



中國環投
CHINA
ENVIRONMENTAL
INVESTMENT



Interim Report 2013

CHINA ENVIRONMENTAL INVESTMENT
HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)
Stock code : 260

CONTENTS

	<i>PAGE(S)</i>
MANAGEMENT DISCUSSION AND ANALYSIS	2-5
OTHER INFORMATION	6-11
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	12-13
INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT	14
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	15
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	16-17
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	18
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	19
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	20-38

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's consolidated revenue increased by 13.7% to HK\$570,725,000 for the six-month period ended 30 June 2013 (2012: HK\$501,990,000). The consolidated revenue consisted of its business of compressed natural gas ("CNG") and liquefied petroleum gas ("LPG") vehicle refueling stations in China, light-emitting diode ("LED") energy management contracts ("EMC") and trading of LED products, and provision of finance lease and loan services. Increase in consolidated revenue was mainly attributed to growth in the gas business in the People's Republic of China (the "PRC") and to a lesser extent, the new LED EMC business.

The Group's gross profit for the six-month period ended 30 June 2013 was HK\$145,071,000 (2012: HK\$98,500,000) representing an increase of 47.3% from last corresponding period. The increase is mainly resulted from continuous growth in gas revenue, and increase in overall gross profit margin from 19.6% to 25.4% for the period under review.

The Group made a profit attributable to owners of the parent for the six-month period ended 30 June 2013 amounting to HK\$1,078,000 (2012: loss of HK\$8,703,000). Despite increases in overhead expenses, the change from a loss to a slight profit in the current period was mainly due to the net gain on deemed disposal of an associate and higher gross profit margin.

Operational Review

(1) Gas Business

The Group's gas business achieved steady growth and made positive contributions to the Group on a segment basis. During the review period, the Group's CNG and LPG sales amounted to 80,864,000 m³ and 23,025 tons respectively, representing increases of 2.9% and 0.2% respectively over last corresponding period. The increase in gas revenue is mainly due to the price hike. In addition, the increase in the gas gross profit is mainly due to higher LPG price margin and a larger portion of CNG was sold to taxis which fetched a higher gross profit margin than buses.

(2) LED Business

During the period under review, the Group has finalized the negotiation for a number of LED street lighting EMC projects in Henan, Jiangsu, Zhejiang, Guangdong and Hunan. If these projects materialize, the number of street lights under management would more than double to approximately 26,000. Revenue from the Group's LED business increased more than three times to HK\$14.1 million in the first half of 2013 comparing to the first half of 2012. Gross profit also witnessed strong improvement, reaching HK\$4.6 million, a more than 200% jump from the same period of 2012. However, net loss of this segment widened to HK\$8.8 million, from HK\$1.3 million in 2012 mainly due to higher administrative expenses incurred in setting up offices in various regions to cater for new projects. Although the Dajian Road Project in the Fangshan district in Beijing was completed on schedule, the government's inspections and construction acceptance took longer than expected. Hence income from this project will only start to reflect in the segment's accounts in the second half of 2013.

Operational Review (Continued)

(3) Finance Leasing Business

Given the strategic positioning of Guangdong Zi Yu Tai Finance Leasing Company Limited ("Guangdong Ziyutai") as the financier of the Group's LED business, Guangdong Ziyutai's financial performance is basically the derivative of the Group's LED business; therefore, its performance for the first half of 2013 was stagnant in line with LED business. However, Guangdong Ziyutai is expected to continue to play an important strategic role to finance the Group's LED growing business.

Business Outlook

In recent years, the PRC government has taken continuous measures to promote the utilization of natural gas in order to diversify the national energy base and reduce reliance on the more polluting energy. Policy supports relating to the Group's gas business include the Twelfth Five-Year Plan that designated natural gas as an important fuel source and the Natural Gas Utilization Policy, which categorizes natural gas for automobiles as the "prioritized group". The Group expects the recent hike in gas supply prices would result in a squeeze in the profit margins in the short term but remains optimistic about the long term development of its gas business.

In early August, the State Council of the PRC issued a "Guideline on accelerating the development of energy-saving and environmental protection industry" (hereinafter referred to the "Guideline"), which specifically aims to promote the development of semiconductor lighting industry and the application of energy management contracts, which will directly benefit the Group's LED EMC business. Various financial supports such as subsidies, rewards and interest discounts will be provided by the government to facilitate investment in the environmental protection industry. Under the Guideline, the process of LED industry integration will be accelerated, which will phase out plenty of insolvent LED manufacturers. Opportunities will arise for the Group where the Group can readily work with those LED manufacturers that lack capital, to acquire unexecuted signed LED EMC projects at an attractive price and enjoy lower costs in purchasing LED products. Currently, the Group is under negotiation to take over some of the signed LED EMC street lighting and indoor lighting projects. Furthermore, the availability of over RMB1 billion credit line from a number of leading banks in China to Guangdong Ziyutai, gives the EMC business a strategic advantage to stay ahead of the competition.

On the other hand, China's economic slowdown has taken its toll. Burdened by local government debts, some local authorities were forced to cut back infrastructure spending, at least for the time being. A couple of the Group's about-to-sign projects were pushed back as a result. Whether these circumstances are representative or isolated cases remains to be seen, they have nevertheless slowed down the progress of the Group's new projects.

