share in this sector; and (ii) the Acquisition allows Heilongjiang Interchina to step into the horizon of landfill leachate disposal treatment services and achieve business strategic superiority in this field, the Consideration with a premium of RMB38,045,000 or approximate 8.3% over the valuation set out above is still fair and reasonable. Besides, in determining the Consideration, the Directors have also considered the price-to-earnings ratio. The Consideration represents approximately 9.83 price-to-earnings multiple of the profit after taxation for the year ended 31 December 2011. The Directors have also taken into account the price-to-earnings ratio of approximately 40 times of Jiangsu Welle Environmental Co., Ltd (江蘇維爾利環保科技股份有限公司) (SHE300190) ("**Jiangsu Welle**"), a listed company in the PRC engaged in similar business as that of the Beijing Company. The Directors selected Jiangsu Welle as a comparable company to Beijing Company because Jiangsu Welle is the largest competitor in this sector with similar market position as that of Beijing Company and having similar size of operation scale (in terms of production capacity, technology skill and number of employees), and both of them have made comparable profit for the year ended 31 December 2011 (Beijing Company:

RMB55,950,100 while Jiangsu Welle: RMB56,646,000). The Directors consider that the price-to-earnings ratio of Beijing Company is substantially lower than that of Jiangsu Welle and therefore takes the view that the Consideration is reasonable and fair. The Company confirmed that Jiangsu Welle is a meaningful and reasonable comparable to the Beijing Company. Based on the valuation and the reasonable price-to-earnings ratio, the Directors consider that 8.3% premium is acceptable. Therefore, the Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration will be financed by the Non-pubic Share Issue, which will be conducted by Heilongjiang Interchina. As announced on 25 June 2012 and 20 September 2012 by the Company, and as set out in the circular of the Company dated 28 September 2012, the board of directors of Heilongjiang Interchina approved the Non-public Share Issue in respect of the issue of not more than 160,000,000 new Heilongjiang Interchina Shares at the price of not less than RMB8.03 per Heilongjiang Interchina Share to not more than 10 subscribers. The maximum proceeds shall not exceed RMB1,255,700,000. The proposed Non-public Share Issue is subject to the approval of (i) the shareholders of Heilongjiang Interchina; (ii) the CSRC; and (iii) the Shareholders at the general meeting of the Company. Approval from shareholders of Heilongjiang Interchina was obtained on 11 July 2012. The proposal in relation to the Non-public Share Issue was submitted to the Shanghai Stock Exchange and the CSRC in September 2012. Shareholders' approval for the Non-public Share Issue was obtained on 19 October 2012. As at the Latest Practicable Date, approvals from the Shanghai Stock Exchange and the CSRC had yet been obtained. As set out below in the paragraph headed "Completion" below, Completion shall take place: (i) in whole within 10 working days upon receipt of fund by Heilongjiang Interchina from the Non-public Share Issue; or (ii) in part within 18 months upon the Sale and Purchase Agreement becoming effective, whichever is earlier. If the Non-public Share Issue is not completed, there will still be sufficient time (being 18 months from 19 December 2012, the effective date of the Sale and Purchase Agreement upon the Shareholders having approved the same) for the Group to seek alternative financing (including but not limited to borrowing from financial institutions) in order to complete the Acquisition. As at the Latest Practicable Date, the Group did not have any agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) about any fund raising activities other than the Non-public Share Issue.

Conditions precedent

Completion is subject to the following conditions:

1. the representations and warranties given by the Vendors under the Sale and Purchase Agreement being true, accurate and complete;

2. (a) Beijing Company having completed all necessary internal procedures to approve the Acquisition, including but not limited to the shareholders of Beijing Company passing the relevant resolution; and

   (b) the Group having passed the relevant resolutions to approve the Acquisition and the transactions contemplated thereunder;

3. (a) the Sale and Purchase Agreement and other documents (the "**Relevant Documents**") relating to the Acquisition having been signed by the relevant parties;

   (b) the Sale and Purchase Agreement and the Relevant Documents being true, accurate and complete and enforceable against the Vendors;

   (c) the Vendors having complied with the obligations under the Sale and Purchase Agreement and the Relevant Documents;

4. there being no material adverse change to Beijing Company relating to the transactions under the Sale and Purchase Agreement;

5. Heilongjiang Interchina having received the audited financial statements of Beijing Company for the two years ended 31 December 2011 and there being no material adverse change upon Completion;

6. there being no court judgment, governmental decision or other regulatory requirements:

   (a) prohibiting or restricting any transactions contemplated under the Sale and Purchase Agreement;

   (b) prohibiting or restricting the completion of the transactions contemplated under the Sale and Purchase Agreement;

   (c) whereupon Beijing Company, the Vendors and/or Heilongjiang Interchina shall be subject to material penalty or legal consequence upon completion of the transactions contemplated under the Sale and Purchase Agreement;

   (d) restricting the operation of Beijing Company which constitute material adverse change.

7. there being no litigations, arbitrations or civil proceedings, and where there being litigations, arbitrations or civil proceedings against Beijing Company and/or Heilongjiang Interchina and/or the Vendors, and those judgements:

   (a) shall constitute material adverse effect to the consummation of the Sale and Purchase Agreement or obligations under other transaction documents; or

   (b) shall constitute actual adverse effect to the transactions contemplated under the Sale and Purchase Agreement; and

8. there being no change to the management of Beijing Company save for being approved by Heilongjiang Interchina.

As at the Latest Practicable Date, the conditions precedent set out in 2(a) and 3(a) above had been fulfilled.

Completion

Upon the above conditions having been fulfilled, Completion shall take place: (i) in whole within 10 working days upon receipt of fund by Heilongjiang Interchina from its fund raising activity; or (ii) in part within 18 months upon the Sale and Purchase Agreement becoming effective, whichever is earlier.

Heilongjiang Interchina shall have the right to acquire the aggregate 90% equity interest of Beijing Company simultaneously or by instalments. In the event Heilongjiang Interchina decided to acquire the aggregate 90% equity interest of Beijing Company by instalments, it shall complete the Acquisition within 18 months upon the Sale and Purchase Agreement having become effective.

Effectiveness

The Sale and Purchase Agreement shall become effective upon (i) signing by all parties of the Sale and Purchase Agreement; (ii) the board of directors and shareholders of Heilongjiang Interchina having approved the Sale and Purchase Agreement; and (iii) the Shareholders approving the Sale and Purchase Agreement.

Profit guarantee and management bonus

Pursuant to the Sale and Purchase Agreement, in the event:

(i) the audited net profit after taxation of Beijing Company for the year ending 31 December 2012 (to be based on the audited financial statement of Beijing Company prepared in accordance with PRC accounting standard) is or exceeds RMB65,000,000 (the "**2012 Profit Guarantee**"), the Vendors shall pay the Management Team an amount of RMB20,000,000 as management bonus (the "**2012 Management Bonus**");

(ii) the audited net profit after taxation of Beijing Company for the year ending 31 December 2013 (to be based on the audited financial statement of Beijing Company prepared in accordance with PRC accounting standard) is or exceeds RMB78,000,000 (the "**2013 Profit Guarantee**"), the Vendors shall pay the Management Team an amount of RMB20,000,000 as management bonus (the "**2013 Management Bonus**", together with the 2012 Management Bonus, the "**Management Bonus**");

(iii) the actual audited net profit after taxation of the Beijing Company for the year ending 31 December 2012 (the "**2012 Actual Profit**") (to be based on the audited financial statement of Beijing Company prepared in accordance with PRC accounting standard) is less than the 2012 Profit Guarantee, the Vendors shall pay in cash the Beijing Company the amount calculated as follows:

$$c = a - b$$

a means the 2012 Profit Guarantee

b means the 2012 Actual Profit

c means the amount payable by the Vendors to the Beijing Company which shall be capped at RMB20,000,000.

In such event, the Management Team shall be entitled to a management bonus equivalent to the difference between RMB20,000,000 and the amount of "c"; and

(iv) the actual audited net profit after taxation of the Beijing Company for the year ending 31 December 2013 (the "**2013 Actual Profit**") (to be based on the audited financial statement of Beijing Company prepared in accordance with PRC accounting standard) is less than the 2013 Profit Guarantee, the Vendors shall pay in cash the Beijing Company the amount calculated as follows:

$f = d - e$

d means the 2013 Profit Guarantee

e means the 2013 Actual Profit

f means the amount payable by the Vendors to the Beijing Company which shall be capped at RMB20,000,000.

In such event, the Management Team shall be entitled to a management bonus equivalent to the difference between RMB20,000,000 and the amount of "f".

To best knowledge, information and belief of the Directors having made all reasonable enquiries, (i) each member of the Management Team is a third party independent of the Group and its connected persons (as defined in the Listing Rules); and (ii) each member of the Management Team has no relationship with the Group and its connected persons (as defined in the Listing Rules) and each of the Vendors.

In the event the Beijing Company is loss making for the year ending 31 December 2012 or 31 December 2013, as set out above, the maximum amount payable by the Vendors to the Beijing Company shall be capped at RMB20,000,000.

As set out below, the Management Bonus is an incentive to attract the Management Team to stay with the Beijing Company after Completion. Full amount of the Management Bonus (being RMB20,000,000 for each of the two years ending 31 December 2013) will be given to the Management Team if the 2012 Profit Guarantee and the 2013 Profit Guarantee can be met. However, the Vendors and Heilongjiang Interchina agree that the Management Bonus payable should be reduced in the event the 2012 Profit Guarantee and the 2013 Profit Guarantee cannot be met in full. Therefore any shortfall between the 2012 Profit Guarantee and the 2013 Profit Guarantee on the one hand, and the 2012 Actual Profit and the 2013 Actual Profit on the other, will be deducted from the Management Bonus payable.

Reasons for and basis of determining the 2012 Profit Guarantee, 2013 Profit Guarantee and the Management Bonus

The Vendors and Heilongjiang Interchina agreed that the Management Team is valuable asset to Beijing Company and would like to encourage the Management Team to continue its contributions to Beijing Company after Completion. The Vendors are willing to share part of the Consideration as the Management Bonus for the two years ending 31 March 2013. Therefore, the 2012 Profit Guarantee and the 2013 Profit Guarantee were arrived at after arm's length negotiations between Heilongjiang Interchina, the Vendors and the Management Team with reference to the historical performance of Beijing Company for the year ended 31 December 2011 and the prospects and business development of Beijing Company. In addition, the cap of RMB20,000,000 for the Management Bonus were arrived after arm's length negotiations between the Vendors and the Management Team. Under the Sale and Purchase Agreement, the Vendors shall be solely responsible for the payment of the Management Bonus by cash. For the avoidance of doubt, the Company, Heilongjiang Interchina and the Beijing Company will not be responsible for payment of the Management Bonus.

According to the audited financial information of Beijing Company prepared in accordance with PRC accounting standard, the turnover and the net profit after taxation of Beijing Company for the year ended 31 December 2011 were approximately RMB213,399,000 and RMB55,950,000. The gross profit and net profit margin were approximately 50.89% and 26.22% respectively. The 2012 Profit Guarantee of RMB65,000,000 is determined taking into account the Beijing Company's expected turnover for the year ending 31 December 2012 based on the billed amount of projects, and assuming there being no material change in its gross profit and net profit margin. The 2013 Profit Guarantee of RMB78,000,000 is determined taking into account its expected turnover for the year ending 31 December 2013, and assuming there being no material change in its gross profit and net profit margin.

The amount of the 2012 Profit Guarantee and the 2013 Profit Guarantee is set purely for the purpose of determining the amount of Management Bonus in order to provide incentive to the Management Team and provide smooth transition in terms of ownership of the Beijing Company from the Vendors to Heilongjiang Interchina upon Completion. They were never intended to be construed as a guarantee of minimum profit for the Beijing Company or a forecast of the minimum profit for the Beijing Company. Neither party to the Sale and Purchase Agreement intended the 2012 Profit Guarantee and the 2013 Profit Guarantee act as an outright adjustment to the Consideration.

Given (i) the Management Bonus was agreed to provide an incentive to the Management Team to stay with Beijing Company after Completion in order to maximise the Beijing Company's operating profit for the two years ending 31 December 2013; (ii) the Consideration was agreed at RMB495 million without taking into account the 2012 Profit Guarantee and the 2013 Profit Guarantee; (iii) in case the 2012 Profit Guarantee and the 2013 Profit Guarantee cannot be achieved, it is the responsibility of the Vendors to pay the Management Bonus or the profit shortfall to Beijing Company, which can increase the liquidity as well as the net assets value of Beijing Company; and (iv) upon Completion, Beijing Company will become a wholly-owned subsidiary of Heilongjiang Interchina, the Board is of the view that the profit guarantee and management bonus arrangement (including the mechanism of any shortfall payment being capped at RMB20,000,000 for each of the two years ending 31 December 2013) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF BEIJING COMPANY

Beijing Company is a company established in the PRC on 26 March 2002 with a registered capital of RMB38,700,000 with a term of operation of twenty years. Beijing Company is principally engaged in the development of the treatment technology and technique and the production of equipment/construction of facility for sewage water treatment purpose. In particular, it has focused in the environmental protection sector, specialising in treatment of landfill leachate, ie, liquid flowing out of the decomposing solid waste of a landfill. Beijing Company is headquartered in Beijing Economic-Technological Development Area (北京經濟技術開發區). It has established a production facility there for disc-tube reverse osmosis equipment, which is used for treating landfill leachate. Also, it maintains branch offices and after-sales service units in various municipalities and provinces, including Shanghai, Hunan, Guangdong, Jiangsu, Anhui, Shandong and Liaoning. As at the Latest Practicable Date, Heilongjiang Interchina was interested in 10% equity interest of Beijing Company.

Following several years of research and development and field-testing, the Beijing Company has acquired all the original intellectual properties regarding technologies for disc-tube reverse osmosis and membrane bioreactor. Moreover, it has built the world's largest production base for disc-tube module system. Currently, the disc-tube reverse osmosis technique owned by the Beijing Company is a mature and domestically-developed technology that can ensure the effusion level of leachate meets the State's emission standard. The technology has been recognised by the State Environmental Protection Administration as an environmental protection utility-technology. The Beijing Company commands a number of technologies in leachate treatment, including anaerobic digestion, aerobic digestion, membrane bioreactor (MBR), microfiltration (MF), ultra-filtration (UF), disc-tube nano-filtration (DTNF), disc-tube reverse osmosis (DTRO). Therefore, it may provide comprehensive solutions for leachate treatment consisting appropriate combination of technologies selected based on the relevant requirements of different regions, characteristics in water quality and levels of effusion.

Beijing Company retains a group of seasoned professionals with extensive experience in the research and development, engineering and technical operation in leachate treatment. They provide a wide range of technical services, from design of process, manufacture of equipment, construction and installation, testing and trial run and after-sales services, with a view to satisfying various requirements of clients.

On 25 June 2012, the board of directors of Heilongjiang Interchina also approved the granting of a guarantee to Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司) in favour of Beijing Company for the term of one year for an amount up to RMB30,000,000. Beijing Company has currently obtained a number of construction projects which will need additional working capital, the board of directors of Heilongjiang Interchina considered that the provision of the guarantee is necessary to enable Beijing Company to obtain the loan facility in order to provide general working capital to the Beijing Company to continue carrying out its existing business.

Having considered the above and after taking into account the Beijing Company will become a subsidiary of the Company, the Directors consider that the provision of the guarantee is fair and reasonable, and in the interests of the Group.

Set out below is a summary of the financial information of Beijing Company for the six months ended 30 June 2012 and each of the three years ended 31 December 2011, which was prepared in accordance with PRC accounting standards:

	For the six months ended 30 June 2012	**For the year ended 31 December 2011**	**For the year ended 31 December 2010**	**For the year ended 31 December 2009**
	RMB	*RMB*	*RMB*	*RMB*
	(Unaudited)	(Audited)	(Audited)	(Audited)
Net assets	105,754,000	80,980,200	13,530,100	17,828,900
Profit before taxation	29,145,600	66,652,300	13,045,800	711,300
Profit after taxation	24,773,800	55,950,100	11,264,300	336,100

Set out below is a summary of the financial information of Beijing Company as extracted the accountants' report set out in the Appendix II for the six months ended 30 June 2012 and each of the three years ended 31 December 2011, which was prepared in accordance with HKFRSs:

	For the six months ended 30 June 2012	**For the year ended 31 December 2011**	**For the year ended 31 December 2010**	**For the year ended 31 December 2009**
	RMB	*RMB*	*RMB*	*RMB*
	(Audited)	(Audited)	(Audited)	(Audited)
Net assets	102,730,000	80,980,000	13,530,000	14,225,000
Profit/(loss) before taxation	26,236,000	66,652,000	(7,414,000)	4,087,000
Profit/(loss)after taxation	21,750,000	55,950,000	(9,195,000)	3,712,000

The financial information of the Beijing Company as set out in Appendix II to this circular was prepared in accordance with the Hong Kong Financial Reporting Standards as issued by the Hong Kong Institute of Certified Public of Accountants. As compared to the financial information of the years ended 31 December 2009 and 31 December 2010 with the first table set out above (which were prepared based on the PRC accounting standards), the significant difference is mainly due to the understatement/overstatement of turnover and cost, as well as the overstatement of amortisation of intangible assets in prior year. All of such differences arose from the different accounting standards used in the preparation of the respective financial information.

As at the Latest Practicable Date, the Non-Public Share Issue or the Disposal Mandate had yet completed, and Beijing Company will become a wholly-owned subsidiary of the Company and its results will be consolidated in the financial statements of the Company upon Completion, assuming the Non-Public Share Issue or the Disposal Mandate still remained uncompleted at Completion. In the event that either the Non-Public Share Issue or the Disposal Mandate is completed prior to Completion, Beijing Company will become an associate of the Company and its results will be shared based on the shareholding percentage of Heilongjiang Interchina held by the Company by using equity method.

INFORMATION 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.

As set out in the announcement of the Company dated 4 September 2012 and the circular of the Company dated 28 September 2012, 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. Shareholders' approval for the Non-public Share Issue was obtained on 19 October 2012.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the investment in environmental and water treatment operation, property investment operation, natural resources operation and securities and financial operation as well as strategic investment in Hong Kong and the PRC.

With the growing amount of urban garbage, together with the enhanced emphasis on environmental protection from the country, stepped-up efforts have been made on the investment in innocuous domestic garbage disposal treatment facilities. It can be predicted that the garbage landfill leachate treatment industry will maintain a healthy, speedy development in the "12th Five-Year" period and will be blessed with promising prospect and enormous market potential. Newly-built garbage disposal treatment facilities have further brought robust demand for the garbage landfill leachate treatment industry. Driven by the rapid economic development of the PRC, the accelerated rate of urbanisation and the rapid growth of the urban population, the pressure on urban garbage disposal is rising. Thus, there is a need for new addition of domestic garbage disposal treatment facilities. According to the construction planning of innocuous garbage disposal treatment facilities in cities and towns across the country" under the "12th Five-Year" Plan, for leachate disposal treatment facilities that are below standard, such leachate disposal treatment facilities will be required to be rebuilt or renovated in a timely manner. Strict control has been imposed over pollutant emissions from landfill. During the "12th Five-Year" period, the renovation of the substandard garbage disposal facilities is expected to involve 503 projects, with an anticipated amount of investment in renovation of

RMB21.1 billion. With the increased operation of innocuous domestic garbage disposal treatment facilities, the demand for the operation of the landfill leachate treatment facilities will record a steady growth.

