# CHINA ENVIRONMENTAL INVESTMENT HOLDINGS LIMITED
# 中國環保投資股份有限公司

*(incorporated in Hong Kong with limited liability)*
(Stock Code: 260)

## RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors (the "Board") of China Environmental Investment Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 together with the comparative figures for 2011 as follows:

### CONSOLIDATED INCOME STATEMENT
*Year ended 31 December 2012*

| | Notes | **2012** *HK$'000* | 2011 *HK$'000* |
|---|---|---|---|
| REVENUE | 4 | **1,177,611** | 1,024,588 |
| Cost of sales | | **(948,402)** | (815,094) |
| Gross profit | | **229,209** | 209,494 |
| Other income and gains | 4 | **23,257** | 12,221 |
| Selling and distribution expenses | | **(93,863)** | (76,743) |
| Administrative expenses | | **(127,807)** | (95,894) |
| Other operating expenses, net | | **(17,035)** | (4,946) |
| Finance costs | 6 | **(16,911)** | (9,632) |
| Share of profits and losses of jointly-controlled entities | | **7,281** | 1,413 |
| Share of profits and losses of an associate | | **(95)** | 404 |

**CONSOLIDATED INCOME STATEMENT** *(continued)*
*Year ended 31 December 2012*

| | *Notes* | **2012** **HK$'000** | 2011 HK$'000 |
|---|---|---|---|
| PROFIT BEFORE TAX | 5 | **4,036** | 36,317 |
| Income tax expense | 7 | **(25,609)** | (17,615) |
| PROFIT/(LOSS) FOR THE YEAR | | **(21,573)** | 18,702 |
| Attributable to: | | | |
| Owners of the parent | | **(25,966)** | 8,482 |
| Non-controlling interests | | **4,393** | 10,220 |
| | | **(21,573)** | 18,702 |
| EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 8 | | |
| Basic and diluted | | **(HK0.75 cents)** | HK0.36 cents |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*Year ended 31 December 2012*

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| PROFIT/(LOSS) FOR THE YEAR | **(21,573)** | 18,702 |
| OTHER COMPREHENSIVE INCOME | | |
| Available-for-sale investments: | | |
| Change in fair value | **–** | 606 |
| Reclassification adjustment for a gain included in the consolidated income statement | | |
| – gain on disposal | **–** | (606) |
| Reserve released on deemed disposal of interest in a jointly-controlled entity | **(239)** | – |
| | **(239)** | – |
| Exchange differences on translation of foreign operations | **28,810** | 10,072 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | **28,571** | 10,072 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | **6,998** | 28,774 |
| Attributable to: | | |
| Owners of the parent | **(403)** | 17,640 |
| Non-controlling interests | **7,401** | 11,134 |
| | **6,998** | 28,774 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2012*

| | *Notes* | **2012** **HK$'000** | 2011 HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **406,355** | 390,945 |
| Investment property | | **5,787** | 5,723 |
| Prepaid land lease payments | | **51,943** | 28,183 |
| Goodwill | | **150,518** | 128,462 |
| Intangible assets | | **16,022** | – |
| Investments in jointly-controlled entities | | **54,800** | 40,593 |
| Investments in associates | | **98,954** | 32,781 |
| Concession finance receivables | 10 | **45,469** | – |
| Prepayments and deposits | | **49,543** | 21,283 |
| Deposit paid for acquisition of land use right | | **3,645** | – |
| Deposit paid for acquisition of a subsidiary | | **78,352** | – |
| Finance lease receivables | | **9,691** | – |
| Due from a non-controlling shareholder | | **–** | 18,000 |
| Total non-current assets | | **971,079** | 665,970 |
| CURRENT ASSETS | | | |
| Inventories | | **4,706** | 4,212 |
| Trade and bills receivables | 11 | **70,927** | 53,009 |
| Prepayments, deposits and other receivables | | **56,658** | 50,893 |
| Finance lease receivables | | **18,073** | – |
| Due from non-controlling shareholders | | **27,784** | 44,440 |
| Due from jointly-controlled entities | | **7,024** | 12,582 |
| Investment at fair value through profit or loss | | **3,317** | – |
| Pledged deposit | | **–** | 3,360 |
| Cash and bank balances | | **353,838** | 183,388 |
| Total current assets | | **542,327** | 351,884 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 12 | **44,945** | 37,036 |
| Other payables and accruals | | **47,352** | 45,930 |
| Interest-bearing bank and other borrowings | | **142,963** | 95,493 |
| Due to non-controlling shareholders | | **4,745** | 3,032 |
| Due to associates and a jointly-controlled entity | | **556** | 2,527 |
| Loans from a shareholder | | **–** | 40,974 |
| Tax payable | | **18,318** | 20,663 |
| Total current liabilities | | **258,879** | 245,655 |
| NET CURRENT ASSETS | | **283,448** | 106,229 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **1,254,527** | 772,199 |