Financial Resources

During the six-month period ended 30 June 2013, the financial position of the Group was strengthened by the net proceeds of approximately HK\$142 million received from the issuance of 730,000,000 Company's ordinary shares in January 2013. The proceeds are used partly as reserve of cash resources to fund the future business expansion of the Group and partly as general working capital.

At 30 June 2013, the Group's total borrowings (including interest-bearing bank and other borrowings, loans from a related company and convertible bond) amounted to approximately HK\$1,143.2 million (31 December 2012: HK\$363.7 million), of which HK\$935.8 million (31 December 2012: Nil) and HK\$123 million (31 December 2012: HK\$166.4 million) were related to bank borrowings at operating subsidiaries level funding the PRC operations denominated in United States Dollars and Renminbi respectively. As a result, the Group's gearing ratio, representing the ratio of Group's total borrowings to total equity of HK\$1,184 million (31 December 2012: HK\$1,025.3 million) was 96.6% (31 December 2012: 35.5%). Cash and bank balances and pledged deposits amounted to HK\$1,277.4 million (31 December 2012: HK\$353.8 million). However, net debt ratio remains at a healthy level of 3.8% (31 December 2012: 13.1%).

During the six-month period ended 30 June 2013, the Group was not materially exposed to foreign currency risk.

Interim Dividend

The board of directors of the Company (the "Board") does not recommend the payment of interim dividend for the six-month period ended 30 June 2013 (2012: Nil).

Staff Benefits

At 30 June 2013, the Group had a total of 1,389 employees (2012: 1,338). The staff costs for the six-month period ended 30 June 2013 amounted to approximately HK\$66.4 million (2012: HK\$40.9 million). The Group continues to provide remuneration package to employees according to market practices, their experience and performance. Other benefits include contribution of statutory mandatory provident fund for the employees and medical scheme. There was no major change on staff remuneration policies during the period.

Human Resources

Apart from remunerating and promoting staff according to an established mechanism based on individual performance, experience, professional qualification and prevailing market practices, the Group provides internal training for existing staff and makes further study part of the welfare or incentive system for staff. This aims to encourage staff to embark on life-long study, and to formulate a feasible plan for their career development, which lays a solid foundation for sound and sustainable development of the Group.

Pledge of Assets

At 30 June 2013, the Group had pledged certain buildings, finance lease receivables and bank deposits for certain bank borrowings granted.

By order of the Board

Ji Hui

Chief Executive Officer

Hong Kong
23 August 2013

As of the date of this interim report, the Board comprises nine directors, of which Mr. Ji Guirong (Chairman) is the non-executive director; Mr. Ji Hui (Chief Executive Officer), Mr. Zang Zheng, Mr. Zhang Chuanjun, Mr. Zhang Ning (Chief Financial Officer) and Mr. Xiao Wei are the executive directors; Mr. Wang Zhonghua, Mr. Zhong Qiang and Mr. Hu Xiaowen are the independent non-executive directors.

OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2013, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in share options of the Company:

Name of director	Number of options directly beneficially owned
Ji Guirong	52,350,000
Ji Hui	32,000,000
Zhang Chuanjun	40,000,000
Zhang Ning	30,000,000
	154,350,000

Save as disclosed above, as at 30 June 2013, none of the directors of the Company had registered an interest or a short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Pursuant to the ordinary resolution passed by the shareholders at the annual general meeting of the Company held on 21 June 2013 (the "AGM"), the Scheme mandate limit was refreshed so that the Company was authorised to grant share options under the existing Scheme for subscription of up to a total of 438,378,253 shares, representing approximately 10% of the issued share capital of the Company as at the date of the AGM.

SHARE OPTION SCHEME (Continued)

The following table discloses movements in the Company's share options under the Scheme outstanding during the period.

Name or category of participant	Number of share options					At 30 June 2013	Date of grant of share options ¹	Exercise period of share options	Exercise price of share options HK\$ per share ²
	At 1 January 2013	Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period				
Directors									
Ji Guirong	7,450,000	-	-	-	-	7,450,000	23-8-07	1-10-07 to 31-1-15	0.233
	7,450,000	-	-	-	-	7,450,000	23-8-07	1-1-08 to 31-1-15	0.233
	7,450,000	-	-	-	-	7,450,000	23-8-07	1-7-08 to 31-1-15	0.233
	30,000,000	-	-	-	-	30,000,000	31-8-10	31-8-10 to 30-8-20	0.227
	52,350,000	-	-	-	-	52,350,000			
Ji Hui	2,000,000	-	-	-	-	2,000,000	3-1-06	1-2-06 to 31-1-15	0.20
	30,000,000	-	-	-	-	30,000,000	31-8-10	31-8-10 to 30-8-20	0.227
	32,000,000	-	-	-	-	32,000,000			
Zhang Chuanjun	10,000,000	-	-	-	-	10,000,000	3-1-06	1-2-06 to 31-1-15	0.20
	30,000,000	-	-	-	-	30,000,000	31-8-10	31-8-10 to 30-8-20	0.227
	40,000,000	-	-	-	-	40,000,000			
Zhang Ning	15,000,000	-	-	-	-	15,000,000	13-6-12	13-6-13 to 12-6-22	0.236
	15,000,000	-	-	-	-	15,000,000	13-6-12	13-6-14 to 12-6-22	0.236
	30,000,000	-	-	-	-	30,000,000			
	154,350,000	-	-	-	-	154,350,000			
Consultants									
In aggregate	57,150,000	-	-	-	-	57,150,000	23-8-07	1-10-07 to 31-1-15	0.233
	57,150,000	-	-	-	-	57,150,000	23-8-07	1-1-08 to 31-1-15	0.233
	57,150,000	-	-	-	-	57,150,000	23-8-07	1-7-08 to 31-1-15	0.233
	127,500,000	-	-	-	-	127,500,000	31-8-10	31-8-10 to 30-8-20	0.227
	24,490,000	-	-	-	-	24,490,000	13-6-12	13-6-13 to 12-6-22	0.236
	24,490,000	-	-	-	-	24,490,000	13-6-12	13-6-14 to 12-6-22	0.236
	347,930,000	-	-	-	-	347,930,000			
Other employees									
In aggregate	78,750,000	-	-	-	(3,750,000)	75,000,000	31-8-10	31-8-10 to 30-8-20	0.227
	581,030,000	-	-	-	(3,750,000)	577,280,000			

