



**中國環投**

**CHINA  
ENVIRONMENTAL  
INVESTMENT**



**Interim Report 2014**

**CHINA ENVIRONMENTAL INVESTMENT  
HOLDINGS LIMITED**

(Incorporated in Hong Kong with limited liability)

Stock code : 260

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## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

The Group's consolidated revenue increased by 44.8% to HK\$826,374,000 for the six-month period ended 30 June 2014 (2013: HK\$570,725,000). The consolidated revenue was derived from its business of compressed natural gas ("CNG") and liquefied petroleum gas ("LPG") vehicle refueling stations in China, and also the businesses of light-emitting diode ("LED") energy management contracts ("EMC") and provision of finance lease and loan services. The growth in consolidated revenue was mainly attributed to growth in the gas and the LED businesses in the People's Republic of China (the "PRC").

The Group's gross profit for the six-month period ended 30 June 2014 was HK\$166,416,000 (2013: HK\$145,071,000), representing an increase of 14.7% compared to last period mainly resulted from the growth of the LED business gross profit.

The Group made a profit attributable to owners of the parent for the six-month period ended 30 June 2014 amounting to HK\$1,501,000 (2013: HK\$1,078,000). The profit attributable to owners of the parent was mainly caused by (i) growth in the LED business after sharing the energy saving income arising from several newly signed projects; (ii) decrease in the administrative expenses; and (iii) disposal of an LPG subsidiary resulting a gain, excluding which the Group would have recorded as loss for the period.

### Operational Review

#### (1) Gas Business

The Group's gas business achieved steady growth and made positive contributions to the Group on a segment basis. The Group achieved sales volume of CNG and LPG amounted to 98,750,400 m<sup>3</sup> and 29,019 tons respectively during the period, representing an increase of 22.1% and 26% respectively over the last period.

During the period, the Group's gas business has achieved growth in sales volume and has taken effective measures to lower its operating expenses. However, the nation-wide downstream gas price hike is not as quick as the upstream price hike since the end of 2013, which affects the gross profit margin of the Group's CNG business. In North-eastern China, a CNG station has ceased operation and the LPG storage facility has been disposed of to a local gas group. In Shandong, a new gas station has started operation but an existing gas station has ceased operation due to the local government's relocation plan. A CNG station that has been demolished in Jiangsu is yet to be relocated as affected by the local government's relocation plan as well. In Guangdong, a new LPG station has started operation and made contributions to the Group's LPG business.

## Operational Review (Continued)

### (2) LED Business

During the period, sales revenue from the Group's LED business increased from HK\$14,084,000 in the last period to HK\$129,771,000. The segment result recorded a profit of HK\$30,429,000 (2013: loss of HK\$8,834,000), which was mainly due to completion of several new LED projects signed in late 2013, which started to contribute the energy saving income in 2014. Since the startup of LED business from March 2012, the Group has signed a variety of EMC contracts, ranging from large public road lighting EMC projects to indoor EMC projects for hotels, factories or schools. Currently the Group's total number of road lights under management has exceeded 65,000 in cities such as Beijing, Changzhou, Guangzhou, Dongguan, Hangzhou, Fuzhou, Changchun and Luoyang.

### (3) Finance Leasing Business

For the six-month period ended 30 June 2014, the Group's finance leasing segment registered total revenue of HK\$4,499,000 (2013: HK\$4,210,000). The increase in revenue was driven by the increasing LED EMC projects executed in the first half of 2014. The segment profit of the Group's finance leasing business was HK\$431,000 (2013: loss of HK\$2,161,000), resulted by a decrease of total operating expenses.

## Business Outlook

Given the government's continuous support on the natural gas sector and the rising demand of natural gas in the PRC, the Group's gas business is expected to continue its growing trend. However, the Group's gas business is faced with fierce competition, increasing operating costs and the challenge of maintaining economies of scale. The Group will strive to take measures to maintain its market share and look for ways to better deploy its resources.

The PRC government also encourages the development of the energy-saving and environmental protection sector by issuing different policies that benefit our LED EMC business. In early August 2013, the State Council of the PRC issued a "Guideline on accelerating the development of energy-saving and environmental protection industry" (關於加快發展節能環保產業的意見), which specifically states to promote the development of semiconductor lighting industry and the application of energy management contracts. Various financial supports such as subsidies, rewards and interest discounts will be provided by the government to promote the social investment into EMC business. In early 2014, the Ministry of Science and Technology of the PRC has issued the "2014-2015 Energy-saving Technology Special Action Program" (2014-2015年節能減排科技專項行動方案), which encourages the research and development, innovation, manufacturing and application of semiconducting lighting in the form of energy management contracts.

In the past two years, other than direct project marketing, the Group has selectively cooperated with several leading LED suppliers in the PRC to mutually develop new LED EMC projects. Under this model, the Group's EMC business has quickly tapped into different regions in the PRC. Given the Group's established expertise in EMC business, strong alliance with LED manufacturers and proven track records, the Group believes the LED EMC business will continue its growth in the near future. In addition to playing a very important strategic role to finance the Group's LED business, the finance leasing subsidiary is also negotiating several external finance leasing projects in other sectors.

### Financial Resources

At 30 June 2014, the Group's total borrowings (including interest-bearing bank and other borrowings, loans from a related company and convertible bond) amounted to approximately HK\$696.4 million (31 December 2013: HK\$1,324 million), of which HK\$389.3 million (31 December 2013: HK\$162.6 million) and HK\$Nil (31 December 2013: HK\$958.4 million) were related to bank borrowings at operating subsidiaries level funding the local PRC operations denominated in Renminbi and United States Dollars respectively. As a result, the Group's gearing ratio, representing the ratio of the Group's total borrowings to total equity of HK\$1,125.2 million (31 December 2013: HK\$1,181.8 million) was 61.9% (31 December 2013: 112%). Cash and bank balances and pledged deposits amounted to HK\$388.2 million (31 December 2013: HK\$1,367.7 million). Net borrowing amounted to HK\$308.2 million (31 December 2013: net cash of HK\$43.7 million).

During the six-month period ended 30 June 2014, 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 2014 (2013: Nil).