The Directors consider that following the Acquisition, Heilongjiang Interchina will step into the horizon of landfill leachate disposal treatment services. When compared with Heilongjiang Interchina's traditional business operations relating to water supply and sewage treatment, the landfill leachate treatment services are featured by higher sophistication of technology, greater degree of professionalism and larger added value of business. The Acquisition will significantly raise the ratio of high value-added business of Heilongjiang Interchina to all business segments. The Acquisition can enable Heilongjiang Interchina to reinforce its competitiveness and optimise its business structure, while fulfilling its strategic moves.

In addition, there are stronger synergies between Heilongjiang Interchina and Beijing Company. Firstly, the customers of both Heilongjiang Interchina and Beijing Company are local governments. Either of the parties can promote business expansion and provide convenience for the other party by leveraging on the good relations with local governments in places where the projects are situated, thereby fostering business synergies. Secondly, Beijing Zhongke Guoyi Environmental Protection Engineering Company Limited ("**Beijing Zhongke**"), a 90%-owned subsidiary of Heilongjiang Interchina is technologically leading in engineering construction and biochemical processing of industrial sewage treatment, whereas Beijing Company has carved out a technological niche in materialised membrane. Beijing Company can strengthen its edges by capitalising on the materialisation technology of Beijing Zhongke. Beijing Company can consolidate its strengths by pivoting on the technological niche of Beijing Zhongke in engineering construction and biochemical processing. Also, Beijing Company can broaden the range of industrial applications of disc tubular membrane by taking advantage of the experience of Beijing Zhongke in the field of industrial sewage, thus creating technical synergies. Finally, Heilongjiang Interchina is relatively well experienced in BOT operation and has established its advantages in financing as a listed company. With the Acquisition, Heilongjiang Interchina will vigorously help Beijing Company extend its reach into BT and BOT projects in the landfill leachate area on the basis of an abundant pool of funds, in order to realise synergies in management and fund aspects.

Based on the above-mentioned, the Directors consider that the Acquisition (i) can strength and further consolidate the Group's leading position in the environmental water treatment sector and create a broader platform for the expansion of the Group's environmental water treatment operation; and (ii) can improve the Group's profitability and income stream. Upon Completion, Beijing Company will become a wholly-owned subsidiary of Heilongjiang Interchina. Besides, although upon completion of the Non-public Share Issue (which constitutes a deemed disposal to the Company) and the Disposal Mandate, the Group's interest in Heilongjiang Interchina will decrease from approximately 53.77% to approximately 20.39%, Heilongjiang Interchina will be treated as an associate investment of the Group instead of a subsidiary of the Group, it is expected that the investment in Heilongjiang Interchina after Completion will still have positive contribution to the results of the Group through equity sharing.

Accordingly, the Directors consider that the Acquisition is in the best interests of the Company and the Shareholders as a whole, and that their terms are fair and reasonable, having reached after arm's length negotiations.

FINANCIAL EFFECT

As extracted from the annual report of the Company, the audited consolidated total assets and total liabilities of the Group were HK$7,228,609,000 and HK$2,500,279,000, respectively as at 31 March 2012. Assuming the Acquisition had been completed on 30 June 2012, the total assets and total liabilities of the Group would be approximately HK$7,357,361,000 and HK$2,630,531,000, respectively.

Based on the historical track record of the Beijing Company, the Beijing Company recorded a profit of approximately RMB55,950,000 (equivalent to HK$69,074,000) for the year ended 31 December 2011 and RMB21,750,000 (equivalent to HK$26,852,000) for the six months ended 30 June 2012, and therefore the Acquisition is expected to have a positive effect on the earnings of the Group in the future.

The unaudited pro forma financial information of the Group which illustrates the financial impact of the Acquisition on the Group's assets and liabilities, is set out in Appendix III to this circular.

LISTING RULES IMPLICATION

As at the Latest Practicable Date, the Company is indirectly interested in approximately 53.77% of the issued share capital of Heilongjiang Interchina. As the relevant percentage ratios (as defined in the Listing Rules) exceed 25% but are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and subject to the Shareholders' approval at the EGM. The EGM will be convened to be held for the Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, no Shareholder had a material interest in the Sale and Purchase Agreement and therefore no Shareholder is required to abstain from voting at the EGM.

EGM

A notice convening the EGM to be held at Room 701, Aon China Building, 29 Queen's Road Central, Hong Kong at 10:00 a.m. on Wednesday, 19 December 2012 is set out on pages 111 to 112 of this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the form of proxy and return it to the office of the Company's share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting. Completion and return of the form of proxy will not prevent you from attending and voting at the EGM or any adjourned meeting should you so wish.

RECOMMENDATION

The Directors consider the terms of the Sale and Purchase Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
for and on behalf of
the board of Directors
Lam Cheung Shing, Richard
Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Company for the past 3 financial years has been published in the reports as follows:

(1) the financial information of the Company for the year ended 31 March 2012 is disclosed in pages 26 to 110 of the annual report of the Company for the year ended 31 March 2012;

(2) the financial information of the Company for the year ended 31 March 2011 is disclosed in pages 34 to 127 of the annual report of the Company for the year ended 31 March 2011; and

(3) the financial information of the Company for the year ended 31 March 2010 is disclosed in pages 29 to 119 of the annual report of the Company for the year ended 31 March 2010.

The annual reports of the Company for the years ended 31 March 2010, 31 March 2011 and 31 March 2012 have been published on the website of the Stock Exchange at www.hkex.com.hk and the websites of the Company at www.interchina.com.hk.

2. INDEBTEDNESS

As at 30 September 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had the following outstanding borrowings:

The Group

	HK$'000
Unguaranteed and secured bank borrowings *(Note 1)*	462,120
Unguaranteed and unsecured bank borrowings	61,728
Unguaranteed and secured other borrowings *(Note 2)*	1,169,630
Guaranteed and unsecured bank borrowings *(Note 3)*	208,272
	1,901,750

Beijing Company

	HK$'000
Guaranteed and unsecured bank borrowings *(Note 4)*	36,696
	36,696

Notes:

(1) The unguaranteed and secured bank borrowings of the Group are secured by the followings:

(a) certain investment properties of the Group as at 30 September 2012 of approximately HK$389,111,000;

(b) certain intangible assets of the Group as at 30 September 2012 of approximately HK$369,001,000; and

(c) certain other financial assets of the Group as at 30 September 2012 of approximately HK$207,706,000.

(2) The unguaranteed and secured other borrowings of the Group represented borrowing from certain financial institutions in the PRC which are secured by 220,940,000 shares of Heilongjiang Interchina held by the Group, bears average interest rate at approximately 10.5% per annum and is repayable within one year.

(3) The guaranteed and unsecured bank borrowings of the Group of approximately HK$187,037,000 and HK$21,235,000 are guaranteed by Heilongjiang Interchina and the Company respectively.

(4) The guaranteed and unsecured bank borrowing of Beijing Company is guaranteed by Heilongjiang Interchina.

Save as aforesaid and apart from the intra-group liabilities, none of the companies in the Group had outstanding at the close of business on 30 September 2012 any mortgages, charges or debentures, loan capital, bank overdraft, loans, debt securities or other similar indebtedness or any hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate rates of exchange prevailing at the close of business on 30 September 2012.

Except as disclosed above, the Directors are not aware of any material changes in the Group's indebtedness and contingent liabilities at the close of business on 30 September 2012.

3. FINANCIAL AND TRADING PROSPECTS

The Group's environmental water treatment operation mainly operates through its wholly-owned subsidiary, Interchina (Tianjin) and Heilongjiang Interchina. As at 31 March 2012, the Group's environmental water treatment operation comprised nine sewage treatment projects, four water supply projects and a construction company. The Beijing Company is one of the leading engineering companies in the PRC providing the total solution of industrial waste water treatment to pharmaceutical, petrochemical and highly-polluted companies. Therefore, the Acquisition (i) can strengthen and further consolidate the Group's leading position in the environmental water treatment sector and create a broader platform for the expansion of the Group's environmental water treatment operation; and (ii) can improve the Group's profitability and income stream.

As at the Latest Practicable Date, Heilongjiang Interchina is underway a non-public share issue (the "**Non-public Share Issue**") of a maximum of 160,000,000 new shares and the Company has decided not to participate in the Non-public Share Issue and would cause a dilution effect of the Group's interest in Heilongjiang Interchina from 53.77% to 39.12%. In addition, the Company is also seeking the Shareholders' approval of a disposal mandate in relation to propose disposal of 110,000,000 Heilongjiang Interchina Shares (the "**Proposed Disposal**") and would cause a further dilution effect of the Group's interest in Heilongjiang Interchina from 39.12% to 20.39%. In either case, Heilongjiang Interchina will cease to be a subsidiary of the Company but instead will become an associate of the Company but environmental water treatment operation will cease to be a core business of the Group. The Company is of the view that although the financial statement of Heilongjiang Interchina would not consolidated into the Group upon the completion of the Non-public Share Issue and/or the Proposed Disposal, the result of the Beijing Company could be shared by the Company through equity accounting and would increase the Group's profit stream in the future. Besides, The Group will continue to engage in its existing business of property investment and natural resources operations.

The Group is prudently optimistic to the prospects of the remaining businesses of the Group i.e. property investment and natural resources investment. The Group currently owns approximately total gross floor area of 19,600 sq.m. in Beijing Interchina Commercial Building, located in the CDB of Beijing (consist of approximately 7,650 sq.m. of office units, 5,800 sq.m. of retail units and 6,150 sq.m. of parking space) (the "**Beijing Property**"). All of office units and retail units have been fully outlet and provide stable rental income to the Group. The Group will hold the Beijing Property for recurrent rental income in long term. The Group also owns approximately total gross floor area of approximately 18,000 sq.m. in Yangpu District, Shanghai (the "**Shanghai Property**"). The Shanghai Property is currently vacant and is suitable for the developing consolidate entertainment centre in the district. The Group has been identifying potential tenants who is willing to pay annual rental of approximately RMB16 million to the Group. However, due the PRC economic development are currently under fine-tune adjustment, the Group has difficulty in looking for potential tenants. The Group will continue to identify potential tenants but will not eliminate the possibility of selling the Shanghai Property, if it has been vacant for long and/or there is any adverse change of the property market in the PRC, the Group may turn it into cash and seek for another high quality property for long term investment. On 28 August 2012, the Group successful entered into an non-legally binding letter of intent with an international leading private equity company in relation to the disposal of the Shanghai Property at the intended consideration of RMB280,000,000. As at the Latest Practicable Date, formal sale and purchase agreement had not been entered into and negotiation between two parties was still underway. The Company is of the view that property investment can provide a stable and reasonable income stream to the Group, therefore it is the Company's general business strategy to seek opportunities for expanding its property portfolio. On 25 April 2012, the Group entered into sale and purchase agreements to acquire 5 units of luxury residential property with a total gross floor area of approximately 1,748.77 sq.m. in Above The Bund (白金灣府邸), Shanghai, the PRC (the "**Luxury Property**"), at the aggregate cash consideration of RMB194,127,315. At the same time, the Group also entered into a tenancy agreement with the vendor for the lease of the

Luxury Property for term of 3 years at the aggregate annual rental of RMB11,647,000. It believes that the Luxury Property can contribute to the future revenue and profit growth of the Group and strengthen the Group's property portfolio with high quality assets.

Natural resources operation is a new business to the Group and recorded an operating loss of HK$18,150,000 for the year ended 31 March 2012. The Group currently through holding of 65% interest in PT. Satwa Lestari Permai ("**SLP**"), a company incorporated in the Republic of Indonesian has obtained an exploration, exploitation, refining and processing right in a manganese mining block of approximately 2,000 hectare located in Kupang, the Republic of Indonesia. Due to SLP currently need additional capital to start up formal exploitation and production program, the Group is currently under negotiation with the minority interest shareholders to acquire the remaining minority interests from the minority shareholders as would result in the Group increasing its equity interest in SLP from 65% to 100%, take up the obligation for additional capital injection and commence formal exploitation and production as soon as possible. It expects more time is required to improve/fine tune its operating performance in order to achieve satisfactory results in the long run.

The world economy continues to remain uncertain. The Group will closely monitor market fluctuations and risk management so as to minimise any adverse impact on the Group's businesses. Although the Group will shift to focus on property investment and natural resources operation as core businesses of the Group, the Group will continue to seek for acquisition of high quality assets or investments to enhance the Group's investment portfolio, in order to maximize shareholders' benefit.

4. WORKING CAPITAL

The Directors, after due and careful enquiry, are of opinion that, after taking into account the present financial resources available and the completion of the Acquisition including the proceeds from the Non-public Share Issue as announced by the Company on 25 June 2012, the Enlarged Group has sufficient working capital for its present requirement for a period of twelve months from the date of publication of this circular.

5. MATERIAL ADVERSE CHANGE

Save for the profit warning announcement of the Company dated 19 November 2012, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2012, the date to which the latest published audited consolidated accounts of the Company had been made up.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants

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

23 November 2012

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

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") of Beijing TDR Enviro-Tech Co., Ltd. ("**Beijing Company**) which comprises the statements of financial position as at 31 December 2009, 2010 and 2011 and 30 June 2012 and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of the financial years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 (the "**Relevant Periods**") and the comparable financial information (the "**Comparable Financial Information**") for the six months ended 30 June 2011 and a summary of significant accounting policies and other explanatory notes. For inclusion in the circular of Interchina Holdings Company Limited (the "**Company**") dated 23 November 2012 (the "**Circular**") in connection with the proposed acquisition of 90% of the entire issued share capital of the Beijing Company at a total consideration of RMB495,000,000 (equivalent to approximately HK$611,111,000) (the "**Acquisition**"). The consideration shall be satisfied by (i) as to RMB10,000,000 as a deposit payable within 10 working days upon signing of the sale and purchase agreement; (ii) as to the remaining balance of RMB485,000,000 payable upon completion.

Beijing Company was incorporated in the People's Republic of China (the "**PRC**") with limited liability on 26 March 2002. Beijing Company is principally engaged in the development of the treatment technology and technique, the production of equipment and construction of facility for sewage water treatment purpose.

The statutory financial statements of Beijing Company for the financial years ended 31 December 2009 and 2010 were prepared in accordance with the Accounting Standards for Business Enterprises issued by Ministry of Finance, and were audited by Beijing Xintuozixin Certified Public Accountants Co., Ltd (北京信拓孜信會計師事務所有限公司). The statutory financial statements of Beijing Company for the financial year ended 31 December 2011 was prepared in accordance with the Accounting Standards for Business Enterprises issued by Ministry of Finance, and were audited by Zonzun Accounting Office Ltd (中准會計師事務所有限公司).

RESPECTIVE RESPONSIBILITIES OF DIRECTOR AND REPORTING ACCOUNTANTS

The Financial Information has been prepared by the director of Beijing Company based on the financial statements for the Relevant Periods, on the basis as set out in Note 2 below. The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong, and applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

BASIS OF OPINION

We have undertaken an independent audit on the Underlying Financial Statements of Beijing Company for the Relevant Periods in accordance with Hong Kong Standards on auditing issued by the HKICPA. We have examined the Financial Information of Beijing Company in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of Beijing Company for the Relevant Periods set out in this report has been prepared from the Financial Information of Beijing Company. No adjustments to the Financial Information of Beijing Company are considered necessary in the preparation of this report for inclusion in the Circular.

The Financial Information of Beijing Company is the responsibility of the director of Beijing Company who approved their issue. The director of the Company is responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information of Beijing Company set out in this report, to form an independent opinion on the Financial Information of Beijing Company and to report our opinion to you.

OPINION

In our opinion, the Financial Information of Beijing Company gives, for the purpose of this report, a true and fair view of the state of affairs of Beijing Company as at 31 December 2009, 2010, 2011 and 30 June 2012, and of the results and cash flows of Beijing Company for the Relevant Periods.

COMPARATIVE FINANCIAL INFORMATION

Respective responsibilities of director and reporting accounts

The director of Beijing Company are responsible for the preparation of the unaudited financial information of Beijing Company including the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 1 January 2011 to 30 June 2011, together with the notes thereto (the "**Unaudited Comparative Financial Information of Beijing Company**").

For the purpose of this report, we have reviewed the Unaudited Comparative Financial Information of Beijing Company, for which the director of Beijing Company is responsible, in accordance with Hong Kong Standard on Review Engagement 2400 "Engagements to Review Financial Statements" issued by the HKICPA. A review consists principally of making enquiries of Beijing Company's management and applying analytical procedures to the Unaudited Comparative Financial Information of Beijing Company and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the Unaudited Comparative Financial Information of Beijing Company.

Conclusion

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Unaudited Comparative Financial Information of Beijing Company is not prepared, in all material respects, in accordance with HKFRSs.

A. FINANCIAL INFORMATION OF BEIJING COMPANY

Statements of Comprehensive Income

		Year ended 31 December			Six months ended 30 June	
		2009	2010	2011	2011	2012
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Turnover	*8*	71,682	105,942	213,399	119,227	95,834
Cost of sales		(44,185)	(72,977)	(104,799)	(69,133)	(40,036)
Other income and gain, net	*9*	365	1,673	2,428	25	1,069
Staff costs	*10*	(7,914)	(7,101)	(9,583)	(5,815)	(6,449)
Amortisation and depreciation		(918)	(684)	(858)	(398)	(499)
Administrative expenses		(12,383)	(19,439)	(17,669)	(4,054)	(12,290)
Other operating expenses		(2,383)	(14,005)	(15,594)	(6,890)	(11,330)
Profit/(loss) from operations	*11*	4,264	(6,591)	67,324	32,962	26,299
Finance costs	*12*	(177)	(823)	(672)	(209)	(63)
Profit/(loss) before taxation		4,087	(7,414)	66,652	32,753	26,236
Taxation	*13*	(375)	(1,781)	(10,702)	(1,872)	(4,486)
Profit/(loss) for the year/period		3,712	(9,195)	55,950	30,881	21,750
Profit/(loss) for the year/period attributable to owners of Beijing Company		3,712	(9,195)	55,950	30,881	21,750
Total comprehensive income/(loss) for the year/period		3,712	(9,195)	55,950	30,881	21,750
Total comprehensive income/(loss) for the year/period attributable to owners of Beijing Company		3,712	(9,195)	55,950	30,881	21,750

The accompanying notes form an integral part of the Financial Information.

Statements of financial position

		At 31 December			At 30 June
		2009	**2010**	**2011**	**2012**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*15*	2,417	2,277	3,572	3,135
Other receivables	*16*	8	—	1,376	829
Deferred tax assets	*17*	—	449	247	1,388
		2,425	2,726	5,195	5,352
Current assets					
Inventories	*18*	802	7,549	6,367	7,021
Trade and other receivables, deposits and prepayments	*16*	46,340	124,480	135,755	163,633
Amount due from a director/ shareholder	*19*	153	667	2,140	2,143
Cash and cash equivalents	*20*	5,047	12,536	25,361	29,462
		52,342	145,232	169,623	202,259
Total assets		54,767	147,958	174,818	207,611
EQUITY					
Capital and reserves attributable to owners of Beijing Company					
Share capital	*21*	18,700	27,200	38,700	38,700
Share premium and reserves		(4,475)	(13,670)	42,280	64,030
Total equity		14,225	13,530	80,980	102,730

		At 31 December			At 30 June
		2009	2010	2011	2012
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Current liabilities					
Trade and other payables	*22*	25,895	57,595	31,674	42,658
Received in advance	*23*	14,433	66,006	54,056	37,451
Tax payable		214	1,327	6,108	4,772
Bank borrowings					
— due within one year	*24*	—	9,500	2,000	20,000
		40,542	134,428	93,838	104,881
Total liabilities		40,542	134,428	93,838	104,881
Total equity and liabilities		54,767	147,958	174,818	207,611
Net current assets		11,800	10,804	75,785	97,378
Total assets less current liabilities		14,225	13,530	80,980	102,730

The accompanying notes form an integral part of the Financial Information.