SHARE OPTION SCHEME (Continued)

Notes to the table of share options outstanding during the period:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2013, the following interests and short positions of 5% or more of the issued share capital and convertible bonds of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Notes	Long/short position	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of convertible shares (issuable under the convertible bonds) held	Percentage of the Company's issued share capital if the convertible shares were exercised
Billirich Investment Limited ("Billirich")	(a)	Long	Beneficial owner	1,031,595,000	23.53%	220,322,859	5.03%
AVIC International Holding (HK) Limited ("AVIC Int'l")	(a)	Long	Interest of a controlled corporation	1,031,595,000	23.53%	220,322,859	5.03%
Tacko International Limited	(a)	Long	Interest of a controlled corporation	1,031,595,000	23.53%	220,322,859	5.03%
AVIC International (HK) Group Limited	(a)	Long	Beneficial owner and interest of a controlled corporation	1,535,618,891	35.03%	220,322,859	5.03%
AVIC International Holding Corporation	(a)	Long	Interest of a controlled corporation	1,535,618,891	35.03%	220,322,859	5.03%
Aviation Industry Corporation of China	(a)	Long	Interest of a controlled corporation	1,535,618,891	35.03%	220,322,859	5.03%
Grand Win Overseas Ltd. ("Grand Win")	(b)	Long	Beneficial owner	313,965,000	7.16%	-	-
Sun Shining Investment Corp.	(b)	Long	Interest of a controlled corporation	313,965,000	7.16%	-	-
Tai Yuen Textile Company Ltd.	(b)	Long	Interest of a controlled corporation	313,965,000	7.16%	-	-

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

Notes:

- (a) Billirich is a wholly-owned subsidiary of AVIC Int'l. Tacko International Limited, together with its wholly-owned subsidiary, hold in aggregate approximately 40.82% of the issued capital of AVIC Int'l. Tacko International Limited is a wholly-owned subsidiary of AVIC International (HK) Group Limited, which in turn is a wholly-owned subsidiary of AVIC International Holding Corporation. AVIC International Holding Corporation is a non-wholly-owned subsidiary of Aviation Industry Corporation of China. Accordingly, all these corporations are deemed to be interested in the shares and convertible shares held by Billirich.
- (b) Grand Win is a wholly-owned subsidiary of Sun Shining Investment Corp. Tai Yuen Textile Company Ltd. beneficially owns 82.85% equity interest in Sun Shining Investment Corp. and therefore, these corporations are deemed to be interested in the shares held by Grand Win.

Save as disclosed above, as at 30 June 2013, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

NEW SHARES ISSUED

As at 30 June 2013, the total number of issued shares of the Company was 4,383,782,539. As compared with the position of 31 December 2012, a total of 730,000,000 new shares were issued during the period.

On 17 January 2013, the Company entered into a placing and subscription agreement for the placement up to 730,000,000 placing shares at a price of HK\$0.20 per placing share. The share placing arrangement was completed on 28 January 2013. The net proceeds of approximately HK\$142 million are used by the Company partly as reserve of cash resources to fund the future business expansion of the Group and partly as general working capital.

CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2013, the Company has complied with the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules (the "CG Code"), save and except as disclosed below:

CORPORATE GOVERNANCE PRACTICES (Continued)

- (i) under code provision A.4.1 of the CG Code, non-executive directors of the Company should be appointed for a specific term, subject to re-election. The non-executive directors of the Company have not been appointed for a specific term. However, the non-executive directors of the Company are subject to retirement and re-election at least once every three years in accordance with the articles of association of the Company.
- (ii) under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors of the Company should attend general meetings of the Company. Mr. Ji Guirong, the chairman of the Board and the non-executive director, Mr. Wang Zhonghua and Mr. Zhong Qiang, both independent non-executive directors, were unable to attend the annual general meeting of the Company held on 21 June 2013 as they had other engagements in China.
- (iii) under code provision D.1.4 of the CG Code, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointments. The Company did not have formal letters of appointment for directors. However, the directors of the Company shall be subject to retirement and re-election in accordance with the articles of association of the Company. Moreover, the directors of the Company are required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry, and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" published by the Hong Kong Institute of Directors in performing their duties and responsibilities as directors. In addition, the directors of the Company are required to comply with the requirements under statute and common law, the Listing Rules, Companies Ordinance, legal and other regulatory requirements, if applicable.
- (iv) under code provision E.1.2 of the CG Code provides that the chairman of the Board should attend the annual general meeting and also invite the chairmen of audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

Due to another business engagement, Mr. Ji Guirong, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 21 June 2013. However, Mr. Ji Hui, the chief executive officer of the Company, took the chair of that meeting and an independent non-executive director of the Company, being the chairman of the audit committee and of the remuneration committee, and also being a member of the nomination committee was present thereat and was available to answer questions to ensure effective communication with the shareholders of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Following specific enquiry by the Company, all directors of the Company confirmed that they had complied with the required standards as set out in the Model Code during the period.