### Material Acquisitions and Disposals

Aiming to broaden its revenue source, the Company entered, via a direct wholly-owned subsidiary, into a sale and purchase agreement on 19 June 2014 (as amended by a supplemental agreement dated 24 June 2014) with Sanmax Investment Limited and Yada Investment Limited for the acquisition of 60% equity interests and shareholders' loans of Ontex Enterprises Limited. The consideration of HK\$522,000,000 is to be satisfied as to HK\$150,000,000 in cash, HK\$272,000,000 by the issue of convertible notes and HK\$100,000,000 by the issue of promissory note. The proposed acquisition has not been completed up to the date of this interim report and is subject to the approval of the Company's shareholders in general meeting. Details of the proposed acquisition are set out in the Company's announcement dated 24 June 2014.

Save as disclosed above, the Group had no other material acquisitions or disposals during the period.

### **Proposed Change of Company Name**

Aiming to provide the Company with a fresh new corporate image and identity, the Board proposed on 11 August 2014 to change the Company's name from "China Environmental Investment Holdings Limited" to "AVIC Joy Holdings (HK) Limited" and its Chinese name from "中國環保投資股份有限公司" to "幸福控股(香港)有限公司". Up to the date of this interim report, the proposed name change is subject to the approval of the Company's shareholders in general meeting and the issue of the relevant certificate of change of name by the Companies Registry in Hong Kong. Please refer to the Company's announcement dated 11 August 2014 for further details.

### **Staff Benefits**

At 30 June 2014, the Group had a total of 1,314 employees (2013: 1,389). The staff costs for the six-month period ended 30 June 2014 amounted to approximately HK\$53.9 million (2013: HK\$66.4 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 and finances continuing study for existing staff as 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 2014, the Group had pledged certain properties, plant and machinery, finance lease receivables and bank deposits for bills payable and bank borrowings granted.

### Events after the Reporting Period

- (a) On 10 July 2014, the Company has issued convertible bonds in aggregate principal amount of HK\$175,000,000 to Huatai Financial Holdings (Hong Kong) Limited ("Huatai Financial") upon the conditions of the issuance have been fulfilled and the Company has received the subscription money amounted to HK\$175,000,000 pursuant to the conditional subscription agreement which was entered into by the Company and Huatai Financial on 26 June 2014. The exercise price of the convertible bonds is HK\$0.2 per share for conversion of 875,000,000 ordinary shares of the Company.
- (b) On 18 July 2014, Beijing Sinogas Company Limited ("Beijing Sinogas"), an indirect non-wholly-owned subsidiary of the Company, and AVIC Tianxu Hengyuan Energy-Saving Technology Co., Ltd ("AVIC Tianxu Hengyuan"), an indirect wholly-owned subsidiary of the Company, entered into a properties transfer agreement, pursuant to which Beijing Sinogas has conditionally agreed to transfer its properties to AVIC Tianxu Hengyuan at a cash consideration of RMB11,026,470 (the "Transfer"). Upon completion of the Transfer, the Group's effective beneficial interest in the properties will increase from approximately 69.4% to 100%. The Transfer was not yet completed as at the reporting date of this interim report.
- (c) On 29 July 2014, a share transfer agreement was entered into between Shanghai Shangju Enterprise Company Limited ("Shanghai Shangju"), a wholly-owned subsidiary of the Company, and an individual, pursuant to which, Shanghai Shangju agreed to acquire an additional 15% equity interest in Shanghai Yunsheng International Trading Company Limited ("Shanghai Yunsheng") from the individual at consideration of RMB5,570,000. Whereas, the Group has already beneficially owned 70% equity interest in Shanghai Yunsheng. Upon completion of the share transfer agreement on 11 August 2014, the Group's effective interest in Shanghai Yunsheng increased from 70% to 85%.

By order of the Board

**Ji Hui**

*Chief Executive Officer*

Hong Kong  
26 August 2014

*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. Xiao Wei and Mr. Wang Xiaowei are the executive directors; Mr. Hu Xiaowen, Mr. Gong Changhui and Mr. Wu Meng are the independent non-executive directors.*

## OTHER INFORMATION

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2014, 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:

<b>Name of director</b>	<b>Number of options directly beneficially owned</b>
Ji Guirong	52,350,000
Ji Hui	32,000,000
Zhang Chuanjun	40,000,000
Wang Xiaowei	8,980,000
	133,330,000

Save as disclosed above, as at 30 June 2014, 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 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 21 June 2013. During the reporting period, no share options were granted nor exercised under the Scheme.



CHINA ENVIRONMENTAL INVESTMENT HOLDINGS LIMITED

**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 2014	Date of grant of share options <sup>2</sup>	Exercise period of share options	Exercise price of share options HK\$ per share <sup>3</sup>
	At 1 January 2014	Granted during the period	Exercised during the period	Reclassified during the period <sup>1</sup>	Forfeited during the period				
<b>Directors</b>									
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)	-	-			
Wang Xiaowei	-	-	-	4,490,000	-	4,490,000	13-6-12	13-6-13 to 12-6-22	0.236
	-	-	-	4,490,000	-	4,490,000	13-6-12	13-6-14 to 12-6-22	0.236
	-	-	-	8,980,000	-	8,980,000			
	154,350,000	-	-	(21,020,000)	-	133,330,000			
<b>Consultants</b>									
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	-	-	10,510,000	-	35,000,000	13-6-12	13-6-13 to 12-6-22	0.236
	24,490,000	-	-	10,510,000	-	35,000,000	13-6-12	13-6-14 to 12-6-22	0.236
	347,930,000	-	-	21,020,000	-	368,950,000			
<b>Employees</b>									
In aggregate	75,000,000	-	-	-	-	75,000,000	31-8-10	31-8-10 to 30-8-20	0.227
	577,280,000	-	-	-	-	577,280,000			

## SHARE OPTION SCHEME (Continued)

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

1. During the period, Mr. Zhang Ning has resigned as a director of the Company and accordingly, his share options have been reclassified from the Directors' category to the Consultants' category until the forfeiture of his share options in three months after his resignation. Meanwhile, a consultant, Mr. Wang Xiaowei, was appointed as a director of the Company during the period and accordingly, his share options have been reclassified from the Consultants' category to the Directors' category.
2. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
3. 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 2014, 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 issued
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%
Sanmax Investment Limited	(b)	Long	Beneficial owner	-	-	816,152,462	18.62%
China Joy Airlines (HK) Holdings Ltd.	(b)	Long	Interest of a controlled corporation	-	-	816,152,462	18.62%
AVIC Joy Air (HK) Holdings Limited	(b)	Long	Interest of a controlled corporation	-	-	816,152,462	18.62%
幸福航空控股有限公司	(b)	Long	Interest of a controlled corporation	-	-	816,152,462	18.62%