Statements of changes in equity

	Share capital	Revaluation reserve	Statutory surplus reserve	(Accumulated losses)/ retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	18,700	40	—	(8,227)	10,513
Net profit for the year	—	—	—	3,712	3,712
Total comprehensive income for the year	—	—	—	3,712	3,712
At 31 December 2009 and 1 January 2010	18,700	40	—	(4,515)	14,225
Net loss for the year	—	—	—	(9,195)	(9,195)
Total comprehensive loss for the year	—	—	—	(9,195)	(9,195)
Issue of share capital	8,500	—	—	—	8,500
At 31 December 2010 and 1 January 2011	27,200	40	—	(13,710)	13,530
Net profit for the year	—	—	—	55,950	55,950
Total comprehensive income for the year	—	—	—	55,950	55,950
Transfer to statutory surplus reserve	—	—	4,224	(4,224)	—
Issue of share capital	11,500	—	—	—	11,500
At 31 December 2011 and 1 January 2012	38,700	40	4,224	38,016	80,980
Net profit for the period	—	—	—	21,750	21,750
Total comprehensive income for the period	—	—	—	21,750	21,750
Transfer to statutory surplus reserve	—	—	2,144	(2,144)	—
At 30 June 2012	38,700	40	6,368	57,622	102,730
At 1 January 2011	27,200	40	—	(13,710)	13,530
Net profit for the period	—	—	—	30,881	30,881
Total comprehensive income for the period	—	—	—	30,881	30,881
Transfer to statutory surplus reserve	—	—	3,252	(3,252)	—
Issue of share capital	11,500	—	—	—	11,500
At 30 June 2011 (unaudited)	38,700	40	3,252	13,919	55,911

Statements of cash flows

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Operating activities					
Profit/(loss) before taxation	4,087	(7,414)	66,652	32,753	26,236
Adjustments for:					
Interest income	(27)	(47)	(60)	(18)	(48)
Interest paid	177	823	672	209	63
Impairment loss recognised in respect of trade and other receivables and prepayments	—	2,992	193	—	7,604
Reversal of impairment loss recognised in respect of trade and other receivables and prepayments	—	—	(1,536)	—	—
Depreciation of property, plant and equipment	918	684	858	398	499
Loss on disposal of property, plant and equipment	29	—	30	—	—
Operating cash flows before movements in working capital	5,184	(2,962)	66,809	33,342	34,354
Decrease/(increase) in inventories	481	(6,747)	1,182	3,074	(654)
Increase in trade and other receivables, deposits and prepayments	(3,324)	(81,124)	(11,308)	(47,879)	(34,935)
Increase in amount due from a director/shareholder	(89)	(514)	(1,473)	(1,904)	(3)
Increase/(decrease) in trade and other payables	13,116	31,700	(25,921)	10,758	10,984
(Decrease)/increase in received in advance	(19,017)	51,573	(11,950)	(19,115)	(16,605)
Cash (used in)/generated from operations	(3,649)	(8,074)	17,339	(21,724)	(6,859)
Tax refund/(paid)	524	(1,117)	(5,719)	(1,455)	(6,963)
Interest received	27	47	60	18	48
Net cash (used in)/generated from operating activities	(3,098)	(9,144)	11,680	(23,161)	(13,774)

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Investing activity					
Purchase of property, plant and equipment	(1,901)	(544)	(2,183)	(1,316)	(62)
Net cash used in investing activity	(1,901)	(544)	(2,183)	(1,316)	(62)
Financing activities					
Interest paid	(177)	(823)	(672)	(209)	(63)
New bank borrowings raised	2,230	20,350	19,705	19,741	20,000
Repayment of bank borrowings	(7,998)	(10,850)	(27,205)	(9,241)	(2,000)
Proceeds from issue of equity shares	—	8,500	11,500	11,500	—
Net cash (used in)/generated from financing activities	(5,945)	17,177	3,328	21,791	17,937
Net (decrease)/increase in cash and cash equivalents	(10,944)	7,489	12,825	(2,686)	4,101
Cash and cash equivalents at the beginning of the year/period	15,991	5,047	12,536	12,536	25,361
Cash and cash equivalents at the end of the year/period	5,047	12,536	25,361	9,850	29,462
Analysis of the balances of cash and cash equivalents					
Included in cash and cash equivalents per the combined statement of financial position	5,047	12,536	25,361	9,850	29,462

B. NOTES TO FINANCIAL INFORMATION

1. General information

Beijing Company is a limited liability company incorporated in the PRC. The address of its registered office and principal place of business is 4/F, Guoxing Homeland, 22 South Road, Haidian District, Beijing and No.5 Xinsheng Industrial Park, 7 Tongji Middle Road, Beijing Economic Technological Development Area, Beijing respectively.

Beijing Company's principal activity is the development of the treatment technology and technique and the production of equipment/construction of facility for sewage water treatment purpose.

The Financial Information is presented in thousands of units of Chinese Yuan Renminbi ("**RMB'000**"), which is the same as the functional currency of Beijing Company.

2. Basis of preparation

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**"), and Interpretations ("**Ints**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong. In addition, the Financial Information included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Hong Kong Companies Ordinance.

The Financial Information has been prepared under historical cost convention, except for certain financial instruments, which have been measured at fair value, as detailed in the accounting policies set out in note 5.

The preparation of Financial Information in conformity with HKFRSs requires the management to exercise its judgement in the process of applying Beijing Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are set out in note 6.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, Beijing Company has applied the HKFRSs, amendments and interpretations issued by the HKICPA that are effective for Beijing Company's annual period beginning 1 January 2012 consistently for the Relevant Periods.

4. New and revised standards, amendments and interpretations in issue but not yet effective

Beijing Company has not early adopted the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investment in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 1 (Amendments)	Government Loans[2]
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 7 and HKFRS 9 (Amendments)	Disclosures — Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

Beijing Company is in the process of making an assessment of the impact of these new and revised HKFRSs. Beijing Company will apply these new and revised HKFRSs when respective annual periods are effective.

5. Summary of significant accounting policies

A summary of significant accounting policies followed by Beijing Company in the preparation of the Financial Information is set out below:

(a) Revenue recognition

(i) Revenue from construction service

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(ii) Sales of goods

Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, which generally considers with the time when the goods are delivered and title has passed.

(iii) Service income

Service fee income is recognised when the services are rendered.

(iv) Finance income

Finance income is recognised as it accrues using effective interest method.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following principal annual rates:

Plant and machinery	10–20%
Furniture and fixtures	20–33%
Equipment, motor vehicle and others	25–33%

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

(c) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates the reversal effect of that specific event. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(d) Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when a entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

(i) Financial assets

Beijing Company's financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchase or sale is purchases or sales of financial assets that requires delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loan and receivables

Loans and receivables (including trade and other receivables, deposits, amount due from a director/shareholder and cash and cash equivalents) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each financial reporting date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

(ii) Financial liabilities and equity

Financial liabilities and equity instruments issued by Beijing Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the asset of the entity after deducting all of its liabilities. Beijing Company's financial liabilities are generally classified as other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing cost ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Other financial liabilities

Other financial liabilities including trade and other payables, received in advance and bank borrowings are subsequently measured at amortised cost, using the effective interest rate method.

(iii) Equity instruments

Equity instruments issued by Beijing Company are recorded at the proceeds received, net of direct issue costs.

(e) Impairment of financial assets

Beijing Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

(i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

Beijing Company first assesses whether objective evidence of impairment exists individually for financial assets that are individual significant, and individually or collectively for financial assets that are not individual significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial assets, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that company is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after impairment was recognised, the previous recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

If there is objective that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

(f) Derecognition of financial instruments

(i) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

— the rights to receive cash flows from the asset have expired; or

— Beijing Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) Beijing Company has transferred substantially all the risks and rewards of the asset, or (b) Beijing Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Beijing Company has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of Beijing Company's continuing involvement in the asset.

In that case, Beijing Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Beijing Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Beijing Company could be required to repay.

(ii) Derecognition of financial liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid or payables is recognised in the income statement.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

(g) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, except where Beijing Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(h) ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(i) ***Trade and other receivables***

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Beijing Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(j) ***Construction of contracts***

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments in respect of the construction services for comprehensive renovation projects. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from the construction services for comprehensive renovation projects is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

(k) ***Cash and cash equivalents***

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(l) ***Provision***

A provision is recognised when Beijing Company has a present legal or constructive obligation, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value money is material, the amount of a provision is the present value at the end of reporting period of the expenditures expected to be required to settle the obligation.

(m) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if Beijing Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to Beijing Company

Assets that are held by Beijing Company under leases which transfer to Beijing Company substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to Beijing Company are classified as operating leases, except that land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by Beijing Company, or taken over from the previous lessee.

(ii) Operating lease charges

Where Beijing Company has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(n) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Termination benefits are recognised when, and only when, Beijing Company demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(o) Retirement benefits scheme

Payments to defined contribution retirement benefit plans represents the state-managed retirement benefit scheme in the PRC, are recognised as an expense when employees have rendered services entitling them to the contributions.

The full-time employees of Beijing Company in the PRC are covered by state-managed retirement benefit scheme under which the employees are entitled to a monthly pension based on certain formulas. (The relevant government agencies are responsible for the pension liability to these retired employees.) Beijing Company contributes on a monthly basis to these pension plans. Under these plans, Beijing Company has no obligation for post-retirement benefits beyond the contributions made.

(p) Related parties

A party is considered to be related to Beijing Company if:

(a) the party is a person or a close member of that person's family and that person (i) has control or joint control over the Beijing Company; (ii) has significant influence over Beijing Company; or (iii) is a member of the key management personnel of Beijing Company or of a holding company of Beijing Company; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and Beijing Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and Beijing Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either Beijing Company or an entity related to Beijing Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

6. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Beijing Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

(a) Useful lives and impairment of property, plant and equipment

In accordance with HKAS 16, Beijing Company's management estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. Beijing Company also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

In considering the impairment losses that may be required for Beijing Company's property, plant and equipment, Beijing Company has to exercise judgements in determining whether an asset is impaired or the event previously causing the asset impaired no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of the asset can be supported by the net present value of the future cash flows which are estimated based upon the continuing use of the asset or disposal; (3) the appropriate key assumptions to be applied in preparing cash flow projections are discounted using an appropriate rate. Changing the assumptions applied by management to determine the level of impairment, including the discount rates and the growth rate assumptions in the cash flow projections, could material affect the net present value result in the impairment test.

(b) Trade and other receivables

The aged debt profile of receivables are reviewed on a regular basis to ensure that the receivables are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, Beijing Company may experience delays in collection. Where recoverability of receivables are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the receivables and past collection history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of receivables for which provisions are not made could affect the results of operations.

(c) Fair value of other financial assets and liabilities

The fair value of loan and receivables, financial assets and financial liabilities are accounted for or disclosed in the financial statements, the calculation of fair values requires Beijing Company to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the financial statements.

(d) Construction contracts

Beijing Company recognises revenue for construction work and service contracts according to the percentage of completion of the individual contract of construction or service work. Beijing Company's management estimates the percentage of completion of construction and service work based on the actual cost incurred over the total budgeted cost, where corresponding contract revenue is also estimated by management. Because of the nature of the activity undertaken in construction and service contracts, the date at which the activity is entered into and the date when the activity is completed usually fall into different accounting periods. Beijing Company reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each construction contract and service contract as the contract progresses.

(e) Income tax

Deferred tax liabilities are provided for using the liability method, on all taxable temporary differences at the end of Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each Relevant Periods and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilisation of the deductible temporary differences, the asset balance will be reduced and charged to profit or loss.

7. Operating segments

As per HKFRS 8 "Operating Segments", no business analysis and segment reporting information such as segment revenue, results, assets, liabilities and other information are shown substantially as Beijing Company only engages in the environmental protection treatment operation in PRC.

Information about major customers

During the Relevant Periods, Beijing Company had transactions with several external customers which contributed over 10% of Beijing Company's total revenue for the Relevant Periods. A summary of revenue from each of these major external customers is set out below:

	Year ended 31 December			Six months ended 30 June	
	2009	**2010**	**2011**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Customer 1	8,154	N/A*	N/A*	N/A*	N/A*
Customer 2	10,680	N/A*	N/A*	N/A*	N/A*
Customer 3	N/A*	18,888	N/A*	N/A*	N/A*
Customer 4	N/A*	20,802	N/A*	18,497	N/A*
Customer 5	N/A*	N/A*	N/A*	13,506	N/A*
Customer 6	N/A*	N/A*	22,433	N/A*	N/A*
Customer 7	N/A*	N/A*	N/A*	N/A*	15,976
	18,834	39,690	22,433	32,003	15,976

* The corresponding revenue of these customers are not disclosed as they individually did not contribute over 10% of Beijing Company's total gross revenue for the Relevant Periods.

8. Turnover

	Year ended 31 December			Six months ended 30 June	
	2009	**2010**	**2011**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of equipment and others	45,125	68,466	119,864	71,034	60,421
Construction service income	19,007	26,509	81,635	43,716	25,599
Technical and consultancy services	7,550	10,967	11,900	4,477	9,814
	71,682	105,942	213,399	119,227	95,834

9. Other income and gain, net

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Bank interest income	27	47	60	18	48
Government subsidies *(note 27)*	338	1,626	825	—	1,012
Reversal of impairment loss of trade and other receivables, deposits and prepayments	—	—	1,536	—	—
Sundry income	—	—	7	7	9
	365	1,673	2,428	25	1,069

10. Staff costs

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, wages and other staff benefits (including director's emolument)	7,245	6,786	14,741	8,317	8,326
Retirement benefit scheme contributions	669	1,070	1,645	922	1,397
	7,914	7,856	16,386	9,239	9,723
Portion classified as cost of sales	—	(755)	(6,803)	(3,424)	(3,274)
	7,914	7,101	9,583	5,815	6,449

(a) Director's emolument

The emolument paid or payables to the sole director, Han Demin, were as follows:

	Fees	Salaries and bonus	Contributions to retirement benefit scheme	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended:					
31 December 2009	—	73	3	—	76
31 December 2010	—	83	8	—	91
31 December 2011	—	67	7	—	74
For the six months ended:					
30 June 2011	—	19	3	—	22
30 June 2012	—	73	5	—	78

(b) Employees' emoluments

During the Relevant Periods, the sole director was involved in the five highest paid individuals of Beijing Company, except for the year ended 31 December 2011 and the six months ended 30 June 2011. The aggregate amounts of emoluments of the five highest paid individuals for the Relevant Periods are set out below:

	Year ended 31 December			Six months ended 30 June	
	2009	**2010**	**2011**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, wages and other staff benefits	662	633	608	331	396
Retirement benefit scheme contributions	20	27	97	48	47
	682	660	705	379	443

Their emoluments were all within RMBnil to RMB1,000,000.

11. Profit/(loss) from operations

Profit/(loss) from operations has been arrived at after charging/(crediting):

	Year ended 31 December			Six months ended 30 June	
	2009	**2010**	**2011**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Auditors' remuneration	25	25	32	16	16
Depreciation of property, plant and equipment	918	684	858	398	499
Loss on written off of property, plant and equipment	29	—	30	—	—
Impairment loss recognised in respect of trade and other receivables, deposits and prepayments	—	2,992	193	—	7,604
Reversal of impairment loss recognised in respect of trade and other receivables, deposits and prepayments	—	—	(1,536)	—	—

12. Finance costs

	Year ended 31 December			Six months ended 30 June	
	2009	**2010**	**2011**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest on bank borrowings wholly repayable — within five years	177	823	672	209	63

13. Taxation

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax					
The PRC Enterprise Income Tax	347	1,992	10,482	228	1,830
Under provision in prior year					
The PRC Enterprise Income Tax	28	238	18	1,644	3,797
Deferred tax *(note 17)*	—	(449)	202	—	(1,141)
	375	1,781	10,702	1,872	4,486

Beijing Company established in the PRC are either subject to the PRC Enterprise Income Tax, which has been provided based on either the statutory enterprise income tax rate or preferential enterprise income tax rate of the assessable income of each company during the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2011 and 2012, as determined in accordance with the relevant PRC income tax rules and regulations.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "**New Tax Law**") which took effect on 1 January 2008. According to the New Tax Law, the application tax rate of Beijing Company is unified at 25% with effect from 1 January 2008.

Beijing Company enjoys lower tax rates at 15% enacted by local authorities by the reason of the operations of environmental water treatment operation.

The taxation for the Relevant Periods can be reconciled to the profit/(loss) before taxation per the statement of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit/(loss) before taxation	4,087	(7,414)	66,652	32,753	26,236
Tax at PRC Enterprise Income tax rate of 25%	1,022	(1,853)	16,663	8,188	6,559
Effect of different tax rates of entity operating in jurisdictions	(409)	741	(6,665)	(3,275)	(2,624)
Tax effect of expenses not deductible for tax purpose	255	277	676	—	—
Tax effect of tax losses not recognised	—	2,827	—	—	—
Utilisation of tax losses previously not recognized	(521)	—	(192)	(4,685)	(2,105)
Under provision in prior year	28	238	18	1,644	3,797
Tax effect of unrecognised temporary difference	—	(449)	202	—	(1,141)
Income tax charge	375	1,781	10,702	1,872	4,486

14. Dividend

The sole director of Beijing Company does not recommend a payment of dividend for the Relevant Periods.

15. Property, plant and equipment

	Plant and machinery	Furniture and fixtures	Equipment, motor vehicle and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
At 1 January 2009	167	1,113	1,209	2,489
Additions	1,184	247	470	1,901
Written off	—	(575)	—	(575)
At 31 December 2009 and 1 January 2010	1,351	785	1,679	3,815
Additions	—	399	145	544
At 31 December 2010 and 1 January 2011	1,351	1,184	1,824	4,359
Additions	594	591	998	2,183
Written off	—	(438)	—	(438)
At 31 December 2011 and 1 January 2012	1,945	1,337	2,822	6,104
Additions	—	62	—	62
At 30 June 2012	1,945	1,399	2,822	6,166
Accumulated depreciation				
At 1 January 2009	58	606	362	1,026
Charge for the year	98	315	505	918
Elimination upon written off	—	(546)	—	(546)
At 31 December 2009 and 1 January 2010	156	375	867	1,398
Charge for the year	146	229	309	684
At 31 December 2010 and 1 January 2011	302	604	1,176	2,082
Charge for the year	139	339	380	858
Elimination upon written off	—	(408)	—	(408)
At 31 December 2011 and 1 January 2012	441	535	1,556	2,532
Charge for the period	88	191	220	499
At 30 June 2012	529	726	1,776	3,031
Carrying amount				
At 31 December 2009	1,195	410	812	2,417
At 31 December 2010	1,049	580	648	2,277
At 31 December 2011	1,504	802	1,266	3,572
At 30 June 2012	1,416	673	1,046	3,135

16. Trade and other receivables, deposits and prepayments

	At 31 December			At 30 June
	2009	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
Neither past due nor impaired	4,246	15,568	19,941	25,129
0–30 days	—	1,938	12,012	—
31–90 days	—	8,782	2,985	—
91–180 days	—	3,611	24,759	—
181 days to 1 year past due	—	2,814	2,390	17,702
Over 1 year past due	—	—	7,842	23,374
	4,246	32,713	69,929	66,205
Prepayments	17,457	52,451	51,500	80,956
Deposits	4,518	5,799	7,631	9,751
Other receivables	20,127	36,509	9,720	16,803
Less: Impairment loss recognised	—	(2,992)	(1,649)	(9,253)
	46,348	124,480	137,131	164,462
Portion classified as current assets	(46,340)	(124,480)	(135,755)	(163,633)
	8	—	1,376	829

Movement on impairment of trade and other receivables were as follow:

	At 31 December			At 30 June
	2009	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	—	—	2,992	1,649
Impairment loss reversed	—	—	(1,536)	—
Impairment loss recognised	—	2,992	193	7,604
At the end of the year/period	—	2,992	1,649	9,253

The aged analysis of the trade receivables that are not considered to be impaired was as follow:

	At 31 December			At 30 June
	2009	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	4,246	15,568	19,941	25,129
0–30 days	—	1,938	12,012	—
31–90 days	—	8,782	2,985	—
91–180 days	—	3,611	24,759	—
181 days to 1 year past due	—	2,657	2,390	17,702
Over 1 year past due	—	—	7,492	15,420
	4,246	32,556	69,579	58,251

For the Relevant Periods, trade receivables that were past due but not impaired relate to a number of independent customers that either have a good track record with Beijing Company or are in negotiation with Beijing Company over the amounts or terms of repayment. Based on past experience, the director of Beijing Company is of the opinion that no provision for impairment is necessary in respect of these balances as there had not been a significant change in credit quality and the amounts were still considered recoverable. Beijing Company does not hold any collateral over these balances.