AUDIT COMMITTEE

The audit committee, comprises the three independent non-executive directors of the Company, namely Mr. Wang Zhonghua, Mr. Zhong Qiang and Mr. Hu Xiaowen (chairman of the audit committee), has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Group's unaudited interim condensed consolidated financial statements for the period have been reviewed by the audit committee, who is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all legal requirements, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee, comprises the non-executive director, Mr. Ji Guirong, and two independent non-executive directors, namely Mr. Zhong Qiang and Mr. Hu Xiaowen (chairman of the remuneration committee), of the Company, is responsible for reviewing and evaluating the remuneration policies of executive directors and senior management and making recommendations to the Board from time to time.

NOMINATION COMMITTEE

The nomination committee comprises four members including the non-executive director, Mr. Ji Guirong (chairman of the nomination committee) and three independent non-executive directors, namely Mr. Wang Zhonghua, Mr. Zhong Qiang and Mr. Hu Xiaowen. The principal duties of the nomination committee are to review the structure, size and composition of the Board, assess the independence of the independent non-executive directors and to make recommendations to the Board on appointment and re-appointment of directors.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2013 have been reviewed by the audit committee, and the external auditors, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**



Ernst & Young
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
Tel: +852 2846 9888
Fax: +852 2868 4432
www.ey.com

安永會計師事務所
香港中環添美道1號
中信大廈22樓
電話：+852 2846 9888
傳真：+852 2868 4432
www.ey.com

To the board of directors of China Environmental Investment Holdings Limited

(Incorporated in Hong Kong with limited liabilities)

Introduction

We have reviewed the interim financial information set out on pages 14 to 38, which comprise the interim condensed consolidated statement of financial position of China Environmental Investment Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013 and the related interim condensed consolidated statement of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34").

The directors of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primary of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

23 August 2013

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended	
		30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
REVENUE	5	570,725	501,990
Cost of sales		(425,654)	(403,490)
Gross profit		145,071	98,500
Other income	5	8,698	4,506
Selling and distribution costs		(52,317)	(45,353)
Administrative expenses		(82,574)	(54,973)
Other operating expenses, net		(4,126)	(1,806)
Finance costs	6	(10,587)	(7,328)
Gain on deemed disposal of an associate		30,367	-
Share of profits and losses of jointly-controlled entities		9	4,245
Share of profits and losses of associates		(12,411)	(95)
PROFIT/(LOSS) BEFORE TAX	7	22,130	(2,304)
Income tax expense	8	(9,453)	(5,274)
PROFIT/(LOSS) FOR THE PERIOD		12,677	(7,578)
Attributable to:			
Owners of the parent		1,078	(8,703)
Non-controlling interests		11,599	1,125
		12,677	(7,578)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		HK0.03 cents	(HK0.26 cents)
Diluted		HK0.02 cents	(HK0.26 cents)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	12,677	(7,578)
OTHER COMPREHENSIVE INCOME/(LOSS)		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE CONDENSED CONSOLIDATED INCOME STATEMENT:		
Share of other comprehensive income of an associate	801	–
Reserve released on deemed disposal of an associate	(801)	–
Exchange differences on translation of foreign operations	81	(903)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	81	(903)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	12,758	(8,481)
Attributable to:		
Owners of the parent	1,159	(9,606)
Non-controlling interests	11,599	1,125
	12,758	(8,481)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	446,502	406,355
Investment properties	12	35,560	5,787
Prepaid land lease payments		50,759	51,943
Goodwill		150,518	150,518
Intangible assets		15,501	16,022
Investments in jointly-controlled entities		54,809	54,800
Investment in an associate		–	98,954
Available-for-sale investment	13	116,910	–
Concession finance receivables	14	43,179	45,469
Trade receivables	15	8,077	–
Prepayments and deposits		75,774	49,543
Deposit paid for acquisition of land use right		6,559	3,645
Deposit paid for acquisition of a subsidiary		–	78,352
Finance lease receivables		6,250	9,691
Total non-current assets		1,010,398	971,079
CURRENT ASSETS			
Inventories		2,172	4,706
Trade and bills receivables	15	86,181	70,927
Prepayments, deposits and other receivables		61,897	56,658
Loan receivable from a related company	22(b)(ii)	6,200	–
Finance lease receivables		15,286	18,073
Due from non-controlling shareholders	22(b)(i)	34,110	27,784
Due from jointly-controlled entities	22(b)(i)	12,568	7,024
Investment at fair value through profit or loss		–	3,317
Pledged deposits		940,777	–
Cash and bank balances		336,666	353,838
Total current assets		1,495,857	542,327
CURRENT LIABILITIES			
Trade and bills payables	16	64,811	44,945
Other payables and accruals		71,327	47,352
Interest-bearing bank and other borrowings	17	1,040,595	142,963
Due to non-controlling shareholders	22(b)(i)	11,116	4,745
Due to an associate and a jointly-controlled entity	22(b)(i)	556	556
Tax payable		18,885	18,318
Total current liabilities		1,207,290	258,879
NET CURRENT ASSETS		288,567	283,448
TOTAL ASSETS LESS CURRENT LIABILITIES		1,298,965	1,254,527