## **CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*

*31 December 2012*

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| NON-CURRENT LIABILITIES | | |
| Convertible bond | **44,182** | – |
| Interest-bearing bank and other borrowings | **25,605** | – |
| Loans from a related company | **150,937** | – |
| Deferred tax liabilities | **3,724** | – |
| Other payable | **4,828** | – |
| Total non-current liabilities | **229,276** | – |
| Net assets | **1,025,251** | 772,199 |
| EQUITY | | |
| **Equity attributable to owners of the parent** | | |
| Issued capital | **730,757** | 487,171 |
| Equity component of convertible bond | **21,686** | – |
| Reserves | **195,031** | 191,926 |
| | **947,474** | 679,097 |
| **Non-controlling interests** | **77,777** | 93,102 |
| Total equity | **1,025,251** | 772,199 |

*NOTES:*

## 1. CORPORATE INFORMATION

China Environmental Investment Holdings Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at Units 2805-6, 28th Floor, Bank of America Tower, 12 Harcourt Road, Hong Kong.

During the year, 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 provision of finance lease and loan services.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment classified as fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

## 2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

| | |
|---|---|
| HKFRS 1 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* |
| HKAS 12 Amendments | Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* |

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

| | |
|---|---|
| HKFRS 1 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2] |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2] |
| HKFRS 9 | *Financial Instruments*[4] |
| HKFRS 10 | *Consolidated Financial Statements*[2] |
| HKFRS 11 | *Joint Arrangements*[2] |
| HKFRS 12 | *Disclosure of Interests in Other Entities*[2] |
| HKFRS 10, HKFRS 11 and HKFRS 12 Amendments | Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance*[2] |
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments | Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) *– Investment Entities*[3] |
| HKFRS 13 | *Fair Value Measurement*[2] |
| HKAS 1 Amendments | Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1] |
| HKAS 19 (2011) | *Employee Benefits*[2] |
| HKAS 27 (2011) | *Separate Financial Statements*[2] |
| HKAS 28 (2011) | *Investments in Associates and Joint Ventures*[2] |
| HKAS 32 Amendments | Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3] |
| HK(IFRIC)-Int 20 | *Stripping Costs in the Production Phase of a Surface Mine*[2] |
| *Annual Improvements 2009-2011 Cycle* | Amendments to a number of HKFRSs issued in June 2012[2] |

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

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e. joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to the income statement at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

*The Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

    In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

**3. 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

(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 costs, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude tax recoverable, pledged deposits, cash and cash equivalents, investment at fair value through profit or loss and unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, the amount due to the ultimate holding company, convertible bond, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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, revenue and results 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 further geographical segments information is provided.

| | Sales of CNG, LPG and petroleum products HK$'000 | Management and operation of LED EMC HK$'000 | Provision of finance lease and loan services HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Segment revenue:** | | | | |
| Revenue from external customers | **1,111,965** | **57,553** | **–** | **1,169,518** |
| Interest revenue | **–** | **–** | **8,093** | **8,093** |
| Intersegment revenue | **–** | **–** | **4,545** | **4,545** |
| | **1,111,965** | **57,553** | **12,638** | **1,182,156** |
| *Reconciliation:* | | | | |
| Elimination of intersegment revenue | | | | **(4,545)** |
| Revenue | | | | **1,177,611** |
| **Segment results** | **49,754** | **(11,435)** | **2,338** | **40,657** |
| *Reconciliation:* | | | | |
| Interest income | | | | **2,183** |
| Interest income on concession finance receivables | | | | **1,425** |
| Fair value losses from investment at fair value through profit or loss | | | | **(220)** |
| Gain on disposal of subsidiaries | | | | **3,837** |
| Gain on deemed disposal of a jointly-controlled entity | | | | **5,864** |
| Finance costs | | | | **(16,911)** |
| Corporate and other unallocated expenses | | | | **(32,799)** |
| Profit before tax | | | | **4,036** |
| Income tax expenses | | | | **(25,609)** |
| Loss for the year | | | | **(21,573)** |