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

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 issued
Aviation Industry Corporation of China ("AVIC")	(a),(b)	Long	Interest of a controlled corporation	1,535,618,891	35.03%	1,036,475,321	23.64%
Huatai Financial Holdings (Hong Kong) Limited	(c)	Long	Beneficial owner	-	-	875,000,000	19.96%
Huatai Securities Co., Ltd.	(c)	Long	Interest of a controlled corporation	-	-	875,000,000	19.96%
Yada Investment Limited	(d)	Long	Beneficial owner	-	-	543,847,538	12.41%
Li Weimin	(d)	Long	Interest of a controlled corporation	-	-	543,847,538	12.41%
Grand Win Overseas Ltd. ("Grand Win")	(e)	Long	Beneficial owner	313,965,000	7.16%	-	-
Sun Shining Investment Corp.	(e)	Long	Interest of a controlled corporation	313,965,000	7.16%	-	-
Tai Yuen Textile Company Ltd.	(e)	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 41.03% of the issued share 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 AVIC. Accordingly, all these corporations are deemed to be interested in the shares and convertible shares held by Billirich.
- (b) Sanmax Investment Limited is a wholly-owned subsidiary of China Joy Airlines (HK) Holdings Ltd., which in turn is a wholly-owned subsidiary of AVIC Joy Air (HK) Holdings Limited. AVIC Joy Air (HK) Holdings Limited is a wholly-owned subsidiary of 幸福航空控股有限公司, which in turn is a wholly-owned subsidiary of AVIC. Accordingly, all these corporations are deemed to be interested in the convertible shares held by Sanmax Investment Limited.
- (c) Huatai Financial Holdings (Hong Kong) Limited is a wholly-owned subsidiary of Huatai Securities Co., Ltd. Accordingly, Huatai Securities Co., Ltd. is deemed to be interested in the convertible shares held by Huatai Financial Holdings (Hong Kong) Limited.
- (d) Yada Investment Limited is wholly-owned by Mr. Li Weimin, thus, Mr. Li Weimin is deemed to be interested in the convertible shares held by Yada Investment Limited.
- (e) 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 2014, 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.

### **CORPORATE GOVERNANCE PRACTICES**

The Board is of the view that the Company has complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the six months period ended 30 June 2014, save and except as hereunder:

- (i) all non-executive directors (including independent non-executive directors) of the Company have not been appointed for a specific terms as provided for in code provision A.4.1. 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) Mr. Ji Guirong, the chairman and non-executive director, Mr. Wang Zhonghua and Mr. Zhong Qiang, both independent non-executive directors, were unable to attend the annual general meeting held on 27 June 2014 (the "AGM") as provided for in code provision A.6.7 as they had other engagements in China;
- (iii) the Company did not have formal letters of appointment for non-executive directors as provided for in code provision D.1.4. However, the non-executive directors shall be subject to retirement and re-election in accordance with the articles of association of the Company. Moreover, the non-executive directors 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 non-executive directors 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) Mr. Ji Guirong, the chairman of the Company, was unable to attend the AGM as provided for in code provision E.1.2 as he was on an engagement in China. However, Mr. Ji Hui, the chief executive officer of the Company, took the chair of the AGM and an independent non-executive director, being the chairman of the audit committee of the Company (the "Audit Committee") and the remuneration committee of the Company (the "Remuneration Committee"), and a member of the nomination committee of the Company (the "Nomination Committee") was present thereat and was available to answer questions to ensure effective communication with the shareholders of the Company; and

### **CORPORATE GOVERNANCE PRACTICES (Continued)**

- (v) on 27 June 2014, Mr. Zhang Ning resigned as an executive director, Mr. Wang Zhonghua and Mr. Zhong Qiang retired as independent non-executive directors, and Mr. Wang Xiaowei was appointed as an executive director. Mr. Gong Changhui and Mr. Wu Meng were appointed as independent non-executive directors on 11 August 2014 and 19 August 2014, respectively. Thereafter, the Board comprises one non-executive director, five executive directors and three independent non-executive directors. Following the appointment of Mr. Gong Changhui on 11 August 2014, the Company has fulfilled the requirement of the Remuneration Committee comprising a majority of independent non-executive directors under Rule 3.25 of the Listing Rules; and following the appointment of Mr. Wu Meng on 19 August 2014, the Company has fulfilled the requirements of (i) at least three independent non-executive directors on the Board; (ii) the independent non-executive directors representing at least one-third of the Board; and (iii) the Audit Committee must comprise a minimum of three members under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules respectively.

### **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.

### **CHANGES IN DIRECTORS' INFORMATION**

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information on directors are as follows:

#### **Experience including other directorship held in the last three years and major appointments**

Mr. Hu Xiaowen ("Mr. Hu"), an independent non-executive director of the Company, has been appointed as the chief financial officer of Hanwang Technology Co., Ltd., a company listed on Shenzhen Stock Exchange with effect from 24 April 2014. Mr. Hu has resigned as the financial controller of Beijing Bosheng Advanced Technology Co. Ltd. with effect from 1 April 2014.

Mr. Zhang Chuanjun, an executive director of the Company, has been appointed as the deputy chairman of the board of directors of Peace Map Holding Limited, a company listed on the Stock Exchange, with effect from 6 August 2014.

#### **Changes in directors' emoluments and the basis of determining directors' emoluments**

Long service payment of HK\$50,000 to each of Mr. Wang Zhonghua and Mr. Zhong Qiang, the former independent non-executive directors, was paid in August 2014.