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Other payable		7,959	4,828
Interest-bearing bank and other borrowings	17	20,352	25,605
Convertible bond		45,840	44,182
Loans from a related company	22(b)(iii)	36,365	150,937
Deferred tax liabilities		4,496	3,724
Total non-current liabilities		115,012	229,276
Net assets		1,183,953	1,025,251
EQUITY			
Equity attributable to owners of the parent			
Issued capital	18	876,757	730,757
Equity component of convertible bond		21,686	21,686
Reserves		188,032	195,031
		1,086,475	947,474
Non-controlling interests		97,478	77,777
Total equity		1,183,953	1,025,251

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent											
	Issued capital	Share premium account	Share option reserve	Equity component	Special capital reserve	Exchange fluctuation reserve	Reserve fund	Capital redemption reserve	Accumulated losses	Total	Non-controlling interests	Total equity
				of convertible bond								
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2012	487,171	829,393	36,514	-	828,646	76,850	4,936	3,865	(1,588,278)	679,097	93,102	772,199
Profit/(loss) for the period	-	-	-	-	-	-	-	-	(8,703)	(8,703)	1,125	(7,578)
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	(903)	-	-	-	(903)	-	(903)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(903)	-	-	(8,703)	(9,606)	1,125	(8,481)
Issue of shares	243,586	-	-	-	-	-	-	-	-	243,586	-	243,586
Share issue expenses	-	(52)	-	-	-	-	-	-	-	(52)	-	(52)
Equity-settled share option arrangement	-	-	317	-	-	-	-	-	-	317	-	317
Issue of convertible bond	-	-	-	21,686	-	-	-	-	-	21,686	-	21,686
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(4,226)	(4,226)
At 30 June 2012 (unaudited)	730,757	829,341	36,831	21,686	828,646	75,947	4,936	3,865	(1,596,981)	935,028	90,001	1,025,029
At 1 January 2013	730,757	829,608	39,807	21,686	828,646	102,413	4,936	3,865	(1,614,244)	947,474	77,777	1,025,251
Profit for the period	-	-	-	-	-	-	-	-	1,078	1,078	11,599	12,677
Other comprehensive income/(loss) for the period:												
Share of other comprehensive income of an associate	-	-	-	-	-	801	-	-	-	801	-	801
Reserve released on deemed disposal of an associate	-	-	-	-	-	(801)	-	-	-	(801)	-	(801)
Exchange differences on translation of foreign operations	-	-	-	-	-	81	-	-	-	81	-	81
Total comprehensive income for the period	-	-	-	-	-	81	-	-	1,078	1,159	11,599	12,758
Issue of shares	146,000	-	-	-	-	-	-	-	-	146,000	-	146,000
Share issue expenses	-	(4,277)	-	-	-	-	-	-	-	(4,277)	-	(4,277)
Equity-settled share option arrangement	-	-	2,981	-	-	-	-	-	-	2,981	-	2,981
Transfer of reserve upon forfeiture of share options	-	265	(265)	-	-	-	-	-	-	-	-	-
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	1,240	1,240
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	(6,862)	(6,862)	6,862	-
At 30 June 2013 (unaudited)	876,757	825,596*	42,523*	21,686	828,646*	102,494*	4,936*	3,865*	(1,620,028)*	1,086,475	97,478	1,183,953

* These reserve accounts comprise the consolidated reserves of HK\$188,032,000 (31 December 2012: HK\$195,031,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	49,864	35,330
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(38,145)	(81,787)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	(23,869)	241,803
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(12,150)	195,346
Cash and cash equivalents at beginning of period	353,838	186,748
CASH AND CASH EQUIVALENTS AT END OF PERIOD	341,688	382,094
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances as stated in the interim condensed consolidated statement of financial position	336,666	380,894
Pledged time deposits with original maturity of less than three months when acquired	5,022	1,200
Cash and cash equivalents as stated in interim condensed consolidated statement of cash flows	341,688	382,094

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

China Environmental Investment Holdings Limited is a limited liability company incorporated in Hong Kong whose shares are publicly traded.

During the period, the Group was principally involved in the operation of CNG and LPG refueling stations, management and operation of LED EMC and trading of LED products, and provision of finance lease and loan services.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements set out in Appendix 16 of the Listing Rules.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2012.

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2012, except for the Group’s adoption of certain new standards and interpretation effective as of 1 January 2013.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
<i>Annual Improvements 2009-2011 Cycle</i>	Amendments to a number of HKFRSs issued in June 2012

Except as described below, the adoption of the new and revised HKFRSs has had no material impact on the results and financial position for the current or prior accounting periods which have been prepared and presented.

HKAS 34 *Interim financial reporting and segment information for total assets and liabilities* (Amendment)
The amendment clarifies the requirements in HKAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in HKFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker ("CODM") and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group does not provides this disclosure as total segment assets were not reported to the CODM. As a result of this amendment, the Group now also does not include disclosure of total segment liabilities as these are not reported to the CODM.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into operating segments based on their products and services and has three reporting segments as follows:

- (a) Sales of CNG, LPG and petroleum products of the Group's gas station operation;
- (b) Management and operation of LED EMC and trading of LED products; and
- (c) Provision of finance lease and loan services.