Trade and other receivables that were within credit terms relate to a wide range of customers, staff and other companies for whom there is no recent history of default. The maximum exposure to credit risk at the reporting date is the fair value. Beijing Company does not had any collateral over these balances.

Included in the trade receivables as at 31 December 2009, 2010, 2011 and 30 June 2012, the retention receivables from customers in respect of construction contracts in progress amounted in approximately RMB3,482,000, RMB4,525,000, RMB6,331,000 and RMB8,283,000 respectively in which approximately RMB8,000, RMBNil, RMB1,376,000 and RMB829,000 respectively are classified under non-current assets portion and approximately RMB3,474,000, RMB4,525,000, RMB4,955,000 and RMB7,454,000 respectively are classified under current assets portion.

The director of Beijing Company considers the carrying amounts of trade and other receivables, deposits and prepayments approximate to their fair values.

Included in the prepayments as at 31 December 2009, 2010, 2011 and 30 June 2012, are as follows:

(i) the advance payments to suppliers or subcontractor for construction services of approximately RMB12,553,000, RMB28,062,000, RMB29,760,000 and RMB38,628,000 respectively; and

(ii) the amounts due from the customers of approximately RMB4,904,000, RMB24,389,000, RMB21,740,000 and RMB42,328,000 respectively.

The other receivables represent the receivables from staff and loan to other companies.

The deposits represent the bid bonds and performance bonds to contract customers in respect of the construction service under certain contracts.

17. Deferred tax assets

	Doubtful debts
	RMB'000
At 1 January 2009, 31 December 2009 and 1 January 2010	—
Credit to the statement of comprehensive income	449
At 31 December 2010 and 1 January 2011	449
Charge to the statement of comprehensive income	(202)
At 31 December 2011 and 1 January 2012	247
Credit to statement of comprehensive income	1,141
At 30 June 2012	1,388

18. Inventories

	At 31 December			At 30 June
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	802	7,549	6,367	7,021

At 31 December 2009, 2010, 2011 and 30 June 2012, all inventories are carried at cost.

19. Amount due from a director/shareholder

Amount due from a director/shareholder or loans to officers disclosed pursuant to section 161B of the Companies Ordinance are as follows:

	At 31 December			At 30 June
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of director/shareholder				
Han Demin	153	667	2,140	2,143

The maximum amounts outstanding during the Relevant Periods are as follows:

	At 31 December			At 30 June
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of director/shareholder				
Han Demin	2,177	5,642	3,400	2,197

The amount due from a director/shareholder is unsecured, interest free and recoverable on demand.

20. Cash and cash equivalents

	At 31 December			At 30 June
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	4,454	12,526	25,360	29,422
Cash on hand	593	10	1	40
	5,047	12,536	25,361	29,462

21. Share capital

	At 31 December 2009 RMB'000	2010 RMB'000	2011 RMB'000	At 30 June 2012 RMB'000
Ordinary shares of RMB1 each				
Authorised, issued and fully paid:				
At beginning of the year	18,700	18,700	27,200	38,700
Increase in share capital	—	8,500	11,500	—
At end of the year/period	18,700	27,200	38,700	38,700

All shares issued by Beijing Company rank pari passu with the then existing shares in all respects.

On 26 November 2010, Beijing Company allotted and issued in aggregated of 8,500,000 new shares of RMB 1 each pursuant to Han Lixin and Han Zishi. The exercise price was RMB1 per share.

On 4 January 2011, Beijing Company allotted and issued in aggregated of 11,500,000 new shares of RMB1 each pursuant to Han Lixin. The exercise price was RMB1 per share.

22. Trade and other payables

The aged analysis of trade payables is as follow:

	At 31 December 2009 RMB'000	2010 RMB'000	2011 RMB'000	At 30 June 2012 RMB'000
Trade payables				
0–30 days	3,675	18,603	673	15
31–90 days	679	16,154	145	194
91–120 days	2,387	12,568	19,241	26,931
121–180 days	6,511	4,525	6,348	914
181–365 days	—	1,861	307	61
Over one year	124	244	1,696	5,265
	13,376	53,955	28,410	33,380
Other payables	12,519	3,640	3,264	9,278
	25,895	57,595	31,674	42,658

The sole director of Beijing Company considers the carrying amounts of trade and other payables approximate to their fair values.

23. Received in advance

	At 31 December 2009 RMB'000	2010 RMB'000	2011 RMB'000	At 30 June 2012 RMB'000
Received in advance	14,433	66,006	54,056	37,451

Included in the received in advance as at 31 December 2009, 2010, 2011 and 30 June 2012, the amounts due to customers on construction contracts were amounted approximately RMB14,433,000, RMB65,565,000, RMB53,899,000 and RMB37,451,000 respectively.

24. Bank borrowings

	At 31 December			At 30 June
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings, unsecured	—	9,500	2,000	20,000

All the unsecured bank borrowings are denominated in Renminbi, repayable within one year and classified as current liabilities.

The bank borrowings are variable-rate borrowings, thus exposing Beijing Company to cash flow interest rate risk. The effective interest rate on bank borrowings denominated in Renminbi ranging from 8.64% to 8.96%, 5.85% to 6.43%, 6.43% to 10.66% and 9.09% to 10.66% for the year ended 31 December 2009, 2010 and 2011 and period ended 30 June 2012 respectively.

25. Operating lease commitments

Beijing Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	At 31 December			At 30 June
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,330	1,329	725	1,350
In the second to fifth year inclusive	2,055	725	—	5,400
After five years	—	—	—	67
	3,385	2,054	725	6,817

Operating lease payments represent rentals payable by Beijing Company for certain of its office properties and land use rights in the PRC. Leases for the office properties are negotiated for an average term of three or five years. Lease for land use rights in PRC is negotiated for 20 years.

26. Material related party transactions

Save as disclosed elsewhere in the Financial Information, Beijing Company entered into the following material related party transactions during the Relevant Periods:

(a) Remuneration for key management personnel during the Relevant Periods were disclosed in note 10 to the Financial Information.

(b) Details of the balance and loan with a director/shareholder at the end of the Relevant Periods are set out in note 19.

27. Government subsidies

During the Relevant Periods, Beijing Company received government subsidies for the year ended 31 December 2009, 2010, 2011 and period ended 30 June 2012 of approximately RMB338,000, RMB1,626,000, RMB825,000 and RMB1,012,000 respectively for its operations in Beijing, the PRC. The amount has been included in other income and gain, net for the Relevant Periods.

28. Financial risk management

Beijing Company's major financial instruments include trade and other receivables, prepayments and deposits, amount due from a director/shareholder, cash and cash equivalents, trade and other payables, received in advance and bank borrowings. Details of these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Categories of financial instruments

	At 31 December			At 30 June
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	34,091	85,232	113,132	115,111
Financial liabilities				
Amortised cost	25,895	67,095	33,674	62,658

Financial risk factors

Beijing Company is exposed to a variety of financial risks: credit risk, liquidity risk and cash flow and fair value interest rate risk, which result from both its operating and investing activities. Beijing Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Beijing Company's financial performance. Beijing Company's treasury function operates as a centralised service for managing financial risks and for providing cost efficient funding to Beijing Company.

(a) Credit risk

Beijing Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. In order to minimise the credit risk, Beijing Company has policies in place in determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, Beijing Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure adequate impairment losses are made for irrecoverable amounts. In this regard, the director of Beijing Company considers that the credit risk is significant reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(b) Liquidity risk

Beijing Company manages liquidity risk by maintaining adequate reserves and considering of obtaining banking facilities to support Beijing Company's short-term funding and liquidity management requirements. In addition, the management of Beijing Company continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

The following tables detail the remaining contractual maturity at the end of the reporting period of Beijing Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on weighted average effective interest rates) and the earliest date Beijing Company can be required to pay:

	Weighted average effective interest rate	Less than 1 month	1–3 months	3 months to 1 year	Between 1 and 5 years	Over 5 years	Total contractual undiscounted cash flow	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2009								
Trade and other payables	—	16,194	679	8,898	124	—	25,895	25,895
Bank borrowings	—	—	—	—	—	—	—	—
		16,194	679	8,898	124	—	25,895	25,895
At 31 December 2010								
Trade and other payables	—	22,243	16,154	18,954	244	—	57,595	57,595
Bank borrowings	6.43%	—	9,805	—	—	—	9,805	9,500
		22,243	25,959	18,954	244	—	67,400	67,095
At 31 December 2011								
Trade and other payables	—	3,937	145	25,896	1,696	—	31,674	31,674
Bank borrowings	10.66%	—	—	2,093	—	—	2,093	2,000
		3,937	145	27,989	1,696	—	33,767	33,674
At 30 June 2012								
Trade and other payables	—	9,293	194	27,906	5,265	—	42,658	42,658
Bank borrowings	9.09%	—	—	20,809	—	—	20,809	20,000
		9,293	194	48,715	5,265	—	63,467	62,658

(c) Cash flow and fair value interest rate risk

Bank borrowings at variable interest rates expose Beijing Company to cash flow interest rate risk and those at fixed rates expose Beijing Company to fair value interest rate risk. Beijing Company monitors the interest rate risk exposure on a continuous basis and adjusts the portfolio of borrowings where necessary.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease in prime rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, Beijing Company's gain or loss for the year ended 31 December 2009, 2010, 2011 and period ended 30 June 2012 would increase or decrease by approximately RMB299,000, RMB475,000, RMB375,000 and RMB900,000 respectively. This is mainly attributable to the Beijing Company's exposure to interest rates on its variable rate borrowings.

Fair value estimation

The fair value of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

(ii) the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

HKFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 fair value measurements are those derived from quoted market prices (unadjusted) in active market for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since Beijing Company has no financial instruments that are measured subsequent to initial recognition at fair value at the Relevant Periods.

Capital risk management

The primary objective of Beijing Company's capital management is to safeguard Beijing Company's ability to continue as a going concern, so that it can continue to maximise returns to stakeholders. Beijing Company's overall strategy remains unchanged from prior year.

Beijing Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, Beijing Company may adjust the amount of issue new shares or sell assets to reduce debts.

Beijing Company monitors its capital on the basis of the gearing ratio of borrowings over total equity. The ratio is calculated as borrowings less cash and cash equivalent divided by total equity. Beijing Company aims to maintain the gearing ratio at a reasonable level.

The gearing ratios as at 31 December 2009, 2010 and 2011 and 30 June 2012 are as follows:

	At 31 December			At 30 June
	2009	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	—	9,500	2,000	20,000
Less: Cash and cash equivalents *(note 20)*	(5,047)	(12,536)	(25,361)	(29,462)
	(5,047)	(3,036)	(23,361)	(9,462)
Total equity	14,225	13,530	80,980	102,730
Gearing ratio	(35%)	(22%)	(29%)	(9%)

29. Contingent liabilities

At 30 June 2012, Beijing Company had no material contingent liability.

30. Subsequent events

No significant events took place subsequent to 30 June 2012.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Beijing Company in respect of any period subsequent to 30 June 2012 and no dividends or other distributions have been declared by Beijing Company in respect of any period subsequent to 30 June 2012.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467
Hong Kong

The following is the text of the report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants

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

23 November 2012

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

Dear Sirs,

We report on the unaudited pro forma financial information of Interchina Holdings Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**"), and Beijing TDR Enviro-Tech Co., Ltd. ("**Beijing Company**") (together with the Group hereinafter referred to as the "**Enlarged Group**") set out in Appendix III on pages 58 to 66 of the circular dated 23 November 2012 (the "**Circular**") under the headings of "Unaudited Pro Forma Financial Information of the Enlarged Group" (the "**Unaudited Pro Forma Financial Information**") in connection with the proposed acquisition of 90% of the entire issued share capital of Beijing Company at a total consideration of RMB495,000,000 (equivalent to approximately HK$611,111,000) (the "**Acquisition**"). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Acquisition, which will result in the formation of the Enlarged Group, might have affected the relevant financial information presented for inclusion in Appendix III of the Circular. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page 61 of this Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review performed in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions made by the directors of the Company, and, because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 31 March 2012 or any future date.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467
Hong Kong

INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The Unaudited Pro Forma Financial Information has been prepared to illustrate the effect of the Acquisition. Capitalised terms used herein have the same meaning as those defined in this Circular unless the context otherwise requires.

The Unaudited Pro Forma Financial Information has been prepared in accordance with paragraph 4.29 and 14.67(6)(a)(ii) of the Listing Rules. It has been prepared by the directors of the Company for illustrative purpose.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is based on (i) the audited consolidated statement of financial position of the Group as at 31 March 2012 as extracted from the published 2012 annual report of the Company and (ii) the audited statements of financial position of Beijing Company as at 30 June 2012 as extracted from the accountants' reports set out in Appendix II to this Circular, after making pro forma adjustments relating to the Acquisition, as if the Acquisition had been completed on 31 March 2012.

The Unaudited Pro Forma Financial Information was prepared based on the currently available information and certain assumptions and estimates for illustrative purposes only. Given the hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group as at any date in future.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the annual report of the Company for the year ended 31 March 2012 and other financial information included elsewhere in this Circular.

However, it should be noted that although (i) Heilongjiang Interchina is undergoing a non-public share issue (the "**Non-public Share Issue**") of new shares and the Company has decided not to participate in the Non-public Share Issue (the "**Deemed Disposal**") and (ii) the Group proposed to disposal of 110,000,000 Heilongjiang Interchina Shares (the "**Disposal**"), the Circular did not take into account of the Deemed Disposal and the Disposal transactions when preparing the Unaudited Pro Forma Financial Information. Details of the Deemed Disposal and the Disposal transactions were set out in the Company's circular dated 28 September 2012.

Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	The Group as at 31 March 2012	Beijing Company as at 30 June 2012	Beijing Company as at 30 June 2012	Pro forma adjustments			The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current assets							
Investment properties	951,247						951,247
Property, plant and equipment	404,295	3,135	3,848				408,143
Prepaid lease payments	102,315						102,315
Mining rights	1,232,400						1,232,400
Intangible assets	1,065,905						1,065,905
Other financial assets	494,408						494,408
Goodwill	439,927			599,702			1,039,629
Interest in an associate	1,104						1,104
Available-for-sale financial assets	69,136			(67,518)			1,618
Trade and other receivables, deposits and prepayment	—	829	1,017				1,017
Deferred tax assets	—	1,388	1,703				1,703
Other non-current assets	88,451						88,451
	4,849,188						5,387,940
Current assets							
Prepaid lease payments	3,436						3,436
Inventories	21,613	7,021	8,618				30,231
Trade and other receivables, deposits and prepayment	1,500,628	163,633	200,860			2,630	1,704,118
Amount due from a director/shareholder	—	2,143	2,630			(2,630)	—
Loan receivables	316,278						316,278
Financial assets at fair value through profit or loss	73,985			(62,889)			11,096
Derivative financial instruments	62,889						62,889
Tax recoverable	1,527						1,527
Bank balances — trust and segregated accounts	314						314
Cash and cash equivalents	398,751	29,462	36,167	(595,386)			(160,468)
	2,379,421						1,969,421
Total assets	7,228,609						7,357,361

	The Group as at 31 March 2012	Beijing Company as at 30 June 2012	Beijing Company as at 30 June 2012	Pro forma adjustments			The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Equity							
Share capital	427,467						427,467
Share premium and reserves	2,953,961				(1,500)		2,952,461
Equity attributable to owners of the Company	3,381,428						3,379,928
Non-controlling interests	1,346,902						1,346,902
Total equity	4,728,330						4,726,830
Non-current liabilities							
Bank borrowings — due after one year	127,114						127,114
Deferred tax liabilities	147,267						147,267
	274,381						274,381
Current liabilities							
Trade and other payables and deposits received	349,269	42,658	52,367		1,500		403,136
Received in advance	—	37,451	45,975				45,975
Tax payable	10,409	4,772	5,858				16,267
Bank borrowings — due within one year	749,614	20,000	24,552				774,166
Other borrowings — due within one year	1,116,606						1,116,606
	2,225,898						2,356,150
Total liabilities	2,500,279						2,630,531
Total equity and liabilities	7,228,609						7,357,361
Net current assets/(liabilities)	153,523						(386,729)
Total assets less current liabilities	5,002,711						5,001,211

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The balances represents the assets and liabilities of Beijing Company as extracted from the accountants' report of Beijing Company as set out in Appendix II to this Circular, assuming the Acquisition had taken place on 31 March 2012.

2. For the purpose of the presentation of the Unaudited Pro Forma Financial Information, conversion of RMB into HK$ is calculated at the following exchange rates RMB to HK$1.2276 as at 31 March 2012 for note 3 to note 5 below.

3. Upon completion of the Acquisition, the identifiable assets and liabilities of Beijing Company will be accounted for the consolidated financial statements of the Enlarged Group at fair value under the purchase method of accounting in accordance with Hong Kong Financial Reporting Standard ("**HKFRS**") 3 (Revised), "Business Combinations". Details of the calculation of the goodwill upon completion of the Acquisition, assuming the Acquisition had taken place on 31 March 2012, were set out as below:

	At 31 March 2012 *HK$'000*
Purchase option#	62,889
10% equity interest in the Beijing Company*	67,518
Cash consideration$^{\delta}$	595,386
	725,793
Fair value of identifiable assets and liabilities of Beijing Company$^{\alpha}$	(126,091)
Goodwill$^{\gamma}$	599,702

On 10 February 2012, Heilongjiang Interchina Water Treatment Company Limited ("**Heilongjiang Interchina**"), a non-wholly owned subsidiary of the Company, entered into an option agreement for purchasing an option (the "**Purchase Option**") as granted by seven independent third parties (the "**Vendor**") that enable the Group to acquire an aggregate of 90% equity interest in Beijing Company at a predetermined exercise price. Pursuant to the option agreement, the consideration paid for the Purchase Option amounted to RMB10,000,000 (equivalent to approximately HK$12,346,000), would be applied towards satisfaction of equivalent amount of the consideration of the Acquisition upon its completion.