Save as disclosed above, the Company is not aware of other changes in the biographical details of the directors of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### **AUDIT COMMITTEE**

The Audit Committee, comprises all the independent non-executive directors, namely Mr. Hu Xiaowen (chairman of the Audit Committee), Mr. Wang Zhonghua (retired with effect from 27 June 2014), Mr. Zhong Qiang (retired with effect from 27 June 2014), Mr. Gong Changhui (appointed with effect from 11 August 2014) and Mr. Wu Meng (appointed with effect from 19 August 2014), 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, which is of the opinion that such financial statements complied 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 the independent non-executive directors, namely Mr. Hu Xiaowen (chairman of the Remuneration Committee), Mr. Zhong Qiang (retired with effect from 27 June 2014), Mr. Gong Changhui (appointed with effect from 11 August 2014) and Mr. Wu Meng (appointed with effect from 19 August 2014), is responsible for making recommendations to the Board on the Company's remuneration policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

### **NOMINATION COMMITTEE**

The Nomination Committee comprises the non-executive director, Mr. Ji Guirong (chairman of the Nomination Committee), the independent non-executive directors, namely Mr. Hu Xiaowen, Mr. Wang Zhonghua (retired with effect from 27 June 2014), Mr. Zhong Qiang (retired with effect from 27 June 2014), Mr. Gong Changhui (appointed with effect from 11 August 2014) and Mr. Wu Meng (appointed with effect from 19 August 2014). 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 2014 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



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**To the board of directors of China Environmental Investment Holdings Limited**  
(Incorporated in Hong Kong with limited liability)

### Introduction

We have reviewed the interim financial information set out on pages 17 to 50, 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 2014 and the related interim condensed consolidated statement of profit or loss, 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

26 August 2014

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	Notes	For the six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
REVENUE	5	<b>826,374</b>	570,725
Cost of sales		<b>(659,958)</b>	(425,654)
Gross profit		<b>166,416</b>	145,071
Other income	5	<b>14,491</b>	8,698
Selling and distribution expenses		<b>(56,314)</b>	(52,317)
Administrative expenses		<b>(68,136)</b>	(82,574)
Other operating expenses, net		<b>(15,199)</b>	(4,126)
Finance costs	6	<b>(17,369)</b>	(10,587)
Gain on disposal of a subsidiary	21	<b>9,226</b>	–
Loss on deregistration of joint ventures		<b>(2,877)</b>	–
Gain on deemed disposal of an associate		–	30,367
Share of profits and losses of joint ventures		<b>1,339</b>	9
Share of profits and losses of associates		<b>(22)</b>	(12,411)
PROFIT BEFORE TAX	7	<b>31,555</b>	22,130
Income tax expense	8	<b>(19,268)</b>	(9,453)
PROFIT FOR THE PERIOD		<b>12,287</b>	12,677
Attributable to:			
Owners of the parent		<b>1,501</b>	1,078
Non-controlling interests		<b>10,786</b>	11,599
		<b>12,287</b>	12,677
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		<b>HK0.03 cents</b>	HK0.03 cents
Diluted		<b>HK0.03 cents</b>	HK0.02 cents

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<b>12,287</b>	12,677
OTHER COMPREHENSIVE INCOME/(LOSS):		
Change in fair value of an available-for-sale investment	<b>(48,759)</b>	–
Share of other comprehensive income of joint ventures	<b>(1,023)</b>	–
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	<b>(14,018)</b>	81
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<b>(63,800)</b>	81
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<b>(51,513)</b>	12,758
Attributable to:		
Owners of the parent	<b>(62,178)</b>	1,159
Non-controlling interests	<b>10,665</b>	11,599
	<b>(51,513)</b>	12,758

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	437,909	446,460
Investment properties		35,133	36,059
Prepaid land lease payments		26,904	52,184
Goodwill		150,518	150,518
Intangible assets		14,439	15,000
Investments in joint ventures		107,817	65,869
Investments in associates		10,565	–
Available-for-sale investment	12	111,924	160,683
Concession finance receivables	13	222,955	43,199
Trade receivables	14	39,272	22,613
Prepayments and deposits	15	162,633	165,992
Finance lease receivables	16	13,314	12,478
<b>Total non-current assets</b>		<b>1,333,383</b>	<b>1,171,055</b>
<b>CURRENT ASSETS</b>			
Inventories		2,504	3,030
Assets held for sale		22,761	23,600
Trade and bills receivables	14	80,870	129,440
Prepayments, deposits and other receivables	15	178,372	43,437
Finance lease receivables	16	16,116	14,335
Due from non-controlling shareholders	24(b)(i)	31,985	29,357
Due from joint ventures	24(b)(i)	11,893	37,042
Due from associates	24(b)(i)	1,251	–
Loan receivable from a related company	24(b)(ii)	–	6,350
Pledged deposits		21,393	985,470
Cash and bank balances		366,845	382,273
<b>Total current assets</b>		<b>733,990</b>	<b>1,654,334</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	17	78,706	191,496
Other payables and accruals		122,082	79,892
Interest-bearing bank and other borrowings	18	255,147	1,078,126
Convertible bond	19	49,447	–
Loans from a related company	24(b)(iii)	147,179	–
Due to non-controlling shareholders	24(b)(i)	2,906	15,399
Due to a joint venture	24(b)(i)	–	449
Tax payable		25,297	16,243
<b>Total current liabilities</b>		<b>680,764</b>	<b>1,381,605</b>
<b>NET CURRENT ASSETS</b>		<b>53,226</b>	<b>272,729</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,386,609</b>	<b>1,443,784</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
	Notes		
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	18	<b>136,266</b>	51,096
Convertible bond	19	-	47,618
Loans from a related company	24(b)(iii)	<b>108,374</b>	147,179
Deferred tax liabilities		<b>7,480</b>	5,163
Other payables		<b>9,255</b>	10,938
Total non-current liabilities		<b>261,375</b>	261,994
Net assets		<b>1,125,234</b>	1,181,790
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	20	<b>1,706,218</b>	876,757
Equity component of convertible bond	19	<b>21,686</b>	21,686
Reserves		<b>(703,836)</b>	187,519
		<b>1,024,068</b>	1,085,962
<b>Non-controlling interests</b>		<b>101,166</b>	95,828
Total equity		<b>1,125,234</b>	1,181,790