Segment performance is evaluated based on operating profit/(loss), which is a measure of adjusted reportable segment profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, finance income on concession finance receivables, finance costs, loss on disposal of an investment at fair value through profit or loss, gain on deemed disposal of an associate, share of profits and losses of jointly-controlled entities and associates as well as head office and corporate expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

As the Group's major operations and markets are located in Mainland China, no further geographical segments information is provided.

4. OPERATING SEGMENT INFORMATION (Continued)

The following table presents revenue and profit/(loss) for the Group's primary segments for the six months ended 30 June 2013 and 2012.

	Sales of CNG, LPG and petroleum products		Management and operation of LED EMC and trading of LED products		Provision of finance lease and loan services		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	555,674	494,387	14,084	4,308	-	-	569,758	498,695
Interest revenue	-	-	-	-	967	3,295	967	3,295
Intersegment revenue	-	-	-	-	3,243	1,446	3,243	1,446
	555,674	494,387	14,084	4,308	4,210	4,741	573,968	503,436
<i>Reconciliation:</i>								
Elimination of intersegment revenue							(3,243)	(1,446)
							570,725	501,990
Segment results	41,701	14,426	(8,834)	(1,302)	(2,161)	1,522	30,706	14,646
<i>Reconciliation:</i>								
Interest income							817	1,228
Finance income on concession finance receivables							1,695	-
Loss on disposal of an investment at fair value through profit or loss							(158)	-
Gain on deemed disposal of an associate							30,367	-
Share of profits and losses of:								
Jointly-controlled entities							9	4,245
Associates							(12,411)	(95)
Corporate and other unallocated expenses							(18,308)	(15,000)
Finance costs							(10,587)	(7,328)
Profit/(loss) before tax							22,130	(2,304)
Income tax expense							(9,453)	(5,274)
Profit/(loss) for the period							12,677	(7,578)

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents sales of CNG, LPG and petroleum products from the operation of gas stations, income from management and operation of LED EMC and trading of LED products and interest income on finance leases and loans during the period.

An analysis of the Group's revenue and other income is as follows:

	For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue		
Sales of CNG, LPG and petroleum products	555,674	494,387
Operation revenue of LED EMC and trading of LED products	14,084	4,308
Interest income on finance leases and loans	967	3,295
	570,725	501,990
Other income		
Interest income	817	1,228
Commission income	1,330	–
Rental income	1,415	1,127
Trading of petroleum and gas-related products	134	306
Finance income on concession finance receivables	1,695	–
Government grants received*	3,237	1,842
Others	70	3
	8,698	4,506

* Various government grants have been received to subsidise the operation of the Group's gas stations in various provinces in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on loans/bond wholly repayable within five years:		
Bank loans	5,931	5,226
Other loans	2,481	792
Convertible bond	2,175	1,310
	10,587	7,328

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived after charging/(crediting):

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	401,184	381,214
Operation costs of LED EMC and cost of LED products sold	9,473	2,705
Cost of finance lease and loan services provided	64	–
Depreciation on property, plant and equipment	23,917	27,107
Depreciation on investment properties	353	61
Recognition of prepaid land lease payments	2,106	1,204
Loss/(gain) on disposal of items of property, plant and equipment*	55	(567)
Amortisation of intangible assets	521	–
Impairment of other receivables*	204	–
Impairment of inventories*	2,448	2,373
Impairment of items of property, plant and equipment*	1,261	–
Loss on disposal of an investment at fair value through profit or loss*	158	–

* Included in "Other operating expenses, net" on the face of the interim condensed consolidated income statement.

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2012: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates.

	For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Group:		
Current – Mainland China	8,681	5,274
Deferred	772	–
	9,453	5,274

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of HK\$1,078,000 (2012: loss of HK\$8,703,000), and the weighted average number of ordinary shares of 4,274,887,511 (2012: 3,299,111,340) in issue during the period.

The calculation of diluted earnings per share amount for the period ended 30 June 2013 is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bond. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

The calculations of basic and diluted earnings/(loss) per share are based on:

	For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	1,078	(8,703)
Interest on convertible bond	2,175	1,310
Profit/(loss) attributable to ordinary equity holders of the parent, before interest on convertible bond	3,253*	(7,393)
	Number of shares For the six months ended 30 June	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings/(loss) per share calculation	4,274,887,511	3,299,111,340
Effect of dilution – weighted average number of ordinary shares:		
Share options	183,841,373	1,349,242
Convertible bond	220,322,859	220,322,859
	4,679,051,743*	3,520,783,441

* Because the diluted earnings per share amount is increased when taking convertible bond into account, the convertible bond had an anti-dilutive effect on the basic earnings per share for the period and was ignored in the calculation of diluted earnings per share. Therefore, the calculation of diluted earnings per share amount is based on profit for the period of HK\$1,078,000 and the weighted average number of ordinary shares of 4,458,728,884 in issue during the period.

10. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2013 (2012: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$6 million (2012: HK\$28 million) in the development of construction in progress and HK\$20 million (2012: HK\$14 million) in purchasing items of property, plant and equipment, and acquired properties of approximately HK\$51 million (2012: Nil) through business combination with Shanghai Shangju Enterprise Company Limited ("Shanghai Shangju"), a company incorporated in the People's Republic of China (the "PRC") (note 19).

12. INVESTMENT PROPERTIES

During the period, the Group acquired investment properties of approximately HK\$30 million (2012: Nil) through business combination with Shanghai Shangju (note 19).