The carrying amount of the Purchase Option had been remeasured to its fair value to approximately HK$62,889,000 at 31 March 2012. It was then exercised and form part of cash consideration paid as mentioned in δ below, assuming the Acquisition had taken place at 31 March 2012.

The fair value of the Purchase Option is estimated by the directors of the Company with reference to the valuation report issued by the independent valuer, Ascent Partners Transaction Service Limited, using the Binomial Option Pricing Model. The significant inputs into the model included the value of the equity interest at the date of grant and at the end of the reporting period, exercise price, expected life of the option, annual risk-free rate and expected volatility which was based on the statistical analysis of volatility of weekly share prices of comparable companies over the past years before the date of grant and at the end of the reporting period.

* On 10 February 2012, Heilongjiang Interchina also entered into a sale and purchase agreement with the Han Lixin and Yao Shuhua in relation to the acquisition of an aggregate of 10% equity interest of Beijing Company in consideration of RMB55,000,000 (equivalent to approximately HK$67,518,000). The 10% equity interest in the Beijing Company was considered by the Group as an equity investment and be classified as available-for-sale financial assets of the Group as at 31 March 2012 accordingly.

Upon completion of the Acquisition, together with the Group previously held of 10% equity interest in Beijing Company, the Group will obtain the entire equity interest in Beijing Company. Under the HKFRS 3 (Revised), the carrying amount of 10% equity interest previously recognised as available-for-sale financial assets were remeasured to its fair value as at 31 March 2012 upon the control over Beijing Company has been obtained by Heilongjiang Interchina. For the purpose of the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the directors of the Company considered the carrying amount of the 10% equity interest as at 31 March 2012 in Beijing Company was its fair value, assuming the Acquisition had taken place as at 31 March 2012.

δ Pursuant to a sale and purchase agreement (the "**Sale and Purchase Agreement**") entered into between Heilongjiang Interchina and the Vendor in relation to the Acquisition, it's aggregate consideration amounted to RMB495,000,000 (equivalent to approximately HK$611,111,000) was satisfied by cash and payable as (i) RMB10,000,000 shall be payable by deposit and part payment within 10 working days upon the Sale and Purchase Agreement having become effective; and (ii) RMB485,000,000 (equivalent to approximately HK$595,386,000) shall be payable upon completion.

As indicated in # above, the initial deposit payable for the Acquisition of RMB10,000,000 has been offset against the consideration of the Purchase Option. It result the net cash consideration for the Acquisition upon its completion become RMB485,000,000 (equivalent to amount of approximately HK$595,386,000) as after deducting RMB10,000,000 (equivalent to amount of approximately HK$12,346,000) from the gross consideration of RMB495,000,000 (equivalent to amount of approximately HK$607,732,000) accordingly.

α For the purpose of the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the directors of the Company considered that the fair values of the identifiable assets and liabilities of Beijing Company are assumed to be equal to their carrying amounts as at 30 June 2012. The fair values of the assets and liabilities at completion date of the Acquisition will be assessed upon completion of the Acquisition and will be different, and accordingly, the amount of goodwill to be recognised is subject to change.

γ For the purpose of the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the directors of the Company performed impairment test towards the goodwill arising from the Acquisition under the requirements of Hong Kong Accounting Standard ("**HKAS**") 36 "Impairment of Assets". The directors of the Company consider that no impairment is required in respect of the goodwill after taking into account the business potential of Beijing Company and the other factors as disclosed in the Circular. Following completion of the Acquisition, the Enlarged Group will perform annual impairment test for the cash-generating unit to which the goodwill has been allocated in accordance with the Company's accounting policies and the requirements as set out in HKAS 36.

4. The pro forma adjustment recognises transaction costs of approximately HK$1,500,000 (including but not limited to legal and professional fees and printing charges) which are directly attributable to the Acquisition.

   The pro forma adjustment will have no continuing effect on the Enlarged Group in the subsequent reporting periods.

5. The pro forma adjustment represents the reclassification of the balance of amount due from a director/shareholder of Beijing Company upon completion of the Acquisition.

   The pro forma adjustment will have no continuing effect on the Enlarged Group in the subsequent reporting periods.

6. Following completion of the Acquisition, the Enlarged Group assume to have suffered a shortfall of cash and cash equivalents amounted to approximately HK$160,468,000.

   On 21 June 2012, the board of directors of Heilongjiang Interchina approved a proposal in respect of the issue of not more than 160,000,000 Heilongjiang Interchina's shares at the price of not less than RMB8.03 per share and the proposal was revised at 20 September 2012 (being the Non-public Share Issue). The net proceeds from the Non-public Share Issue is expected to be not more than RMB1,207,700,000 (equivalent to approximately HK$1,490,988,000) upon completion of the Non-public Share Issue. As disclosed in the Company's circular dated 28 September 2012, Heilongjiang Interchina will apply RMB495,000,000, being part of the net proceeds for the purpose of the Acquisition. The shortfall in the cash and cash equivalents of the Enlarged Group is for illustrative purpose only and will therefore be improved upon completion of the Non-Public Share Issue and the Enlarged Group will be able to maintain its sufficient working capital afterward.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE BEIJING COMPANY

Set out below is the management discussion and analysis on Beijing Company for the three financial year ended 31 December 2009, 2010, 2011 and for the six months ended 30 June 2011 and 2012 (the: Relevant Periods''):

Business Review and Prospects

Beijing Company is a hi-tech company focusing on the environmental protection sector and specializing in treatment of landfill leachate. Its principal business is engaged in the development of the treatment technology and technique and the production of equipment/construction of facility for sewage water treatment purpose. Since its establishment, Beijing Company has achieved various qualifications below:

2002	Incorporated and awarded with the exclusive distribution right of DTRO technology in Mainland China
2003	Acquired the technology of ultrasound treatment from Germany
2004	Acquired the MBR membrane bioreactor technology
2006	Transferred the design and production technology of disc-tube reverse osmosis from Pall Corporation
2006	Transferred MBR technology
2006	Passed the audit on ISO9000 certification in quality management
2006	The leachate treatment technology with disc-tube reverse osmosis recognized as A Foremost Environmental Protection Utility-technology in China (Category A) (國家重點環境保護實用技術(A類))
2007	Awarded the State Certificate for Environmental Pollution Control Facility Operation (Industrial Sewage-Grade A) (國家環境污染治理設施運營資質證書(工業廢水甲級))
2007	The disc-tube reverse osmosis equipment awarded China Certification for Environmental Products
2007	The Engineering Project of leachate treatment recognized as A Model Project with Foremost Environmental Protection Utility-technology in China
2007	Set up the emergency water supply and military supplies department and began research and development in drinking water equipment
2008	Commencement of domestic production of disc-tube modules with original design
2008	The equipment for leachate treatment with disc-tube reverse osmosis recognized as A China Foremost New Product (國家重點新產品)
2009	Received the Grade 2 Qualification for Contractor of Environmental Projects (環保工程專項承包二級資質)
2010	The company passed the audit on ISO14000 and ISO18000 certification
2010	The company's technology for zero emission of concentrates passed State's technical inspection

Given (i) its business has been supported by the PRC government policy; (ii) urbanization caused by the rapid economic development of the PRC increased the demand for the high quality of leachate disposal treatment facilities; and (iii) Beijing Company has accumulated certain valuable technology and qualification of this sector, Beijing Company has been one of the market leader in this sector during the Relevant Periods.

Financial Performance

1. For the year ended 31 December 2009

Financial and business performance

During the year ended 31 December 2009, the Beijing Company recorded revenue of approximately RMB71,682,000 of which RMB45,125,000 was contributed from sales of equipment and other, RMB19,007,000 was contributed from construction service and the remaining of RMB7,550,000 was contributed from technical and consultancy services. The profit for the year amounted to RMB3,712,000.

Financial resources, liquidity and capital structure

As at 31 December 2009, the current assets and current liabilities of the Beijing Company valued at approximately RMB52,342,000 and RMB40,542,000 respectively. The current ratio, represented by current assets as a percentage of current liabilities, was approximately1.29 times as at 31 December 2009. Beijing Company's cash and bank balance as at 31 December 2009 amounted to approximately RMB5,047,000 and all is denominated in RMB. Beijing Company did not have any bank borrowings, no gearing ratio (being total bank borrowings divided by total assets) is determined. As at 31 December 2009, Beijing Company has registered capital of RMB18,700,000 and total equity of RMB14,225,000.

Material acquisitions and significant investments

There was no material acquisition of subsidiary and investment during the year ended 31 December 2009.

Segment information

For the year ended 31 December 2009, turnover and operating assets of Beijing Company was attributable to the sale of equipments and others, provision of construction services and technical and consultancy services in relation to the environmental protection and sewage treatment sector, in the PRC. Accordingly, no analysis by either business or geographical segment was noted.

Employees

As at 31 December 2009, Beijing Company had 106 employees, including directors, total staff costs for the year including directors' emoluments amounted to RMB7,914,000.

Charges on the assets

As at 31 December 2009, there are no charges on the assets of the Beijing Company.

Foreign exchange exposure

Beijing Company is not exposed to any foreign currency risk. All Beijing Company's operations are denominated in Renminbi.

Use of financial instruments for hedging purposes

As at 31 December 2009, the Beijing Company did not use any financial instruments for hedging purposes.

Contingent liabilities

As at 31 December 2009, the Beijing Company had no material contingent liabilities.

Future plans for material investments

As at 31 December 2009, the Beijing Company had no future plans for material investments.

2. For the year ended 31 December 2010

Business review

During the year, Beijing Company has passed the audit on ISO14000 and ISO18000 certification and it's technology for zero emission of concentrates has also passed State's technical inspection.

The principal activities of the Beijing Company continue to be engaged in (i) manufacturing and sales of equipment and others; (ii) construction service; and (iii) technical and consultancy services. As more effort was put into the development of manufacturing and sales of equipment business during the year, manufacturing and sales of equipment becomes the core business of the Beijing Company.

Financial review

During the year ended 31 December 2010, the Beijing Company recorded revenue of approximately RMB105,942,000 of which RMB68,466,000 was contributed from sales of equipment and others, RMB26,509,000 was contributed from construction service and the remaining of RMB10,967,000 was contributed from technical and consultancy services. The increase in revenue was mainly attributable to the increase in sales of equipment by RMB23,341,000 or 51.7% as compared to last year of RMB45,125,000. Despite the increase in revenue, Beijing Company still recorded loss of RMB9,195,000 for the year as compared to last year's profit of RMB3,712,000. The loss was mainly attributable to the increase in administrative expenses by RMB7,056,000 or 57% as compared to last year and an impairment loss on the trade and other receivables of RMB2,992,000 was recognized for the year.

Financial resources, liquidity and capital structure

As at 31 December 2010, the current assets and current liabilities of the Beijing Company valued at approximately RMB145,232,000 and RMB134,428,000 respectively. The current ratio, represented by current assets as a percentage of current liabilities, was approximately 1.08 times as at 31 December 2010. Beijing Company's cash and bank balance as at 31 December 2010 amounted to approximately RMB12,536,000 and all is denominated in RMB. Beijing Company have short term bank borrowings of RMB9,500,000 carried interest on floating rate basis, the gearing ratio (being total bank borrowings divided by total assets) is 6.42%. During the year, the Beijing Company has increased its registered capital by allotted and issued of 8,500,000 new shares at RMB1.00 each to two subscribers. As at 31 December 2010, Beijing Company has registered capital of RMB27,200,000 and total equity of RMB13,530,000.

Material acquisitions and significant investments

There was no material acquisition of subsidiary and investment during the year ended 31 December 2010.

Segment information

For the year ended 31 December 2010, turnover and operating assets of Beijing Company was attributable to the sale of equipments and others, provision of construction services and technical and consultancy services in relation to the environmental protection and sewage treatment sector, in the PRC. Accordingly, no analysis by either business or geographical segment was noted.

Employees

As at 31 December 2010, Beijing Company had 154 employees, including directors, total staff costs for the year including directors' emoluments amounted to RMB7,856,000.

Charges on the assets

As at 31 December 2010, there are no charges on the assets of the Beijing Company.

Foreign exchange exposure

Beijing Company is not exposed to any foreign currency risk. All Beijing Company's operations are denominated in Renminbi.

Use of financial instruments for hedging purposes

As at 31 December 2010, the Beijing Company did not use any financial instruments for hedging purposes.

Contingent liabilities

As at 31 December 2010, the Beijing Company had no material contingent liabilities.

Future plans for material investments

As at 31 December 2010, the Beijing Company had no future plans for material investments.

3. *For the year ended 31 December 2011*

Business review

During the year, the principal activities of the Beijing Company continue to be engaged in (i) manufacturing and sales of equipment and others; (ii) construction service; and (iii) technical and consultancy services. Manufacturing and sales of equipment is the core business of the Beijing Company.

Financial review

During the year ended 31 December 2011, the Beijing Company recorded revenue of approximately RMB213,399,000 of which RMB119,864,000 was contributed from sales of equipment and others, RMB81,635,000 was contributed from construction service and the remaining of RMB11,900,000 was contributed from technical and consultancy services. The increase in revenue was mainly attributable to the increase in sales of equipment by RMB51,398,000 or 75.1% as compared to last year of RMB68,466,000 and the increase in construction service income by RMB55,126,000 or 208% as compared to last year of RMB26,509,000. As the result of increase in revenue, Beijing Company recorded profit of RMB55,950,000 for the year as compared to last year's loss of RMB9,195,000.

Financial resources, liquidity and capital structure

As at 31 December 2011, the current assets and current liabilities of the Beijing Company valued at approximately RMB169,623,000 and RMB93,838,000 respectively. The current ratio, represented by current assets as a percentage of current liabilities, was approximately 1.81 times as at 31 December 2011. Beijing Company's cash and bank balance as at 31 December 2011 amounted to approximately RMB25,361,000 and all is denominated in RMB. Beijing Company have short term bank borrowings of RMB2,000,000 carried interest on floating rate basis, the gearing ratio (being total bank borrowings divided by total assets) is 1.1%. During the year, the Beijing Company has increased its registered capital by allotted and issued of 11,500,000 new shares at RMB1.00 each to a subscriber. As at 31 December 2011, Beijing Company has registered capital of RMB38,700,000 and total equity of RMB80,980,000.

Material acquisitions and significant investments

There was no material acquisition of subsidiary and investment during the year ended 31 December 2011.

Segment information

For the year ended 31 December 2011, turnover and operating assets of Beijing Company was attributable to the sale of equipments and others, provision of construction services and technical and consultancy services in relation to the environmental protection and sewage treatment sector, in the PRC. Accordingly, no analysis by either business or geographical segment was noted.

Employees

As at 31 December 2011, Beijing Company had about 198 employees, including directors, total staff costs for the year including directors' emoluments amounted to RMB16,386,000.

Charges on the assets

As at 31 December 2011, there are no charges on the assets of the Beijing Company.

Foreign exchange exposure

Beijing Company is not exposed to any foreign currency risk. All Beijing Company's operations are denominated in Renminbi.

Use of financial instruments for hedging purposes

As at 31 December 2011, the Beijing Company did not use any financial instruments for hedging purposes.

Contingent liabilities

As at 31 December 2011, the Beijing Company had no material contingent liabilities.

Future plans for material investments

As at 31 December 2011, the Beijing Company had no future plans for material investments.

4. For the period ended 30 June 2012

Business review

During the period, Beijing Company was mainly engaged in (i) manufacturing and sales of equipment and others; (ii) construction service; and (iii) technical and consultancy services. Manufacturing and sales of equipment continues to be the core business of the Beijing Company.

Financial review

During the period ended 30 June 2012, the Beijing Company recorded revenue of approximately RMB95,834,000 of which RMB60,421,000 was contributed from sales of equipment and others, RMB25,599,000 was contributed from construction service and the remaining of RMB9,814,000 was contributed from technical and consultancy services. Revenue for the six months ended 30 June 2012 represents approximately 44.9% of total revenue for the year ended 31 December 2011. Beijing Company recorded profit of RMB21,750,000 for period ended 30 June 2012, representing approximately 38.9% of the profit for the year ended 31 December 2011.

Financial resources, liquidity and capital structure

As at 30 June 2012, the current assets and current liabilities of the Beijing Company valued at approximately RMB202,259,000 and RMB104,881,000 respectively. The current ratio, represented by current assets as a percentage of current liabilities, was approximately 1.93 times as at 30 June 2012. Beijing Company's cash and bank balance as at 30 June 2012 amounted to approximately

RMB29,462,000 and all is denominated in RMB. Beijing Company have short term bank borrowings of RMB20,000,000 carried interest on floating rate basis, the gearing ratio (being total bank borrowings divided by total assets) is 9.63%. As at 30 June 2012, Beijing Company has registered capital of RMB38,700,000 and total equity of RMB102,730,000.

Material acquisitions and significant investments

There was no material acquisition of subsidiary and investment during the period ended 30 June 2012.

Segment information

For the period ended 30 June 2012, turnover and operating assets of Beijing Company was attributable to the sale of equipments and others, provision of construction services and technical and consultancy services in relation to the environmental protection and sewage treatment sector, in the PRC. Accordingly, no analysis by either business or geographical segment was noted.

Employees

As at 30 June 2012, Beijing Company had 219 employees, including directors, the total staff costs for the period including directors' emoluments amounted to RMB9,723,000.

Charges on the assets

As at 30 June 2012, there are no charges on the assets of the Beijing Company.

Foreign exchange exposure

Beijing Company is not exposed to any foreign currency risk. All Beijing Company's operations are denominated in Renminbi.

Use of financial instruments for hedging purposes

As at 30 June 2012, the Beijing Company did not use any financial instruments for hedging purposes.

Contingent liabilities

As at 30 June 2012, the Beijing Company had no material contingent liabilities.

Future plans for material investments

As at 30 June 2012, the Beijing Company had no future plans for material investments.

Set out below are (i) the valuation report as regards the Beijing Company; (ii) the letter from the Board; and (iii) the letter from the Company's auditors in connection with the valuation of the Beijing Company:

A. VALUATION REPORT

15 June 2012

ASSET VALUATION REPORT
RELATING TO
THE PROPOSED ACQUISITION OF THE EQUITY INTEREST IN
北京天地人環保科技有限公司
(BEIJING TDR ENVIRO-TECH CO., LTD)
BY黑龍江國中水務股份有限公司
(HEILONGJIANG INTERCHINA WATER TREATMENT COMPANY LIMITED)
中科華評報字[2012]第046號
(Zhong Ke Hua Ping Bao Zi [2012] No. 046)

To: Heilongjiang Interchina Water Treatment Company Limited (the "**Company**")

Dear Sir,

We, 北京中科華資產評估有限公司 (Beijing Zhongkehua Assets Appraisal Company Limited) (hereinafter referred to as "we" or "us"), refer to our engagement by the Company to conduct a valuation on the entire shareholder interest in Beijing TDR Enviro-Tech Co., Ltd in connection with the proposed acquisition of the equity interest in Beijing TDR Enviro-Tech Co., Ltd by the Company as at 31 December 2011 (being the Valuation Base Date) in accordance with the relevant laws and regulations as well as the standards and principles of asset valuation of the People's Republic of China ("China" or the "PRC") and by adopting the income approach and carrying out all necessary valuation procedures. Our asset valuation is hereby reported as follows:

I. ENTRUSTING PARTY, APPRAISED UNIT AND OTHER USERS OF THIS VALUATION REPORT

(I) Brief introduction of the entrusting party

Name of the entrusting party: Heilongjiang Interchina Water Treatment Company Limited

1. Basic information

Registration number:	230000100002141
Date of establishment:	3 November 1998

Address:	黑龍江省齊齊哈爾市龍沙區卜奎大街與龍華路交匯處（新瑪特購物休閒廣場）3單元25層8號 (Room 8, 25/F, Block 3, intersection of Bukui Main Street and Longhua Road (New-mart Shopping Mall), Longsha District, Qiqihar, Heilongjiang)
Authorized representative:	朱勇軍 (Zhu Yongjun)
Registered capital:	Renminbi Four Hundred Twenty-seven Million Two Hundred and Twenty-five Thousand only
Paid-up capital:	Renminbi Four Hundred Twenty-seven Million Two Hundred and Twenty-five Thousand only
Type of company:	Joint stock company with limited liability (listed, foreign-funded enterprise investment)
Scope of business:	Construction and operation of civil work projects in water supply and sewerage, eco-environmental improvement works; development, production, sales and provision of technical services and equipment of water supply and sewerage; as well as provision of technical consultancy service for water supply and sewerage (excluding items prohibited and restricted by the PRC government)

2. *Corporate profile and history of corporate development*

Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina") is ultimately controlled by 國中(天津)水務有限公司 (Interchina (Tianjin) Water Treatment Company Limited), which is a wholly-owned subsidiary of Interchina Holdings Co. Ltd in the PRC.