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent											
	Issued capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Equity component of convertible bond HK\$'000	Special capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds HK\$'000	Capital redemption reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
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 arrangements	-	-	2,981	-	-	-	-	-	-	2,981	-	2,981
Transfer of reserve upon forfeiture of share options	-	265	(265)	-	-	-	-	-	-	-	-	-
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	1,240	1,240
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the parent											Non-controlling interests	Total equity
	Issued capital	Share premium account	Share option reserve	Equity component of convertible bond	Available-for-sale investment revaluation reserve	Special capital reserve	Exchange fluctuation reserve	Reserve funds	Capital redemption reserve	Accumulated losses	Total		
	HK\$'000	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 2014	876,757	825,596	43,643	21,686	15,661	828,646	111,695	4,936	3,865	(1,646,523)	1,085,962	95,828	1,181,790
Profit for the period	-	-	-	-	-	-	-	-	-	1,501	1,501	10,786	12,287
Other comprehensive income/ (loss) for the period:													
Change in fair value of an available-for-sale investment	-	-	-	-	(48,759)	-	-	-	-	-	(48,759)	-	(48,759)
Share of other comprehensive income of joint ventures	-	-	-	-	-	-	(1,023)	-	-	-	(1,023)	-	(1,023)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(13,897)	-	-	-	(13,897)	(121)	(14,018)
Total comprehensive income for the period	-	-	-	-	(48,759)	-	(14,920)	-	-	1,501	(62,178)	10,665	(51,513)
Transfer pursuant to the new Hong Kong Companies Ordinance (Chapter 622) effective on 3 March 2014 (Note 20)	829,461	(825,596)	-	-	-	-	-	-	(3,865)	-	-	-	-
Equity-settled share option arrangements	-	-	993	-	-	-	-	-	-	-	993	-	993
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	20,806	20,806
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(26,271)	(26,271)
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(571)	(571)
Acquisition of non-controlling interests	-	-	-	-	-	-	(149)	-	-	(560)	(709)	709	-
At 30 June 2014 (unaudited)	1,706,218	-*	44,636*	21,686	(33,098)*	828,646*	96,626*	4,936*	-*	(1,645,582)*	1,024,068	101,166	1,125,234

\* These reserve accounts comprise the consolidated debit reserves of HK\$703,836,000 (31 December 2013: consolidated reserves of HK\$187,519,000) in the interim condensed consolidated statement of financial position.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	<b>31,555</b>	22,130
Adjustments for:		
Total non-cash adjustments	<b>51,273</b>	24,196
Total working capital adjustments	<b>(364,666)</b>	60,858
Cash generated from/(used in) operations	<b>(281,838)</b>	107,184
Overseas taxes paid	<b>(7,560)</b>	(8,114)
Net cash flows from/(used in) operating activities	<b>(289,398)</b>	99,070
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<b>1,327</b>	2,512
Purchases of items of property, plant and equipment	<b>(11,514)</b>	(25,710)
Proceeds from disposal of items of property, plant and equipment	<b>5,017</b>	11,708
Increase in prepaid land lease payments	<b>(419)</b>	(923)
Proceeds from disposal of an investment at fair value through profit or loss	<b>-</b>	3,159
Proceeds from disposal of a subsidiary	<b>41,019</b>	-
Acquisition of a subsidiary	<b>(32,330)</b>	(78,097)
Acquisition of an associate	<b>(587)</b>	-
Proceeds from deregistration of a joint venture	<b>3,616</b>	-
Capital injection to a joint venture	<b>(48,125)</b>	-
Capital injection to an associate	<b>(10,000)</b>	-
Net cash flows used in investing activities	<b>(51,996)</b>	(87,351)



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	For the six months ended	
	30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(15,540)	(8,930)
Proceeds from issue of shares	-	146,000
Share issue expenses	-	(4,277)
Repayment of bank and other loans	(992,064)	(55,777)
New bank loans	297,004	12,400
Loans/(repayment of loans) from a related company	108,374	(114,573)
Capital contribution from a non-controlling shareholder	-	1,240
Advance from/(to) non-controlling shareholders, net	(15,342)	48
Net cash flows used in financing activities	(617,568)	(23,869)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of period	1,367,743	353,838
Effect of foreign exchange rate changes, net	(20,543)	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	388,238	341,688
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances as stated in the interim condensed consolidated statement of financial position	366,845	336,666
Pledged deposits with original maturity of less than three months when acquired	21,393	5,022
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	388,238	341,688

## 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 compressed natural gas ("CNG") and liquefied petroleum gas ("LPG") refueling stations, management and operation of light-emitting diode ("LED") energy management contracts ("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 2014 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 (the "HKICPA") 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 2013.

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 2013, except for the Group's adoption of certain new standards and interpretation effective as of 1 January 2014.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> <i>Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition</i> <i>and Measurement – Novation of Derivatives and</i> <i>Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

Excepted 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 provide 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 and trade receivables, finance costs, loss on disposal of an investment at fair value through profit or loss, gain on disposal of a subsidiary, loss on deregistration of joint ventures, gain on deemed disposal of an associate, share of profits and losses of joint ventures and associates as well as corporate and other unallocated 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.

In determining the Group's geographical segments, revenues and result are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. As the Group's major operations and markets are located in Mainland China, no geographical segments information is provided.

CHINA ENVIRONMENTAL INVESTMENT HOLDINGS LIMITED

**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 2014 and 2013:

	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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Segment revenue:</b>								
Sales to external customers	695,328	555,674	129,771	14,084	-	-	825,099	569,758
Interest revenue	-	-	-	-	1,275	967	1,275	967
Intersegment revenue	-	-	-	-	3,224	3,243	3,224	3,243
	695,328	555,674	129,771	14,084	4,499	4,210	829,598	573,968
<i>Reconciliation:</i>								
Elimination of intersegment revenue							(3,224)	(3,243)
							826,374	570,725
<b>Segment results</b>	11,916	41,701	30,429	(8,834)	431	(2,161)	42,776	30,706
<i>Reconciliation:</i>								
Interest income							1,327	817
Finance income on concession finance and trade receivables	-	-	6,240	1,695	-	-	6,240	1,695
Loss on disposal of an investment at fair value through profit or loss							-	(158)
Gain on disposal of a subsidiary	9,226	-	-	-	-	-	9,226	-
Loss on deregistration of joint ventures	(2,877)	-	-	-	-	-	(2,877)	-
Gain on deemed disposal of an associate							-	30,367
Share of profits and losses of:								
Joint ventures							1,339	9
Associates							(22)	(12,411)
Corporate and other unallocated expenses							(9,085)	(18,308)
Finance costs							(17,369)	(10,587)
Profit before tax							31,555	22,130
Income tax expense							(19,268)	(9,453)
Profit for the period							12,287	12,677