13. AVAILABLE-FOR-SALE INVESTMENT

	30 June 2013 (Unaudited)	31 December 2012 (Audited)
	HK\$'000	HK\$'000
Listed equity investment, at fair value:		
Hong Kong	116,910	–

The above investment consists of an investment in equity securities, Mongolia Investment Group Limited ("MIG"), which was designated as available-for-sale financial asset and has no fixed maturity date or coupon rate.

The Group acquired 23.5% of the issued share capital of MIG in December 2012 and accounted for it as an investment in an associate in the financial statements for the year ended 31 December 2012. During the period, the Group's shareholding on MIG decreased to 19.3%. As such, the investment in an associate was deemed disposed of and recorded as an available-for-sale investment.

The fair value of listed equity investment is based on quoted market price.

14. CONCESSION FINANCE RECEIVABLES

	30 June 2013 (Unaudited)	31 December 2012 (Audited)
	HK\$'000	HK\$'000
Receivables under service concession arrangements	45,085	47,231
Current portion included in prepayments, deposits and other receivables	(1,906)	(1,762)
Non-current portion	43,179	45,469

Concession finance receivables comprise amounts receivable with respect to concession agreements in the PRC. The Group's concession finance receivables are unbilled as at the end of the reporting period.

15. TRADE AND BILLS RECEIVABLES

	30 June 2013 (Unaudited)	31 December 2012 (Audited)
	HK\$'000	HK\$'000
Trade and bills receivables	106,787	85,074
Impairment	(12,529)	(14,147)
	94,258	70,927
Less: non-current portion of trade receivables	(8,077)	-
Current portion of trade receivables	86,181	70,927

15. TRADE AND BILLS RECEIVABLES (Continued)

The Group's trade receivables from the trading of LED products to its customers will be billed and settled by installments ranging from five to seven years pursuant to the contract terms. The fair value of the consideration recognised is determined using an imputed rate of interest.

The Group's trading terms with its normal customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 90 to 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables, net of provisions, as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Billed:		
0 to 90 days	85,580	69,487
91 to 120 days	46	412
Over 120 days	44	1,028
	85,670	70,927
Unbilled	8,588	–
	94,258	70,927

16. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2013 (Unaudited)	31 December 2012 (Audited)
	HK\$'000	HK\$'000
0 to 90 days	61,112	41,549
91 to 120 days	–	62
Over 120 days	3,699	3,334
	64,811	44,945

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

The bills payable has an average maturity period of 30 days and is interest-free. It is secured by a time deposit of HK\$5,022,000 (31 December 2012: Nil) and is denominated in Renminbi ("RMB").

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2013 (Unaudited)	31 December 2012 (Audited)
			HK\$'000	HK\$'000
Current				
Other loans – unsecured	–	On demand	2,150	2,150
Bank loans – unsecured	6.5 to 7.8	2013 to 2014	86,800	105,400
Bank loans – secured	6.6 to 6.8	2013 to 2014	951,645	35,413
			1,040,595	142,963
Non-current				
Bank loans – secured	6.6 to 7.6	2014 to 2017	20,352	25,605
			1,060,947	168,568

17. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes:

- (a) Certain bank loans are secured by:
- (i) pledges of the Group's buildings with aggregate carrying value of HK\$23,571,000 (31 December 2012: HK\$46,477,000);
 - (ii) pledges of the Group's finance lease receivables with aggregate carrying amount of HK\$11,206,000 (31 December 2012: HK\$20,741,000); and
 - (iii) the pledge of certain of the Group's deposits amounting to HK\$935,755,000 (31 December 2012: Nil).
- (b) Except for the bank loans of HK\$935,755,000 (31 December 2012: Nil) which are denominated in United States dollars and HK\$123,042,000 (31 December 2012: HK\$166,418,000) which are denominated in RMB, all other borrowings are in Hong Kong dollars.

The carrying amounts of the interest-bearing bank and other borrowings approximate to their fair values.

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows at the prevailing interest rates.

18. SHARE CAPITAL

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Authorised:		
10,000,000,000 (31 December 2012: 10,000,000,000) ordinary shares of HK\$0.20 each	2,000,000	2,000,000
Issued and fully paid:		
4,383,782,539 (31 December 2012: 3,653,782,539) ordinary shares of HK\$0.20 each	876,757	730,757

During the period, 730,000,000 ordinary shares at HK\$0.2 each were issued to an existing shareholder for a total cash consideration, before expense, of HK\$146,000,000.

All the shares issued during the period rank pari passu in all respects with the existing shares of the Company.

19. BUSINESS COMBINATION

On 26 November 2012, the Group entered into a conditional sale and purchase agreement with Mr. Pei Yong and Mr. Zhang Chen for the acquisition of a 100% interest in Shanghai Shangju. Shanghai Shangju is engaged in the provision of rental income from its investment properties. The acquisition was completed on 5 January 2013. The purchase consideration for the acquisition was paid in the form of cash.

The fair values of the identifiable assets and liabilities of Shanghai Shangju as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK\$'000
Property, plant and equipment	51,378
Investment properties	30,125
Prepayments, deposits and other receivables	4,422
Cash and bank balances	255
Other payables and accruals	(7,828)
Total identifiable net assets at fair value	78,352
Satisfied by cash	78,352

The fair values of the other receivables as at the date of acquisition amounted to HK\$4,422,000. The gross contractual amounts of other receivables were HK\$4,422,000, of which no other receivables are expected to be uncollectible.

The Group incurred transaction costs of HK\$112,500 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the interim condensed consolidated income statement.