Heilongjiang Interchina is an investment vehicle in the water treatment segment of Interchina Holdings Co. Ltd (a Hong Kong-based company). It is principally engaged in the construction and operation of civil work projects, eco-environmental improvement works, the development, production, sales and provision of technical services and equipment, as well as the provision of technical consultancy services in the area of water works.

黑龍江黑龍股份有限公司 (Heilongjiang Black Dragon Co. Ltd) (the predecessor of Heilongjiang Interchina) ("Black Dragon") is a joint stock company with limited liability established by 黑龍集團公司 (Heilong Group Limited) as a sole promoter by way of share offer according to the approval (Hei Zheng Han [1998] No. 68) dated 30 June 1998 granted by the People's Government of Heilongjiang Province. Also, the approval (Zheng Jian Fa Zi [1998] Nos. 247 and 248) was granted to Black Dragon by China Securities Regulatory Commission. On 5 October 1998, Black Dragon completed a public offering of 40 million ordinary shares of RMB1.00 each. It placed 5 million ordinary shares of RMB1.00 each to investment funds and further placed 5 million shares to its employees. It was listed on Shanghai Stock Exchange commencing from Wednesday, 11 November 1998. Its stock short name is "黑龍股份"(Black Dragon), and its stock code is 600187.

Due to Black Dragon's loss-making record during the three consecutive years in 2004, 2005 and 2006, the trading of its shares was suspended by Shanghai Stock Exchange on 15 May 2006. In December 2008, Interchina (Tianjin) Water Treatment Company Limited ("Interchina Tianjin") became the controlling shareholder of Black Dragon by acquiring a total of 229,725,000 State-owned legal person shares or 70.20% of equity interest in Black Dragon from Heilong Group Limited. On 17 April 2009, Black Dragon settled the cash consideration for the share reform. Permission was granted by Shanghai Stock Exchange for the resumption of the trading of Black Dragon's shares. On 5 May 2009, Black Dragon was renamed as Heilongjiang Interchina Water Treatment Company Limited. Its stock short name has been changed to "ST國中"(ST Interchina), whereas its stock code has remained unchanged. According to the approval dated 26 August 2010 granted by Shanghai Stock Exchange, other special treatments with regard to the trading of the shares of Heilongjiang Interchina have been withdrawn. The stock short name of Heilongjiang Interchina has been changed from "ST國中" to "國中水務"(Heilongjiang Interchina).

3. Summary of long-term investments of Heilongjiang Interchina

As at the Valuation Base Date, the long term investments of Heilongjiang Interchina are set out as follows:

No.	**Name of investee company**	**Amount of capital contribution** *(in RMB)*	**Percentage of shareholding** *(%)*
1	漢中市國中自來水有限公司 (Interchina (Hanzhong) Water Supply Company Limited)	77,364,500.00	100%
2	東營國中水務有限公司 (Dongying Interchina Water Treatment Company Limited)	61,000,000.00	55.45%
3	湘潭國中水務有限公司 (Xiangtan Interchina Water Treatment Company Limited)	122,700,000.00	81.80%
4	國水（馬鞍山）污水處理有限公司 (Interchina (Maanshan) Sewage Treatment Company Limited)	59,300,000.00	100%

No.	Name of investee company	Amount of capital contribution *(in RMB)*	Percentage of shareholding *(%)*
5	國中（秦皇島）污水處理有限公司 (Interchina (Qinhuangdao) Sewage Treatment Company Limited)	68,550,000.00	75%
6	國水（昌黎）污水處理有限公司 (Interchina (Changli) Sewage Treatment Company Limited)	39,600,000.00	100%
7	鄂爾多斯市國中水務有限公司 (Ordos Interchina Water Treatment Company Limited)	156,600,000.00	100%
8	涿州中科國益水務有限公司 (Zhuozhou Zhongke Guoyi Water Treatment Company Limited)	68,882,500.00	100%
9	青海雄越環保科技有限責任公司 (Qinghai Xiongyue Environmental Technology Company Limited)	28,785,000.00	95%
10	太原豪峰污水處理有限公司 (Taiyuan Haofeng Sewage Treatment Company Limited)	76,480,000.00	80%
11	東營國中環保科技有限公司 (Dongying Interchina Environmental Technology Company Limited)	69,000,000.00	100%
12	北京中科國益環保工程有限公司 (Beijing Zhongke Guoyi Environmental Protection Engineering Company Limited)	37,484,100.00	90%

(II) Brief introduction of the appraised unit

The appraised unit is Beijing TDR Enviro-Tech Co., Ltd.

1. Basic information

Name:	Beijing TDR Enviro-Tech Co., Ltd
Registration number:	10108003719002
Date of establishment:	26 March 2002
Registered address:	北京市海淀區上地十街1號院2號樓11層1106室 (Room 1106, 11/F, Block 2, 1st Place, Shangdi 10th Road, Haidian District, Beijing)

Authorized representative:	韓德民 (Han Demin)
Type of company:	Limited liability company (invested or controlled by natural persons)
Registered capital:	RMB38,700,000
Paid-up capital:	RMB38,700,000
Scope of business:	Licensed operation: Ordinary freight services General operation: Technical knowhow development; import and export of goods and technical knowhow; project contractor; sales of machineries and electronic products (excluding items without administrative permission) (Capital contribution in respect of intellectual properties amounts to RMB18,600,000)

2. *Corporate profile and history of corporate development*

Established on 26 March 2002, Beijing TDR Enviro-Tech Co., Ltd ("TDR") is a hi-tech company focusing on the environmental protection sector and specializing in the treatment of landfill leachate. It is headquartered in Beijing Economic-Technological Development Area, in which it has established a production facility for disc-tube reverse osmosis equipment. At present, it has set up branch offices and after-sales service departments in a number of places including Shanghai, Hunan, Guangdong, Jiangsu, Anhui, Shandong and Liaoning.

Leveraging on its R&D efforts and expertise over the years, Beijing TDR Enviro-Tech Co., Ltd has equipped itself with all proprietary independent intellectual properties regarding disc-tube reverse osmosis and membrane bioreactor technologies. Moreover, it has built the world's largest production base for disc-tube module systems. The disc-tube reverse osmosis technique owned by TDR is currently a mature, domestically-developed technology that can guarantee the satisfaction of the emission standard of the country by the effusion level of leachate. The technology has been recognized as an environmental-friendly utility technology by the State Environmental Protection Administration. TDR commands a wide variety of technologies in leachate treatment, including anaerobic digestion, aerobic digestion, membrane bioreactor (MBR), micro filtration (MF), ultra-filtration (UF), disc-tube nano-filtration (DTNF) and disc-tube reverse osmosis (DTRO). TDR is thus highly capable of providing a comprehensive range of solutions for leachate treatment by selecting an appropriate combination of technologies according to different regions, different water quality and different effusion levels. With the successful application of the technology of TDR in the PRC and the completion of construction and commencement of operation of the relevant projects, TDR has marched into a brand new horizon in the level of leachate treatment technologies and unveiled a new era in the development of leachate treatment in the PRC.

The Company retains a team of seasoned professionals with extensive experience in R&D, engineering and technical operation in leachate treatment. Our team provides a wide diversity of high-quality technical services, ranging from design of process, manufacture of equipment, construction and installation, testing and trial run to after-sales services, with a view to catering for various requirements of our clients.

Milestones in the history of the Company:

2002	The Company was incorporated and was awarded with the exclusive distribution right of DTRO technology in the PRC.
2003	The Company acquired the technology of ultrasound treatment from Germany.
2004	The Company acquired the MBR membrane bioreactor technology.
2006	The Company transferred the design and production technology of disc-tube reverse osmosis from Pall Corporation.
2006	The Company transferred MBR technology.
2006	The Company passed the audit on ISO9000 certification in quality management.
2006	The leachate treatment technology with disc-tube reverse osmosis was recognized as A Foremost Environmental Protection Utility-technology in the PRC (Category A) (國家重點環境保護實用技術(A類)).
2007	The Company was granted the State Certificate for Environmental Pollution Control Facility Operation (Industrial Sewage — Grade A) (國家環境污染治理設施運營資質證書(工業廢水甲級)).
2007	The disc-tube reverse osmosis equipment was awarded the PRC Certification for Environmental Products.
2007	The Engineering Project of leachate treatment was recognized as A Model Project with Foremost Environmental Protection Utility-technology in the PRC.
2007	The Company set up the emergency water supply and military supplies departments and began to step into the R&D of drinking water equipment.
2008	The Company commenced the domestic production of disc-tube modules with original design.
2008	The leachate treatment equipment with disc-tube reverse osmosis was recognized as A Foremost New Product in the PRC (國家重點新產品).
2009	The Company received the Grade 2 Qualification for Contractor of Environmental Projects (環保工程專項承包二級資質).
2010	The Company passed the audit on ISO14000 and ISO18000 certification.

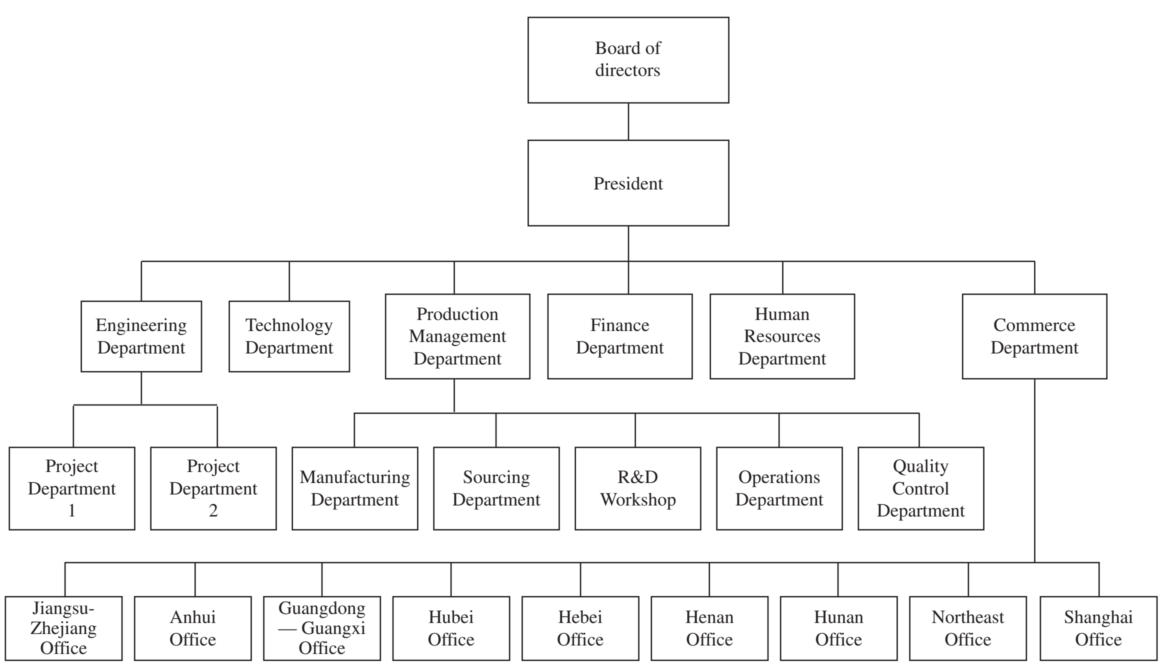
2010 The Company's technology for zero emission of concentrates passed State's technical inspection.

3. Capital contribution by shareholders and percentage of shareholding

As at the Valuation Base Date, the amount of capital contribution made by shareholders and the structure of shareholding are set out as follows:

No.	Name of shareholders	Amount of capital contribution *(in RMB)*	Percentage of shareholding *(%)*
1	韓德民(Han Demin)	1,870,000	4.83%
2	韓立新(Han Lixin)	27,537,000	71.16%
3	韓宇(Han Yu)	374,000	0.97%
4	韓子石(Han Zishi)	2,000,000	5.17%
5	張靜(Zhang Jing)	935,000	2.42%
6	朱東柯(Zhu Dongke)	4,675,000	12.08%
7	姚淑華(Yao Shuhua)	935,000	2.42%
8	北京首佳融通物流技術有限公司 (Beijing Sojarton Logistics Technology Co., Ltd.)	374,000	0.97%
Total		38,700,000	100.00%

4. Organizational structure diagram



5. *Asset and financial position as well as operation condition in recent years*

The audited assets and liabilities of TDR in the recent three years are set out below:

Items	**2009**	**2010**	**2011**
		(Unit: in RMB)	
Current assets:	60,144,900	159,645,300	214,853,400
Non-current assets:	7,081,300	2,725,800	3,819,400
including: fixed assets	2,417,300	2,277,080	3,572,100
intangible assets	4,664,000		
Total assets	67,226,200	162,371,100	218,672,800
Current liabilities:	49,397,300	148,841,000	137,692,600
including: short-term borrowings	—	9,500,000	2,000,000
Non-current liabilities	—	—	—
Total liabilities	49,397,300	148,841,000	137,692,600
Total equity attributable to owners	17,828,900	13,530,100	80,980,200
Liabilities and total equity attributable to owners	67,226,200	162,371,100	218,672,800

The audited results of operation of TDR in the recent three years:

Items	**2009**	**2010**	**2011**
		(Unit: in RMB)	
Operating revenue	70,504,600	141,932,600	213,399,300
less: Cost of sales	42,888,600	86,645,900	105,859,800
Business Taxes and surcharges	1,296,100	2,886,000	3,950,400
Sales expenses	2,285,500	11,338,900	15,741,300
Administrative expenses	22,941,700	25,542,000	21,938,500
Finance costs	283,500	1,081,300	1,413,100
Asset impairment loss		2,991,800	–1,342,800
3. Operating profit	809,200	11,446,800	65,839,000
add: Non-operating revenue		1,626,200	832,800
less: Non-operating expenses	97,900	27,100	19,500
4. Total profit	711,300	13,045,800	66,652,300
less: Income tax expenses	375,100	1,781,500	10,702,200
5. Net profit	336,100	11,264,300	55,950,100

(III) Relationship between the entrusting party and the appraised unit

The entrusting party and the appraised unit are neither associated nor related with each other.

(IV) Users of this valuation report

Users of this valuation report shall be limited to the entrusting party and other users of this valuation report as permitted under the relevant laws and regulations of the country.

Unless otherwise provided for in the laws and regulations of the country, no institution or individual shall become a user of this valuation report by merely receiving the report without prior confirmation from the valuation agency and the entrusting party.

II. PURPOSE OF THE APPRAISAL

According to the relevant documents of Heilongjiang Interchina, Heilongjiang Interchina proposes to acquire the equity interest in TDR, and needs to conduct a valuation on the equity interest in TDR in connection therewith. The conclusion of this asset valuation shall form a basis from which reference for such economic behaviour can be made.

III. APPRAISED UNIT AND SCOPE OF VALUATION

(I) Appraised unit and substance of the scope of valuation

As commissioned by the entrusting party, the subject matter of this valuation is related to the entire shareholder interest in TDR.

The scope of this valuation mainly covers: all the assets and liabilities shown on the audited balance sheet of TDR as at the Valuation Base Date, the details of which are set out as follows:

No.	**Item**	**Carrying amount** *Unit: in RMB*
1	Current assets	214,853,374.64
6	Non-current assets	3,819,407.33
7	Fixed assets	3,572,058.50
12	Total assets	218,672,781.97
13	Current liabilities	137,692,621.57
19	Non-current liabilities	—
20	Total liabilities	137,692,621.57
21	Net assets (owners' equity)	80,980,160.40

The carrying amount has been audited by 中准會計師事務所有限公司 (Zon Zun Certified Public Accountants Office Ltd.), which has issued an unqualified opinion in its audit report.

The scope of this valuation is based on the detailed checklist of various kinds of assets reported by TDR. Each of the assets that is stated and verified in the list has been covered in this valuation, the specific details of which are set out below:

1. Current assets: including monetary funds, bill receivables, trade receivables, prepayments, other receivables and inventories;

2. Non-current assets: including fixed assets and deferred income tax assets;

3. Current liabilities: including short-term borrowings, trade payables, accruals, salaries and wages payable, tax payable and other payables;

4. Non-current liabilities: none.

The inclusion of all the assets and related liabilities within the scope of this valuation is consistent with the scope as specified in the "Engagement Letter of Asset Valuation".

(II) Distribution particulars and characteristics of physical assets

Physical assets that are included within the scope of this valuation mainly include inventories, machinery and equipment, motor vehicles and electronic equipment, etc.

1. Inventories include raw materials and work in progress. Raw materials principally comprise machine accessories, electrical machinery, detergent, membrane filtering modules; while work in progress refers to unallocated production cost carried forward, which mainly comprise expenses such as wages and salaries, depreciation and machinery materials consumption.

   All of the aforesaid inventories (other than work in progress) are distributed within the region where the production base of TDR is situated, and are stored in workshops or raw material warehouses according to different nature of the assets. As at the Valuation Base Date, all inventories are kept in good condition, without any defective or obsolete circumstances.

2. Assets in equipment category that are entrusted to be appraised in this valuation include machinery and equipment, motor vehicles, electronic equipment and office furniture. Among which, machinery and equipment mainly comprise membrane cutting machines, bench low speed centrifuges, membrane punching machines, general lathes, radial arm drill press, compressors, welding manipulators and circular tracks at membrane filtering module workshops. As at the Valuation Base Date, the maintenance, repair and usage of machinery and equipment are maintained in normal condition.

Motor vehicles that are entrusted to be appraised in this valuation are the vehicles of the appraised unit for production and business uses. Those vehicles have been acquired since 2006. As at the Valuation Base Date, those vehicles are in use in good conditions.

Electronic equipment and office furniture that are entrusted to be appraised in this valuation mainly comprise printers, fax machines, desktop computers, notebook computers, air-conditioners, cameras, internet servers, refrigerators, office furniture and other equipment. As at the Valuation Base Date, the maintenance, repair and usage of electronic equipment are maintained in normal condition.