## 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:

	<b>For the six months ended 30 June</b>	
	<b>2014 (Unaudited) HK\$'000</b>	2013 (Unaudited) HK\$'000
<b>Revenue</b>		
Sales of CNG, LPG and petroleum products	<b>695,328</b>	555,674
Operation revenue of LED EMC and trading of LED products	<b>129,771</b>	14,084
Interest income on finance leases and loans	<b>1,275</b>	967
	<b>826,374</b>	570,725
<b>Other income</b>		
Interest income	<b>1,327</b>	817
Commission income	<b>36</b>	1,330
Gross rental income	<b>2,377</b>	1,415
Trading of petroleum and gas-related products	<b>201</b>	134
Finance income on concession finance and trade receivables	<b>6,240</b>	1,695
Government grants received*	<b>2,508</b>	3,237
Others	<b>1,802</b>	70
	<b>14,491</b>	8,698

\* 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 the Group's finance costs is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on loans/bond wholly repayable within five years:		
Bank loans	<b>11,267</b>	5,931
Other loans	<b>3,756</b>	2,481
Convertible bond	<b>2,346</b>	2,175
	<b>17,369</b>	10,587

**7. PROFIT BEFORE TAX**

The Group's profit before tax is arrived after charging:

	<b>For the six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold	<b>577,338</b>	401,184
Operation costs of LED EMC and cost of LED products sold	<b>82,590</b>	9,473
Cost of finance lease and loan services provided	<b>30</b>	64
Depreciation on property, plant and equipment	<b>30,127</b>	23,917
Depreciation on investment properties	<b>823</b>	353
Amortisation of prepaid land lease payments	<b>697</b>	2,106
Amortisation of intangible assets	<b>521</b>	521
Loss on disposal of items of property, plant and equipment*	<b>1,485</b>	55
Impairment of other receivables*	<b>13,714</b>	204
Impairment of inventories*	-	2,448
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 statement of profit or loss.

## 8. INCOME TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (2013: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Group:		
Current – Mainland China	16,951	8,681
Deferred	2,317	772
	<b>19,268</b>	9,453

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of HK\$1,501,000 (2013: HK\$1,078,000), and the weighted average number of ordinary shares of 4,383,782,539 (2013: 4,274,887,511) in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2014 in respect of a dilution as the impact of the share options and convertible bond outstanding had an anti-dilutive effect on the basic earnings per share amount presented.



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

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	1,501	1,078
Interest on convertible bond	2,346	2,175
Profit attributable to ordinary equity holders of the parent, before interest on convertible bond	3,847*	3,253*
	Number of shares For the six months ended 30 June	
	2014	2013
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	4,383,782,539	4,274,887,511
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	183,841,373
Convertible bond	220,322,859	220,322,859
	4,604,105,398*	4,679,051,743*

\* Because the diluted earnings per share amount was 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 was based on profit for the period of HK\$1,501,000 (2013: HK\$1,078,000) and the weighted average number of ordinary shares of 4,383,782,539 (2013: 4,458,728,884) in issue during the period ended 30 June 2014.

## 10. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2014 (2013: Nil).

## 11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$1 million (2013: HK\$6 million) in the development of construction in progress and approximately HK\$10 million (2013: HK\$20 million) in purchasing items of property, plant and equipment.

## 12. AVAILABLE-FOR-SALE INVESTMENT

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Listed equity investment, at fair value:		
Hong Kong	<b>111,924</b>	160,683

The above investment consists of an investment in equity securities, Peace Map Holding Limited, which was designated as an available-for-sale financial asset and has no fixed maturity date or coupon rate.

## 13. CONCESSION FINANCE RECEIVABLES

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Receivables under service concession arrangements	<b>225,002</b>	45,214
Current portion included in prepayments, deposits and other receivables	<b>(2,047)</b>	(2,015)
Non-current portion	<b>222,955</b>	43,199

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

**14. TRADE AND BILLS RECEIVABLES**

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Trade and bills receivables	<b>122,003</b>	153,914
Impairment	<b>(1,861)</b>	(1,861)
	<b>120,142</b>	152,053
Less: non-current portion of trade receivables	<b>(39,272)</b>	(22,613)
Current portion of trade and bills receivables	<b>80,870</b>	129,440

The Group's trade receivables from the trading of LED products to its customers will be billed and settled by equal monthly, bimonthly and quarterly instalments over a period ranging from five to ten years pursuant to the contracts terms. The fair value of the consideration recognised is determined using an imputed rate of interest of 15%.

The Group's trading terms with its other trade 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, extending up to 180 days for major customers. 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.

**14. TRADE AND BILLS RECEIVABLES (Continued)**

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

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Billed:		
0 to 90 days	<b>77,964</b>	127,364
91 to 120 days	-	-
Over 120 days	<b>1,890</b>	1,911
	<b>79,854</b>	129,275
Unbilled	<b>42,149</b>	24,639
	<b>122,003</b>	153,914

**15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Prepayments	<b>136,622</b>	49,408
Deposits and other receivables	<b>361,822</b>	303,746
Impairment	<b>(157,439)</b>	(143,725)
	<b>341,005</b>	209,429
Non-current portion included in prepayments and deposits	<b>(162,633)</b>	(165,992)
	<b>178,372</b>	43,437

The financial assets included in the above balances which are not considered to be impaired relate to receivables for which there is no recent history of default and are neither past due nor impaired.

**16. FINANCE LEASE RECEIVABLES**

The Group provides financial leasing services on certain equipment in Mainland China. These leases are classified as finance leases and have remaining lease terms ranging from one to five years.

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Finance lease receivables comprise:				
Within one year	<b>20,675</b>	17,155	<b>16,116</b>	14,335
In the second to fifth years, inclusive	<b>15,239</b>	13,190	<b>13,314</b>	12,478
	<b>35,914</b>	30,345	<b>29,430</b>	26,813
Less: unearned finance income	<b>(6,484)</b>	(3,532)		
Present value of minimum lease payments	<b>29,430</b>	26,813		
Analysed for reporting purposes as:				
Current assets	<b>16,116</b>	14,335		
Non-current assets	<b>13,314</b>	12,478		
	<b>29,430</b>	26,813		

The Group's finance lease receivables are denominated in Renminbi ("RMB") which is the functional currency of the relevant group entity.