Since the acquisition, Shanghai Shangju contributed loss of HK\$1,652,000 to the Group's consolidated profit for the period from 5 January 2013 to 30 June 2013.

Had the combination taken place at the beginning of the period, the profit of the Group for the period would have been remained at HK\$1,078,000.

20. OPERATING LEASE ARRANGEMENTS**(a) As lessor**

The Group leases one of its gas stations and the investment properties under non-cancellable operating lease arrangements with terms ranging from two to fifteen years.

At 30 June 2013, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	2,976	585
In the second to fifth years, inclusive	6,504	6,455
After five years	10,378	11,209
	19,858	18,249

(b) As lessee

The Group leases certain of its office premises, land, gas stations and staff quarters under non-cancellable operating lease arrangements with terms ranging from one to twenty years.

At 30 June 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	17,755	17,990
In the second to fifth years, inclusive	39,064	38,060
After five years	45,882	48,234
	102,701	104,284

21. COMMITMENTS

In addition to the operating lease commitments detailed in note 20 above, the Group had capital commitments in respect of the acquisition of land and items of property, plant and equipment of HK\$31,382,000 (31 December 2012: HK\$49,223,000) contracted but not provided for in the interim condensed consolidated financial statements as at the end of the reporting period.

22. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions disclosed elsewhere in these interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

	Notes	For the six months ended	
		30 June	
		2013	2012
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Sales of gas to non-controlling shareholders	(i)	54,325	45,742
Sales of gas to a jointly-controlled entity	(i)	3,076	3,309
Purchases of gas from a jointly-controlled entity	(ii)	4,060	2,279
Provision of transportation service to a jointly-controlled entity	(iii)	2,499	2,418
Interest expenses to a shareholder	(iv)	–	804
Interest expenses to a related company	(v)	2,481	–
Interest income from a related company	(vi)	88	–

Notes:

- (i) The sales of gas to non-controlling shareholders and a jointly-controlled entity were made at prices mutually agreed between the parties, which approximated market rates.
- (ii) The purchases of gas from a jointly-controlled entity were made at prices mutually agreed between the parties, which approximated market rates.
- (iii) The provision of transportation service to a jointly-controlled entity was made at prices mutually agreed between the parties, which approximated market rates.
- (iv) During the period ended 30 June 2012, the interest expenses paid to a shareholder were charged at interest rates ranging from 3.5% to 3.65% per annum.
- (v) The interest expenses paid to a related company, which is a wholly-owned subsidiary of a shareholder of the Company, were charged at an interest rate of 5% per annum.
- (vi) The interest income received from a related company, which is an associate of a shareholder of the Company, was charged at an interest rate of 9% per annum.

22. RELATED PARTY TRANSACTIONS (Continued)**(b)** Outstanding balances with related parties:

- (i) All balances with non-controlling shareholders, jointly-controlled entities and an associate are unsecured, non-interest-bearing and have no fixed terms of repayment.
- (ii) The loan to a related company, which is an associate of a shareholder of the Company, is unsecured, bears interest at 9% per annum and is repayable within one year (31 December 2012: Nil).
- (iii) The loans from a related company, which is a wholly-owned subsidiary of a shareholder of the Company, are unsecured, bear interest at 5% (31 December 2012: 5%) per annum and are repayable within two years (31 December 2012: three years).

The carrying amounts of these balances approximate to their fair values.

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	2,028	1,540
Post-employment benefits	23	11
Equity-settled share option expense	1,132	120
Total compensation paid to key management personnel	3,183	1,671

23. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's financial instruments are as follows:

As at 30 June 2013

	Carrying amounts HK\$'000	Fair values HK\$'000
Financial assets		
Trade and bills receivables	94,258	94,258
Financial assets included in prepayments, deposits and other receivables (excluded concession finance receivables)	93,604	93,604
Finance lease receivables	21,536	21,536
Concession finance receivables	45,085	45,085
Loan receivable from a related company	6,200	6,200
Due from non-controlling shareholders	34,110	34,110
Due from jointly-controlled entities	12,568	12,568
Available-for-sale investment	116,910	116,910
Pledged deposits	940,777	940,777
Cash and bank balances	336,666	336,666
	1,701,714	1,701,714
Financial liabilities		
Trade and bills payables	64,811	64,811
Financial liabilities included in other payables and accruals	63,786	63,786
Due to non-controlling shareholders	11,116	11,116
Due to an associate and a jointly-controlled entity	556	556
Loans from a related company	36,365	39,995
Interest-bearing bank and other borrowings	1,060,947	1,066,368
Convertible bond	45,840	53,847
	1,283,421	1,300,479

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

23. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

The following methods and assumptions were used to estimate the fair values:

The fair values of cash and bank balances, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, loan receivable from a related company, financial liabilities included in other payables and accruals, amounts with an associate, jointly-controlled entities and non-controlling shareholders approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the interest-bearing bank and other borrowings, finance lease receivables and concession finance receivables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of the liability portion of the convertible bond is estimated using an equivalent market interest rate for a similar convertible bond.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

As at 30 June 2013

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Available-for-sale investment	116,910	-	-	116,910

During the period, there were no transfers into or out of Level 3 fair value measurements.

The Group did not have any financial liabilities measured at fair value as at 30 June 2013.

24. APPROVAL OF THE INTERIM FINANCIAL REPORT

These interim condensed consolidated financial statements were approved and authorised for issue by the Board on 23 August 2013.