(III) Intangible assets recorded or not yet recorded on book entry according to the report made by the appraised unit

According to the report made by the appraised unit, intangible assets that are not yet recorded on book entry mainly comprise the 8 patents and 3 patent applications relating to the treatment of landfill leachate.

Patents are set out in the following table:

Type of Patent	Name of Patent	Patent No.	Date of grant	Means of grant	Highlights of features
Invention patent	Membrane filter module for the treatment of landfill leachate	ZL200710063279.8	2007.01.05	Initial grant	corrosion and strength assurance, extended useful life, and lower production cost
Invention patent	Apparatus and method for the disposal of leachate from domestic refuse incinerators	ZL200510102946.X	2005.09.14	Initial grant	Good integration, strong adaptability, and less amount of remaining sludge
Invention patent	Method for the disposal of leachate from domestic refuse landfill	ZL200510102945.5	2005.09.14	Initial grant	Reduction of leachate conductivity and acid-base buffer degree
Utility model	Membrane filter module for the treatment of landfill leachate	ZL200720103125.2	2007.01.05	Initial grant	Extended useful life and lower production cost
Utility model	Apparatus for the treatment of landfill leachate applying disc-tube reverse osmosis technology	ZL200620001529.6	2006.02.07	Initial grant	With proven process, low costs and excellent treatment effect
Utility model	Apparatus for the treatment of landfill leachate applying membrane bioreactor	ZL200620001528.1	2006.02.07	Initial grant	Good quality-price ratio, occupying less space and utilizing micro-filtration membrane module
Utility model	Emergency drinking water supply system	ZL200820110090.X	2008.08.21	Initial grant	Lower standard required for inflows water quality, easy to handle, based on disc-tube module and compatible to extremely conditions
Utility model	Pollution-proof membrane filter module	ZL201120199946.7	2011.06.14	Initial grant	Wider concentrated water channel for better flows efficiency and less hydraulic loss, easy to clean and extended useful life

Patent applications are detailed in the following table:

Patent Application No.	Application Date	Type of Patent Application	Name of Patent	Status of Patent Application
201110159457.3	2011.06.14	Invention patent	Pollution-proof membrane filter module	Substantive examination
200910238162.8	2009.11.17	Invention patent	Recirculation unit and method for landfill leachate or its concentrate	Substantive examination
200910238163.2	2009.11.17	Invention patent	Method for concentrates treatment with domestic landfill leachate membrane	Substantive examination

(IV) Types and quantity of off-balance sheet assets reported (if so) by the appraised unit

No off-balance sheet asset has been reported by the appraised unit.

(V) Types, quantity and book value (or appraised value) of assets involved in circumstances where reference has been made to valuation conclusions issued by other agencies

This valuation report has been prepared by Beijing Zhongkehua Assets Appraisal Company Limited on an independent basis. No reference has been made to valuation conclusions issued by other agencies.

IV. VALUE TYPE AND ITS DEFINITION

Value type is an abstraction and classification of attribution of value on the basis of the valuation results and performance of the relevant assets in accordance with certain standards.

Taking into account the specified objective of this valuation, the market conditions on which the valuation is based and the status of the use of the assets that are being assessed, the market value has been adopted as the value type for this valuation.

Market value represents an estimated amount of value to be generated by the appraised unit on the Valuation Base Date in a normal and arm's-length transaction between a willing buyer and a willing seller wherein both parties have acted knowledgeably, rationally and without compulsion.

V. VALUATION BASE DATE

The Valuation Base Date for this valuation is 31 December 2011.

The major considerations in the determination of the Valuation Base Date are set out as follows:

1. The Valuation Base Date so determined should be a day that is nearest to the day on which the objective of this valuation is realized, in order for us to reach relatively rational valuation conclusion for the objective of this valuation.

2. The Valuation Base Date so determined should fall within the end of the accounting period and should be consistent with the closing date of audit, in order for us to produce a relatively comprehensive picture of the book entry conditions of the assets and liabilities that are entrusted to be appraised, thereby facilitating the performance of our tasks of assets inspection and verification.

The pricing standard adopted in this valuation is the price in effect as at the Valuation Base Date.

VI. BASES OF VALUATION

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

(I) Economic Behaviour Basis

1. the relevant documents of Interchina Water Treatment Company Limited;

2. the "Engagement Letter of Asset Valuation" entered into between us and the entrusting party.

(II) Legal and Regulatory Basis

1. the "Company Law of the People's Republic of China" (中華人民共和國公司法) (27 October 2005) (Presidential Decree No. 42 of the People's Republic of China);

2. the "Management Methods for Assessment of State-owned Assets" (國有資產評估管理辦法) (1991 State Council Decree No. 91);

3. the "Provisional Regulations on Value Added Tax of the People's Republic of China" (中華人民共和國增值稅暫行條例) (State Council Decree No. 538);

4. the "Enterprise Income Tax Law of the People's Republic of China" (中華人民共和國企業所得稅法) (Presidential Decree No. 63 of the People's Republic of China);

5. the "Enterprise Accounting Standards" (企業會計準則) (Cai Hui [2006] No. 3);

6. other relevant laws and regulations as well as rules and regulations relating to the valuation hereof.

(III) Valuation 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""(財政部關於印發《資產評估準則 — 基本準則》和《資產評估職業道德準則 — 基本準則》的通知) (Cai Qi [2004] No. 20);

2. the "Notice Issued by the China Association of Certified Public Accountants on the "Guidance and Advice for Registered Assets Appraisers Concerning the Legal Ownership of the Appraised Organization"" (中國註冊會計師協會關於印發《註冊資產評估師關注評估物件法律權屬指導意見》的通知)(Hui Xie [2003] No. 18);

3. the "Notice Issued by the China Appraisal Society on Seven Asset Appraisal Criteria Including "Assets Appraisal Criteria — Appraisal Report"" (中國資產評估協會關於印發《資產評估準則 — 評估報告》等7項資產評估準則的通知) (Zhong Ping Xie [2007] No. 189);

4. the "Guidance and Advice on Assessment of Corporate Value (Trial Implementation)" (企業價值評估指導意見(試行)) (China Appraisal Society Zhong Ping Xie [2004] No. 134);

5. the "Asset Appraisal Standards — Intangible Assets" (資產評估準則 — 無形資產) (China Appraisal Society Zhong Ping Xie [2008] No. 217).

(IV) Asset Ownership Basis

1. the business license and the articles of association of the enterprise in connection with the appraised unit;

2. the previous asset verification reports and audit reports of the enterprise in connection with the appraised unit;

3. the financial information and other business information of the enterprise in connection with the appraised unit as of the Valuation Base Date;

4. the motor vehicle driving license and other related property right information of the assets in connection with the appraised unit;

5. the future forecasts of the enterprise in connection with the appraised unit.

VII. METHODS OF VALUATION

(I) Techniques and ideas for selection of valuation methods

Basic methods for asset valuation include the asset-based approach, market approach and income approach.

1. The asset-based approach refers to a valuation idea where the value of the appraisal target is determined on the basis of a reasonable appraisal of all of the assets and liabilities of the enterprise.

   The asset-based approach is applicable to circumstances where the balance sheet of the enterprise can give an objective view of the financial condition of the enterprise, and where appropriate methods can be adopted to assess the value of each individual asset of the enterprise.

2. The market approach refers to a valuation idea where the value of the appraisal target is determined by comparing the appraised unit with a number of comparable enterprises and with various equity assets including enterprise interest, shareholder interest and securities interest in the existing transaction cases in the marketplace.

   The market approach is applicable to circumstances where there is a sufficient number of transaction cases similar to the appraised assets within the same supply and demand range. Two common methods used in the market approach are the comparable enterprise comparison method and M&A case comparison method respectively.

3. The income approach refers to a valuation idea where the value of the appraisal target is determined through capitalization or discount of the expected revenue of the appraised enterprise.

   The income approach is applicable to circumstances where the revenue and cost that are corresponding to the appraised asset can be relatively quantified on an accurate basis.

(II) Selection of methods of valuation

In accordance with the relevant requirements of the "Guidelines on Valuation of Enterprise Values", in the performance of the tasks of the valuation of the corporate value, registered asset valuers should analyze the applicability of the three major valuation methods including the asset-based method, market method and income method by taking into account a number of considerations such as the appraised unit, valuation objective, value type and data collection, in order to select a single method or multiple methods for asset valuation in an appropriate manner.

The focus of the assets-based approach is placed on the appraisal of the tangible assets of the enterprise. This method is relatively reasonable and reliable for the appraisal of the enterprise with heavier weight on tangible assets. Due to the fact that the tangible assets of Beijing TDR Enviro-Tech Co., Ltd account for a relatively smaller weight of the corporate value, and given that there are restrictions from the accounting audit, the intangible assets of the enterprise and the human resources assets (including technology talents and management elites) that play an important part in the development of a new hi-tech enterprise are generally not incorporated into the financial statements. The asset-based approach can only reflect the sum of various identifiable asset values of the enterprise. This approach, however, can neither give a complete and scientific reflection of the economic value inflows arising from the future revenue of these resources, nor produce a picture of the value of the intangible assets including human resources and management resources of researchers as well as market resources owned by Beijing TDR Enviro-Tech Co., Ltd. As such, the asset-based approach is not applicable to this valuation.

Due to the incompleteness of the disclosure system of enterprise equity transaction information in the PRC, there is limited access to equity exchange market information. Besides, as similar enterprise equity exchange markets are not maturely developed, it is relatively difficult to obtain comparable cases of similar equity transactions. In this light, the market approach is subject to relatively larger limitations. Thus, the market approach is not applicable to this valuation.

In relation to the merits of the adoption of the income approach in the valuation of the corporate value, this method makes use of a variety of means such as returns on investment and discount of revenue to evaluate the value of the appraised enterprise, such that the expected output capacity and profitability of the enterprise are evaluated as the subject matters of the appraisal. This method reflects the overall profitability of the corporate assets, such that the overall corporate value is evaluated on the basis of the overall profitability of the enterprise. This method can help avoid the demerits of the split of the organic entirety of the enterprise, which is the case for the adoption of the asset-based approach.

Beijing TDR Enviro-Tech Co., Ltd, being the appraised unit, is an enterprise with a leading niche in the horizon of the treatment of leachate and the depth treatment of highly-concentrated sewage. It owns intangible assets including a number of patents in the horizon. It is a new hi-tech enterprise with an intelligent asset portfolio that is blended with technology-based intangible assets and innovative talents, thus featuring very strong enterprise entirety. The income approach can give an all-round and scientific picture of the economic value inflows arising from the future revenue of these resources. Therefore, this method is applicable to this valuation.

(III) Specific application of the income approach

In respect of the adoption of the income approach in the valuation of the equity value of the appraised enterprise, the future expected revenue of the major revenue-producing asset and liability portfolio that is corresponding to the equity of the appraised enterprise will be initially estimated. The figures so arrived at will be discounted to present value at an appropriate discount rate, and will be summed up. Then, the value of surplus assets and non-operating assets (assets which require separate appraisals) that are corresponding to the equity of the appraised enterprise will be added thereon, while the value of non-operating liabilities that are corresponding to the equity of the appraised enterprise will be deducted. All these steps can help determine the market value of the equity of the appraised enterprise.

1. Calculation model adopted in the income approach

$$PV = \sum_{i=1}^{n} R_i\,(1 + r)^{-i} + \frac{R_{n+1}}{r}\,(1 + r)^{-n} + VAN - VDN$$

Where:

PV	—	the value of the entire shareholder equity interest;
i	—	the time interval from the Valuation Base Date subsequent to the Valuation Base Date;
n, n+1	—	the respective time intervals from the Valuation Base Date during the final year of the forecast period of the equity to be appraised and during the first year subsequent to the forecast period;
R_i	—	free equity cash flows of the equity to be appraised during the ith year from the Valuation Base Date;
R_{n+1}	—	free equity cash flows of the equity to be appraised during the first year subsequent to the forecast period;
r	—	discount rate that is consistent with the expected revenue of the equity to be appraised;
VAN	—	the value of surplus assets and non-operating assets that are not taken into consideration in the forecast of the expected revenue; and
VDN	—	the value of other liabilities (including non-operating liabilities) that are not taken into account in the forecast of the expected revenue.

2. Revenue type — Free equity cash flows

The revenue type adopted in this appraisal is the operating free cash flows derived from the equity capital of the enterprise. Free cash flows equal to the remaining balance that is arrived at by adding after-tax net profit to non cash expenses including depreciation and amortization, and then by netting off additional investment in working capital and capital expenses. It represents the total amount of after-tax cash flows of the Company, and is distributable to the parties who make the capital contribution to the Company's equity.

Value of the entire shareholder equity	=	the value of operating assets + value of surplus assets + value of non-operating assets – non-operating liabilities
Value of operating assets	=	the sum of present value of cash flows in respect of shareholder equity in each year within the forecast period
Free equity cash flows	=	after-tax profit + depreciation and amortization – capital expenses – additional investment in working capital + increment in interest-bearing liabilities – repayment of the principal amount of interest-bearing liabilities

3. *Discount rate*

In this appraisal, the Capital Asset Pricing Model (CAPM) is adopted to determine the discount rate of net cash flows. The calculation formula of the discount rate is set out as follows:

$$R = R_f + \beta R_{pm} + k$$

Where:

R_f	—	Risk-free return rate;
β	—	Indicator in measuring the systematic risk of a company;
R_{pm}	—	Market risk premium;
k	—	Individual risk premium of the appraised enterprise.

4. *Revenue-producing period*

The appraised enterprise is engaged in the environmental protection industry which is expected to be blessed with sustainable development prospect in the foreseeable future. Barring extraordinary grounds, the business operations of the enterprise will not be discontinued. Accordingly, this appraisal is prepared on a going concern basis and the revenue-producing period is determined to be infinite.

5. *Surplus assets*

Surplus assets represent extra assets that are free from direct relationship with the revenue of the enterprise and are in excess of the requirement of the business operations of the enterprise.

6. *Non-operational assets and liabilities*

Non-operational assets and liabilities represent assets and liabilities that are either free from direct relationship with the revenue of the enterprise or in lack of revenue-producing capacity.

VIII. PROCESSES AND STATUS OF IMPLEMENTATION OF EVALUATION PROCEDURE

According to the procedures of evaluation, the tasks of this valuation have been fulfilled by stages as per the following steps:

(I) Stage of Preliminary Preparation

1. Upon our engagement, our appraisal personnel have consulted with the relevant management personnel of the appraised unit in respect of this valuation, so as to better our understanding of the status of the assets and liabilities that are entrusted to be assessed, to define the appraisal objective as well as the appraisal target and scope, to determine the Valuation Base Date, to provide the appraised unit with asset evaluation information list and demonstrative reporting schedule format, to give the appraised unit instructions on how to fill in the Assets Evaluation Schedule, and to negotiate the time for site investigation and the progress of the appraisal tasks.

2. According to the processes of this valuation and the progress of the appraisal tasks, and on the basis of the features of the assets that are entrusted to be appraised, we have formulated an appraisal plan and an implementation proposal in relation thereto. We have determined the techniques and ideas for the appraisal, and have also analyzed and selected the value type and the appraisal methods.

3. Taking into consideration the scope of appraisal and the appraisal target, we have designated and assigned appraisers by way of a clear labour force configuration and division, through which separate appraisal teams have been formed for physical assets, non-physical assets and liabilities respectively, in order for the teams to take up duties of making thorough asset checks and performing evaluation tasks for the appraised unit.

(II) Stage of site investigation

1. Based on the asset evaluation reporting schedule filled in by the appraised unit, we have assisted the appraised unit in conducting asset check tasks, in order to clarify the existing state, regional distribution characteristics, property right status, stock assets and carrying amount of the assets to be appraised, thereby making sufficient preparation for the evaluation of the value.

2. Verification of the truthfulness and validity of the appraisal target through thorough asset checks

   Our appraisers have paid on-site visits to the places where the assets are located, with a view to conducting thorough checks and stock-taking on the assets of the appraised unit. On this basis, according to the asset valuation reporting schedule, our appraisal personnel have carried out random inspection and verification on those assets. They have also conducted review and examination into the asset property right certificate documents as well as the proof of evidence including contracts, agreements and invoices issued in respect of the economic activities, so as to justify the validity of the legal ownership of those assets.

3. Investigation into historic data and future revenue of the enterprise

   (1) We have conducted investigation into the enterprise's composition of equity capital and the change in the composition of equity capital as well as its composition of revenue and cost of the principal business operations and the change in such composition over the previous years.

   (2) We have collected and understood various production targets and financial targets of the enterprise, and analyzed the change in various targets as well as the operation plan and investment plan of the enterprise in the future years.

   (3) We have acquainted ourselves with the tax policy and other preferential tax treatments of the enterprise.

   (4) We have collected the relevant information relating to the industry in which the enterprise is engaged, in order to better understand the existing status of the industry, the situation of the regional market and the trend for future development.

   (5) We have comprehended the substance of the surplus assets and non-operating assets of the enterprise and the status of those assets.

(III) Stage of evaluation and estimation

Based on certain information obtained from on-the-spot investigation as well as a number of standards and parameters, an initial result of evaluation has been produced from our evaluation and estimation. Advice has been sought from experts in order for us to make further analyses, amendments and improvements. The initial result of evaluation has been reached on this basis.

(IV) Stage of report submission

On the basis of the implementation of the internal quality control procedures of the valuation agency and the completion of the three-tier internal review of the valuation report, following necessary communications with the entrusting party and the relevant parties in respect of the relevant content of the valuation report, the formal valuation report has been issued finally.

IX. ASSUMPTIONS AND RESTRICTIVE CONDITIONS OF THE VALUATION

(I) General Assumptions

1. In situation where the appraised unit is in the course of transaction process, it is assumed that the asset appraiser will place a value for the appraised unit according to simulated marketplace situation including transaction conditions. The result of the appraisal is an estimate of the price at which the appraised unit is most likely to be transacted.

2. It is assumed that the assets involved in the appraised unit are transacted in the open market where each of the buyer and the seller is offered equal opportunity and duration of time to have access to adequate market information. It is also assumed that both the buyer and the seller have acted voluntarily, rationally and without compulsion in the transaction.

3. It is assumed that the assets involved in the appraised unit will be subject to continued use on an in-situ basis according to their purposes and uses as of the Valuation Base Date after the realization of the economic behaviour of the appraisal objective.

(II) Assumptions relating to the State of the Appraised Organization as of the Valuation Base Date

1. It is assumed that the financial statements as of the Valuation Base Date provided by the enterprise are audited, and this valuation is made on the presumption that the carrying amount of the assets is legitimate and fair.

2. It is assumed that the purchase, acquisition, as well as construction and development process of the assets involved in the appraised unit are in line with the relevant laws and regulations of the country.

3. It is assumed that the assets involved in the appraised unit 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 appraised unit have been fully settled.

4. It is assumed that the tangible assets including real estate and equipment involved in the appraised unit 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 without any hazardous materials and other harmful environmental conditions that may cause detrimental impacts on the value of such assets.

(III) Assumptions 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 Valuation Base Date. It is also presumed that those parties who run the business 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 assumed that the enterprise has fully complied with all relevant laws and regulations.

3. It is assumed 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 operations of the enterprise are consistent with the current direction on the basis of the existing management approach and management standard.

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 cause material adverse impacts on the enterprise.

7. It is assumed that the forecast in this valuation is prepared according to the revenue generated by the enterprise in its ordinary course of business on the prerequisite that the enterprise operates in an ordinary course of business, without giving consideration to occasional factors and non-comparable factors.