At 30 June 2014, the Group's finance lease receivables with a carrying amount of HK\$25,680,000 (31 December 2013: HK\$14,401,000) were pledged as security for the Group's certain bank loans, as further detailed in note 18 to the interim condensed consolidated financial statements.

**17. 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:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
0 to 90 days	<b>75,857</b>	189,408
91 to 120 days	-	-
Over 120 days	<b>2,849</b>	2,088
	<b>78,706</b>	191,496

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

The Group's bills payable has an average maturity period of 90 days and is interest-free. It is secured by pledged time deposits of HK\$21,393,000 (31 December 2013: HK\$27,076,000) and is denominated in RMB.

**18. INTEREST-BEARING BANK AND OTHER BORROWINGS**

	30 June 2014 (Unaudited)			31 December 2013 (Audited)		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
Other loans – unsecured	-	On demand	2,150	-	On demand and 2014	8,246
Bank loans – unsecured	7.1 to 7.9	2015	66,250	7.1 to 7.9	2014	74,930
Bank loans – secured	6.8 to 10	2015	186,747	6.8 to 10	2014	994,950
			<b>255,147</b>			1,078,126
<b>Non-current</b>						
Bank loans – secured	6.8 to 10	2015-2019	136,266	6.8 to 10	2015-2018	51,096
			<b>391,413</b>			1,129,222

Notes:

(a) Certain bank loans are secured by:

- (i) pledges of the Group's buildings and plant and machinery with an aggregate carrying value of HK\$39,841,000 (31 December 2013: HK\$35,032,000);
- (ii) the pledges of the Group's finance lease receivables with an aggregate carrying amount of HK\$25,680,000 (31 December 2013: HK\$14,401,000); and
- (iii) the pledges of the Group's time deposits of HK\$958,394,000 and the Group's prepaid land lease payments of HK\$24,275,000 as at 31 December 2013.

(b) Except for the bank loans of HK\$389,263,000 (31 December 2013: HK\$162,582,000) 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.

## 19. CONVERTIBLE BOND

On 6 March 2012, the Company issued a convertible bond with a principal amount of HK\$51,776,000. The bond is convertible at the option of the bondholder into ordinary shares at the initial conversion price of HK\$0.235 per share anytime after the issuance of the convertible bond. Any convertible bond not converted will be redeemed at par in three years after the date of issuance or will be further extended as agreed between the bondholder and the Company. The convertible bond bears interest at 2% per annum and payable half-yearly in arrears.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bond issued has been split into the liability and equity components as follows:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
<hr/>		
<u>Nominal value</u>		
At the beginning and the end of the period/year	<b>51,776</b>	51,776
<hr/>		
<u>Liability component</u>		
At 1 January	<b>47,618</b>	44,182
Interest expense	<b>2,346</b>	4,472
Interest paid	<b>(517)</b>	(1,036)
<hr/>		
At period/year end	<b>49,447</b>	47,618
<hr/>		
<u>Equity component</u>		
At the beginning and the end of the period/year	<b>21,686</b>	21,686
<hr/>		



**20. SHARE CAPITAL**

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Authorised: (Note (i))		
10,000,000,000 ordinary shares of HK\$0.2 each (Note (ii))	-	2,000,000
Issued and fully paid:		
4,383,782,539 ordinary shares	<b>1,706,218</b>	876,757

Notes:

- (i) Under the Hong Kong Companies Ordinance (Chapter 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.
- (ii) In accordance with Section 135 of the Hong Kong Companies Ordinance (Chapter 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

Pursuant to the transitional provisions for the abolition of the nominal value of share capital included in the new Hong Kong Companies Ordinance (Chapter 622) which became effective on 3 March 2014, the balances of share premium account and capital redemption reserve as at 3 March 2014 have been transferred to issued capital.

**21. DISPOSAL OF A SUBSIDIARY**

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Net assets disposed of:		
Property, plant and equipment	<b>29,479</b>	–
Long term deposits	<b>51,894</b>	–
Prepaid land lease payments	<b>23,893</b>	–
Other receivables	<b>269</b>	–
Cash and bank balances	<b>280</b>	–
Other payables and accruals	<b>(22,471)</b>	–
Interest-bearing bank borrowings	<b>(25,000)</b>	–
Non-controlling interests	<b>(26,271)</b>	–
	<b>32,073</b>	–
Gain on disposal of a subsidiary	<b>9,226</b>	–
Satisfied by cash	<b>41,299</b>	–

An analysis of the cash flows in respect of the disposal of a subsidiary is as follows:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Cash consideration	<b>41,299</b>	–
Cash and bank balances disposed of	<b>(280)</b>	–
Net inflow of cash and cash equivalents included in cash flows from investing activities	<b>41,019</b>	–

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

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

At 30 June 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Within one year	<b>2,289</b>	2,299
In the second to fifth years, inclusive	<b>7,379</b>	6,743
After five years	<b>8,726</b>	9,747
	<b>18,394</b>	18,789

**(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 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Within one year	<b>19,257</b>	19,809
In the second to fifth years, inclusive	<b>49,826</b>	51,690
After five years	<b>68,025</b>	72,107
	<b>137,108</b>	143,606

### 23. COMMITMENTS

In addition to the operating lease commitments detailed in note 22 above, the Group had capital commitments in respect of the acquisition of items of property, plant and equipment of HK\$78,983,000 (31 December 2013: HK\$75,831,000) contracted but not provided for in the interim condensed consolidated financial statements as at the end of the reporting period.

### 24. 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	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Sales of gas to non-controlling shareholders	(i)	<b>50,966</b>	54,325
Sales of gas to a joint venture	(i)	<b>6,775</b>	3,076
Purchases of gas from a joint venture	(ii)	<b>5,213</b>	4,060
Provision of transportation service to a joint venture	(iii)	<b>2,512</b>	2,499
Interest expenses to a related company	(iv)	<b>3,756</b>	2,481
Interest income from a related company	(v)	<b>177</b>	88

Notes:

- (i) The sales of gas to non-controlling shareholders and a joint venture were made at prices mutually agreed between the parties, which approximated market rates.
- (ii) The purchases of gas from a joint venture were made at prices mutually agreed between the parties, which approximated market rates.
- (iii) The provision of transportation service to a joint venture was made at prices mutually agreed between the parties, which approximated market rates.

**24. RELATED PARTY TRANSACTIONS (Continued)**

- (a) (Continued)
- (iv) 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.
- (v) 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.
- (b) Outstanding balances with related parties:
- (i) All balances with non-controlling shareholders, joint ventures and associates 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% (31 December 2013: 9%) per annum and is repaid during the current period (31 December 2013: repayable within one year).
- (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 2013: 5%) per annum and are repayable within three years (31 December 2013: two years).
- (c) Compensation of key management personnel of the Group:

	<b>For the six months ended 30 June</b>	
	<b>2014 (Unaudited) HK\$'000</b>	2013 (Unaudited) HK\$'000
Short term employee benefits	<b>2,088</b>	2,028
Post-employment benefits	<b>23</b>	23
Equity-settled share option expense	<b>377</b>	1,132
<b>Total compensation paid to key management personnel</b>	<b>2,488</b>	3,183

## 25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
<b>Financial assets</b>				
Available-for-sale investment	111,924	160,683	111,924	160,683
Concession finance receivables – non-current portion	222,955	43,199	222,955	43,199
Trade receivables – non-current portion	39,272	22,613	39,272	22,613
Finance lease receivables – non-current portion	13,314	12,478	13,314	12,478
	<b>387,465</b>	238,973	<b>387,465</b>	238,973
	Carrying amounts		Fair values	
	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
<b>Financial liabilities</b>				
Loans from a related company – non-current portion	108,374	147,179	122,109	158,212
Interest-bearing bank and other borrowings – non-current portion	136,266	51,096	140,337	56,032
Convertible bond – non-current portion	–	47,618	–	53,329
Other payables – non-current portion	9,255	10,938	9,255	10,938
	<b>253,895</b>	256,831	<b>271,701</b>	278,511

## 25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, concession finance receivables, finance lease receivables, financial liabilities included in other payables and accruals, amounts due from/(to) non-controlling shareholders, joint ventures and associates approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the chief accountant is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance department reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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.

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

The fair values of the non-current portion of pledged deposits, concession finance receivables, trade receivables, finance lease receivables and interest-bearing bank and other borrowings 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 Group's own non-performance risk for non-current portion of other payables and interest-bearing bank and other borrowings as at 30 June 2014 was assessed to be insignificant. The fair value of the liability portion of the convertible bond is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

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

**25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instrument:

*Assets measured at fair value:*

**As at 30 June 2014**

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	HK\$'000	HK\$'000	HK\$'000	
Available-for-sale investment	111,924	-	-	111,924

*As at 31 December 2013*

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	HK\$'000	HK\$'000	HK\$'000	
Available-for-sale investment	160,683	-	-	160,683

The Group did not have any financial liabilities measured at fair value as at 30 June 2014 and 31 December 2013.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2013: Nil).



**25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)***Assets for which fair values are disclosed:***As at 30 June 2014**

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Concession finance receivables – non-current portion	–	222,955	–	222,955
Trade receivables – non-current portion	–	39,272	–	39,272
Finance lease receivables – non-current portion	–	13,314	–	13,314
	–	275,541	–	275,541

*As at 31 December 2013*

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Concession finance receivables – non-current portion	–	43,199	–	43,199
Trade receivables – non-current portion	–	22,613	–	22,613
Finance lease receivables – non-current portion	–	12,478	–	12,478
	–	78,290	–	78,290

**25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)***Liabilities for which fair values are disclosed:***As at 30 June 2014**

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loans from a related company – non-current portion	–	122,109	–	122,109
Interest-bearing bank and other borrowings – non-current portion	–	140,337	–	140,337
Other payables – non-current portion	–	9,255	–	9,255
	–	271,701	–	271,701

*As at 31 December 2013*

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loans from a related company	–	158,212	–	158,212
Interest-bearing bank and other borrowings	–	56,032	–	56,032
Convertible bond	–	–	53,329	53,329
Other payables – non-current portion	–	10,938	–	10,938
	–	225,182	53,329	278,511

## 26. EVENTS AFTER REPORTING PERIOD

- (a) On 10 July 2014, the Company has issued convertible bonds in aggregate principal amount of HK\$175,000,000 to Huatai Financial Holdings (Hong Kong) Limited (“Huatai Financial”) upon the conditions of the issuance have been fulfilled and the Company has received the subscription money amounted to HK\$175,000,000 pursuant to the conditional subscription agreement which was entered into by the Company and Huatai Financial on 26 June 2014. The exercise price of the convertible bonds is HK\$0.2 per share for conversion of 875,000,000 ordinary shares of the Company.
- (b) On 18 July 2014, Beijing Sinogas Company Limited (“Beijing Sinogas”), an indirect non-wholly-owned subsidiary of the Company, and AVIC Tianxu Hengyuan Energy-Saving Technology Co., Ltd (“AVIC Tianxu Hengyuan”), an indirect wholly-owned subsidiary of the Company, entered into a properties transfer agreement, pursuant to which Beijing Sinogas has conditionally agreed to transfer its properties to AVIC Tianxu Hengyuan at a cash consideration of RMB11,026,470 (the “Transfer”). Upon completion of the Transfer, the Group’s effective beneficial interest in the properties will increase from approximately 69.4% to 100%. The Transfer was not yet completed as at the reporting date of these financial statements.
- (c) On 29 July 2014, a share transfer agreement was entered into between Shanghai Shangju Enterprise Company Limited (“Shanghai Shangju”), a wholly-owned subsidiary of the Company, and an individual, pursuant to which, Shanghai Shangju agreed to acquire an additional 15% equity interest in Shanghai Yunsheng International Trading Company Limited (“Shanghai Yunsheng”) from the individual at consideration of RMB5,570,000. Whereas, the Group has already beneficially owned 70% equity interest in Shanghai Yunsheng. Upon completion of the share transfer agreement on 11 August 2014, the Group’s effective interest in Shanghai Yunsheng increased from 70% to 85%.

## 27. APPROVAL OF THE INTERIM FINANCIAL REPORT

These interim condensed consolidated financial statements were approved and authorised for issue by the Board on 26 August 2014.