8. It is assumed that the profit forecast in this valuation is built upon the audited results of the enterprise. On the basis of the profit forecast provided by the enterprise together with the relevant data and information collected by assessment personnel in their survey, the necessary analyses and judgments have been made on the profit forecast of the enterprise, so as to justify the reasonableness of the forecast.

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.

(IV) Restrictive Conditions of the Valuation

The conclusion of this valuation represents the determination of the current fair market value according to the objective of this valuation, the going concern basis and the open market principle. We take no account of any security and guarantee that may be assumed in the future. No consideration is made to any possible additional price bid made by a special party to the transaction that may affect the value so assessed. No thought is given to 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 valuation will generally be null and void.

X. CONCLUSION OF THE VALUATION AND THE RELEVANT ILLUSTRATIONS THEREON

(I) Conclusion of valuation

After carrying out the necessary steps and measures of the valuation, subject to and conditional upon the valuation objective, valuation assumptions and restrictive conditions as set out herein, as at 31 December 2011 (being the Valuation Base Date), the following valuation conclusion is drawn by using the income approach:

The entire equity interest in Beijing TDR Enviro-Tech Co., Ltd is determined at a carrying amount of RMB80,980,200 with an appraised value of RMB507,727,700, representing an increment in the appraised value over the carrying amount of the shareholder equity by RMB426,747,500 or 526.98%.

The proposed acquisition of the 90% equity interest in Beijing TDR Enviro-Tech Co., Ltd is valued at: RMB507,727,700 × 90% = RMB456,955,000.

(II) Analyses of reasons for increment in value

The increment in value is mainly attributable to the following reasons: Firstly, the intangible assets of Beijing TDR Enviro-Tech Co., Ltd (TDR), 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 Valuation Base Date; Secondly, TDR is an enterprise engaged in a hi-tech sector, where a majority part of efforts and resources is focused by the company on research and development expenditures rather than on substantial expansion of asset size according to the characteristics of the industry in which TDR is engaged. Accordingly, the current carrying asset size of TDR cannot give an objective picture of the value of TDR as of the Valuation Base Date. Thirdly, given the industry trends and the operating landscape of TDR, TDR has achieved proven records of profitability and is relatively well-positioned to deliver continued profitability. As such, the value embodied in the revenue generated by TDR for its shareholders will be greater than the carrying amount.

(III) Relevant illustrations on conclusions of the valuation

1. The conclusion of the valuation makes no consideration to expenses of all transaction taxes and handling fees which may be incurred by transactions of the valuation target and the assets involved.

2. The conclusion of the valuation takes no account of the impact of the discount of liquidity, controlling equity premium and minority equity on the value of the valuation target.

3. In the use of the conclusion of this valuation, particular attention is required to be drawn to the sections headed under the "ASSUMPTIONS AND RESTRICTIVE CONDITIONS OF THE VALUATION", the "ILLUSTRATIONS ON SPECIAL MATTERS" and the "ILLUSTRATIONS RELATING TO RESTRICTIONS ON THE USE OF THE VALUATION REPORT".

XI. ILLUSTRATIONS ON SPECIAL MATTERS

The appraisal and estimation of the following matters are beyond the practicing capacity and capability of the Company's registered asset appraiser. However, the said matters may actually affect the conclusion of this valuation. Thus, users of this valuation report should particularly take note of the following points:

1. The assumptions and restrictive conditions as set out herein are the prerequisites of this valuation, and these assumptions and restrictive conditions shall only remain valid up to the date of the Valuation Base Date. In the event that there is relatively significant change in the economic conditions and the aforementioned assumptions in the future, the appraisal personnel shall assume no responsibility for any variance in the conclusion of the valuation of the assets as a result of any change in the prerequisites.

2. Economic activities documents, business license, property right evidence certificates, financial statements, accounting documents, asset schedules and other relevant information incidental to the valuation as provided by the entrusting party and the appraised unit shall form the basis of preparation for this report. Our valuation tasks are largely dependant upon the relevant information provided by the entrusting party and the appraised unit. Hence, the validity of the conclusion of this valuation is subject to the truthfulness and legitimacy of the relevant economic behaviour documents, titles of ownership and proof of evidence of the relevant assets and accounting documents that are provided by the entrusting party and the appraised unit.

3. An independent examination has been conducted by us into the economic behaviour documents, business licenses, property right evidence certificates and accounting documents provided by the entrusting party and the appraised unit. However, we make no guarantee as to the authenticity and authority of the above information in any form.

4. For any defects in the appraised unit that may affect the evaluated value of the assets, if such defects have been specifically illustrated at the time when we accept the engagement and have not come to the notice of the appraisal personnel in their performance of the valuation procedures, the appraisal agency and the appraisal personnel shall bear no responsibility in connection therewith.

5. No consideration is given to factors such as expenses and taxes that may otherwise incur on the disposal of the assets to be reported and evaluated that may affect the value of these assets. We make no allowance for any taxes that are payable for any increase or decrease in value on the revaluation of each category of assets.

6. Post-Valuation Base Date events of significance:

   Post-Valuation Base Date events of significance refer to significant events that take place during the period from the Valuation Base Date to the date of the issue of the valuation report. In respect of this report, the appraisal agency is not aware of any discloseable significant event that takes place subsequent to the Valuation Base Date.

   Subsequent to the Valuation Base Date and during the effective period of the valuation report, the change in the quantity of assets and consideration standards shall be dealt with according to the following principles:

   1. The amount of the assets shall be correspondingly adjusted in accordance with the original valuation approach when there is a change in the quantity of assets that in turn affects the original basis of valuation;

   2. The entrusting party shall retain a qualified valuation agency to timely re-valuate the consideration when there is a change in the pricing standard of the assets, especially when there is any unpredictable event that affects the economic development trend and that in turn lead to significant impact on the selection of original appraisal parameters; and

   3. The entrusting party should make adequate allowance for the change in asset quantity and pricing standard subsequent to the Valuation Base Date in the determination of the actual consideration of the assets, and should make corresponding adjustments in relation thereto.

XII. ILLUSTRATIONS RELATING TO RESTRICTIONS ON THE USE OF THE VALUATION REPORT

1. The use of this valuation report shall be limited to the valuation objective and purpose as specified herein.

2. The valuation report may only be used by users of the valuation report as specified herein.

3. This valuation report shall be used by users of the valuation report in a reasonable manner by taking into account the asset status and the change in the market conditions during the validity period subsequent to the Valuation Base Date. No statements in the conclusion of this valuation shall be deemed as a guarantee as to the price at which the appraisal target is likely to be realized.

4. Unless provided for by the provisions of laws and regulations or otherwise agreed by the related parties, none of the content of this valuation report may be extracted, quoted or disclosed in public media without prior consent from the appraisal agency.

5. This valuation report shall remain in force during the year from 31 December 2011 (being the Valuation Base Date) to 30 December 2012, and the re-valuation of the assets shall be required upon expiry of the year.

XIII. DATE OF ISSUE OF THE VALUATION REPORT

The date of the issue of the finalized conclusion of this valuation report is 15 June 2012.

Legal representative: 曹寧 (Cao Ning)
PRC Certified public valuer: 孫靜梅 (Sun Jingmei)
PRC Certified public valuer: 劉萬雲 (Liu Wanyun)

北京中科華資產評估有限公司
(Beijing Zhongkehua Assets Appraisal Company Limited)

In this valuation report of TDR, the content is the translation of the Chinese version and included herein for illustration purpose only. In the event of any inconsistency, the Chinese version shall prevail.

B. 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

C. LETTER FROM THE COMPANY'S AUDITOR

HLB 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

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name	Name of company in which interests or short positions were held	Nature of interests	Number of shares	Approximate percentage of shareholding
Jiang Zhaobai	The Company	Interests of controlled corporation *(Note)*	709,000,000 Shares (L)	11.66%
Shen Angang	The Company	Beneficial owner	187,865,000 Shares (L)	3.1%
Lam Cheung Shing, Richard	The Company	Beneficial owner	7,700,000 Shares (L)	0.13%
Zhu Deyu	The Company	Beneficial owner	10,000,000 Shares (L)	0.16%
Lu Yaohua	The Company	Beneficial owner	10,000,000 Shares (L)	0.16%

(L) denotes the long position held in the Shares

Note: These Shares are held by Pengxin Holdings Company Limited, which is wholly and beneficially owned by Mr. Jiang Zhaobai, an executive Director and the chairman of the Company.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders and persons having 5% or more shareholding

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2012, being the date to which the latest audited consolidated accounts of the Company have been made up) or had options in respect of such capital:

Name	Name of company in which interests or short positions were held	Nature of interests	Number of shares/amount of registered capital	Approximate percentage of shareholding
Chu Yuet Wah	The Company	Interests of controlled corporation *(Note 1)*	1,033,300,000 Shares (L)	16.99%
Rich Monitor Limited	The Company	Beneficial owner	1,033,300,000 Shares (L)	16.99%
Pengxin Holdings Company Limited	The Company	Beneficial owner	709,000,000 Shares (L)	11.66%
韓立新 (Han Lixin)	Beijing Company	Beneficial owner	RMB24,602,000	63.57%
朱東柯 (Zhu Dongke)	Beijing Company	Beneficial owner	RMB4,675,000	12.08%

(L) denotes long position in the Shares

Notes:

1. *The entire issued share capital of Rich Monitor Limited is held by Chu Yuet Wah. Therefore, Chu Yuet Wah is deemed to be interested in 1,033,300,000 Shares under the SFO.*

2. *The entire issued share capital of Pengxin Holdings Company Limited is held by Jiang Zhaobai. Therefore, Jiang Zhaobai is deemed to be interested in 709,000,000 Shares under the SFO.*

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2012, being the date to which the latest audited consolidated accounts of the Company have been made up) or who had any options in respect of such capital.

3. SERVICE CONTRACT

As at the Latest Practicable Date, there was no service contract or any proposed service contract between any of the Directors or proposed Directors and the Company or any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2012, being the date to which the latest audited consolidated accounts of the Company have been made up), excluding contracts expiring or determinable by the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2012, being the date to which the latest audited consolidated accounts of the Company have been made up) within a year without payment of any compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors or their respective associates had any interests in any business which competed or might compete with the business of the Group as at the Latest Practicable Date.

5. MATERIAL INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in the assets which had been, since 31 March 2012, being the date to which the latest published audited consolidated accounts of the Company were made up, acquired or dispose of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Enlarged Group.

6. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, neither the Company nor any member of the Enlarged Group was engaged in any litigation nor or were there claims of material importance pending or threatened against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2012, being the date to which the latest audited consolidated accounts of the Company have been made up) within two years immediately preceding the Latest Practicable Date:

(a) the memorandum of understanding dated 10 January 2011 entered into between the Company and Northwest Nonferrous International Investment Co., Ltd in relation to the formation of a joint venture in Hong Kong for the purpose of seeking favourable mineral resources exploration projects worldwide, conducting evaluation and feasibility studies for the potential projects, providing consultation and management, and/or investment in projects;

(b) the sale and purchase agreement dated 2 March 2011 entered into between Interchina Resources Holdings Co., Ltd, a wholly-owned subsidiary of the Company, and Zhou Yuning in relation to the acquisition of entire equity interest in and the shareholder's loan owing by Universe Glory Limited ("**Universe Glory**") at consideration of HK$800,000,000;

(c) the joint venture agreement dated 16 May 2011 entered into between Heilongjiang Interchina and 湘潭九華經濟建設投資有限公司 (Xiangtan Jiuhua Economic Construction Investment Company Limited*) in relation to the formation of a joint venture in the PRC with registered capital of RMB150,000,000, to engage in the construction and operation of a water supply project in the Xiangtan Jiuhua Demonstration Zone, Hunan Province, the PRC;

(d) the franchise agreement dated 25 August 2011 entered into between Heilongjiang Interchina and the People's Government of Dongying City, Hekou District for which Heilongjiang Interchina was granted an exclusive right to invest, construct and operate the sewage treatment project of Shandong Hekou Lanse Economic Development Zone in the PRC with a capacity of 40,000 tonnes/day, with a franchise period of 30 years;

(e) the share transfer agreement dated 28 October 2011 entered into between Heilongjiang Interchina and 西安閻良航城水務有限公司 (Xian Yanliang Hang Cheng Water Co., Ltd.*) in respect of the disposal of 99% equity interest of 西安航空科技產業園供排水有限公司 (Xian Aviation Technology Asset Zone Water Supply Co., Ltd.*) and the shareholders' loan at the consideration of RMB149,500,000;

(f) the two placing agreements dated 13 December 2011 entered into between the Company and Kingston Securities Limited ("**Kingston Securities**") as placing agent in relation to (i) the placing of 712,000,000 Shares at HK$0.31 per Share and (ii) the placing of convertible notes up to the principal amount of HK$294,500,000 with the conversion price of HK$0.31 per Share;

(g) the master agreement dated 6 January 2012 entered into between the Company and Kingston Capital Asia Limited ("**KCA**") in relation to the engagement of KCA and its subsidiaries ("**KCA Group**") for provision of services including but not limit to placement, underwriting or sub-underwriting of securities, brokerage, margin financing and financial advisory services and other ancillary services to the Group from time to time for a fixed term commencing on the date of the agreement up to 31 March 2014 and such fees payable to KCA Group should be limited by the annual caps of HK$28,000,000 for the three months ended 31 March 2012 and HK$30,000,000 for each of two years ending 31 March 2014;

(h) the February Agreement;

(i) the Option Agreement;

(j) the joint venture agreement dated 9 March 2012 entered into between Heilongjiang Interchina and 湘潭九華經濟建設投資有限公司 (Xiangtan Jiuhua Economic Construction Investment Company Limited*) and 湘潭市污水處理有限公司(Xiangtan City Sewage Treatment Company Limited*), in relation to the formation of a joint venture in the PRC with registered capital of RMB48,000,000, to manage, operate and maintain a sewage treatment plant in Xiangtan City, Hunan Province, the PRC;

(k) the placing agreement dated 29 March 2012 entered into between the Company and Kingston Securities as placing agent in relation to the placing of up to 854,000,000 Shares at HK$0.42 per Share;

(l) the sale and purchase agreements entered dated 25 April 2012 signed by 上海萊因思置業有限公司 and the Company and Shanghai Interchina Club Limited, a wholly-owned subsidiary of the Company, in relation to the sale and purchase of the 5 residential units with the total floor areas of approximately 1,748.77 sq. m. located in Above The Bund (白金灣府邸), 18 Hai Ping Road, Hongkou District, Shanghai, the PRC at the aggregate consideration of RMB194,127,315;

(m) the supplemental agreement dated 7 May 2012 in relation to the grant of options as set out in the Option Agreement by the same parties in relation to the extension of the option period;

(n) the strategic cooperation framework agreement dated 31 May 2012 entered into between Heilongjiang Interchina and the Research Centre for Eco-Environmental Sciences, Chinese Academy of Sciences in relation to the establishment of a joint venture company, namely 國中中科環境科技創新有限責任公司 (Interchina CAS Ecological Scientific Innovation Co. Ltd.*) with the registered capital of RMB50,000,000;

(o) the supplemental agreement dated 18 June 2012 entered into between the Company and Kingston Securities to amend the terms of the placing agreement dated 29 March 2012 such that (i) the placing price of up to 854,000,000 Shares from HK$0.42 to HK$0.34 and (ii) the long-stop date of the placing agreement dated 29 March 2012 be extended from 29 June 2012 to 15 August 2012;

(p) the Sale and Purchase Agreement;

(q) the memorandum of understanding dated 28 June 2012 entered into between Universe Glory and All Yield Investments Limited, Lianbo Limited, Mr. Daniel Cherlin and Mr. Aristoteles Cherlin in relation to propose the acquisition of 35% equity interest in PT. Satwa Lestari Permai, a 65% owned subsidiary of Universe Glory; and

(r) the letter of intent dated 28 August 2012 entered into between Equal Smart Profits Limited, an indirect wholly-owned subsidiary of the Company and Warburg Pincus Asia LLC in relation to propose the disposal of the Shanghai Property at the intended consideration of RMB280,000,000.

8. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinions or advices contained in this circular:

Name	**Qualification**
HLB Hodgson Impey Cheng Limited	Chartered accountants and certified public accountants
北京中科華資產評估有限公司 (Beijing Zhongkehua Assets Appraisal Company Limited)	Registered valuer in the PRC, qualified to carry out assets valuation granted by the Ministry of Finance of the PRC and the CSRC

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any assets which had been, since 31 March 2012, being the date to which the latest audited consolidated accounts of the Company have been made up, acquired, disposed of or leased to any member of the Group, or were proposed to be acquired, disposed of or leased to any member of the Group.

9. MISCELLANEOUS

(a) The registered office of the Company is at Room 701, 7/F, Aon China Building, 29 Queen's Road Central, Hong Kong.

(b) The share registrar and transfer office of the Company is Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.

(c) The secretary of the Company is Mr. Lau Chi Lok, Freeman who is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia.

(d) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at Room 701, 7/F, Aon China Building, 29 Queen's Road Central, Hong Kong during 9:00 a.m. to 6:00 p.m. on any Business Day, from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;

(c) the annual reports of the Company for the two years ended 31 March 2012;

(d) the accountants' report from HLB Hodgson Impey Cheng Limited on Beijing Company, the text of which is set out in Appendix II to this circular;

(e) the report from HLB Hodgson Impey Cheng Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(f) the business valuation report from Beijing Zhongkehua Assets Appraisal Company Limited on the Beijing Company, the text of which is set out in Appendix V to this circular;

(g) the written consents referred to in the paragraph headed "Experts and consents" in this Appendix;

(h) the circulars of the Company dated 4 May 2012 and 28 September 2012 respectively; and

(i) this circular.

INTERCHINA HOLDINGS COMPANY LIMITED

國中控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "**EGM**") of Interchina Holdings Company Limited (the "**Company**") will be held at Room 701, Aon China Building, 29 Queen's Road Central, Hong Kong on Wednesday, 19 December 2012, at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as ordinary resolution of the Company:

Ordinary Resolution

"**THAT:**

(i) the sale and purchase agreement (the "**SP Agreement**", a copy of which has been produced to the meeting marked "A" and signed by the chairman of the meeting for the purpose of identification) dated 21 June 2012 entered into between 黑龍江國中水務股份有限公司 (Heilongjiang Interchina Water Treatment Company Limited), a subsidiary of Interchina Holdings Company Limited (the "**Company**"), as purchaser and 韓德民(Han Demin), 韓立新(Han Lixin), 韓宇 (Han Yu), 韓子石 (Han Zishi), 朱東柯 (Zhu Dongke), 張靜 (Zhang Jing) and 北京首佳融通物流技術有限公司 (Beijing Sojarton Logistics Technology Co., Ltd.) as vendors in relation to the sale and purchase of an aggregate of 90% equity interests in 北京天地人環保科技有限公司 (Beijing TDR Enviro-Tech Co., Ltd) at the aggregate consideration of RMB495 million be and are hereby approved, confirmed and ratified; and

(ii) the directors of the Company be and are hereby authorised on behalf of the Company to do all such things and sign, seal, execute, perfect and deliver all such documents as they may in their discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation and/or give effect to any matters relating to SP Agreement and the transactions contemplated thereunder."

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

Hong Kong, 23 November 2012

Registered office:
Room 701, 7th Floor
Aon China Building
29 Queen's Road Central
Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the above meeting may appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a shareholder of the Company.

2. Where there are joint registered holders of any share of the Company (the "**Share**"), any one such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.

3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of the Company's share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

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