| | Sales of CNG, LPG and petroleum products *HK$'000* | Management and operation of LED EMC *HK$'000* | Provision of finance lease and loan services *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| **Segment assets** | **844,354** | **158,616** | **195,292** | **1,198,262** |
| *Reconciliation:* | | | | |
| Elimination of intersegment receivables | | | | **(140,428)** |
| Investments in associates | | | | **98,954** |
| Corporate and other unallocated assets | | | | **356,618** |
| Total assets | | | | **1,513,406** |
| **Segment liabilities** | **101,933** | **72,824** | **8,543** | **183,300** |
| Reconciliation: | | | | |
| Elimination of intersegment payables | | | | **(140,428)** |
| Corporate and other unallocated liabilities | | | | **445,283** |
| Total liabilities | | | | **488,155** |
| **Other segment information:** | | | | |
| Share of profits and losses of: | | | | |
| Jointly-controlled entities | 7,281 | – | – | 7,281 |
| An associate | – | – | (95) | (95) |
| Impairment losses recognised in the income statement | 16,505 | – | – | 16,505 |
| Depreciation and amortisation | 50,404 | 927 | 98 | 51,429 |
| Investments in jointly-controlled entities | 54,800 | – | – | 54,800 |
| Capital expenditure* | 85,785 | 17,842 | 543 | 104,170 |

* Capital expenditure consists of additions to property, plant and equipment and intangible assets including assets from the acquisition of subsidiaries.

## 4. REVENUE, OTHER INCOME AND GAINS

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 interest income on finance leases and loans during the year.

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

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenue | | |
| Sale of CNG, LPG and petroleum products | **1,111,965** | 1,024,588 |
| Construction revenue of LED EMC | **46,436** | – |
| Operation revenue from of LED EMC | **11,117** | – |
| Interest income on finance leases and loans | **8,093** | – |
| | **1,177,611** | 1,024,588 |
| Other income | | |
| Interest income | **2,183** | 1,158 |
| Advisory and maintenance service income | **3,127** | – |
| Trading of petroleum and gas-related products | **523** | 799 |
| Finance income on concession finance receivables | **1,425** | – |
| Government grants received* | **2,016** | 1,112 |
| Gross rental income | **3,437** | 3,075 |
| Others | **845** | 132 |
| | **13,556** | 6,276 |
| Gains | | |
| Gain on disposal of subsidiaries | **3,837** | 4,964 |
| Gain on disposal of an associate | **–** | 375 |
| Gain on deemed disposal of a jointly-controlled entity | **5,864** | – |
| Net fair value gain on disposal of: | | |
| Available-for-sale investments | **–** | 606 |
| | **9,701** | 5,945 |
| | **23,257** | 12,221 |

* 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.

## 5. PROFIT BEFORE TAX

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

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost of inventories sold* | **857,328** | 784,643 |
| Construction and operation costs of LED EMC* | **57,040** | – |
| Cost of finance lease and loan services provided* | **476** | – |
| Auditors' remuneration | **2,950** | 2,761 |
| Depreciation on property, plant and equipment | **49,082** | 46,536 |
| Depreciation on an investment property | **127** | 210 |
| Amortisation of prepaid land lease payments | **1,750** | 8,106 |
| Amortisation of intangible assets | **879** | – |
| Loss on disposal of items of property, plant and equipment** | **310** | 2,028 |
| Impairment of items of property, plant and equipment** | **2,315** | 1,396 |
| Impairment of trade receivables** | **12,330** | – |
| Impairment of deposits and other receivables** | **1,860** | 1,522 |
| Minimum lease payments under operating leases in respect of land and buildings | **21,739** | 19,154 |
| Contingent rent under an operating lease | **–** | 243 |
| Employee benefit expense (excluding directors' remuneration): | | |
| Wages and salaries and allowances | **89,885** | 66,747 |
| Equity-settled share option expense | **2,206** | – |
| Pension scheme contributions | **168** | 117 |
| | **92,259** | 66,864 |
| Rental income less direct operating expenses of HK$401,000 (2011: HK$381,000) | **(3,036)** | (2,694) |
| Fair value losses: | | |
| Investment at fair value through profits or loss** | **220** | – |
| Foreign exchange differences, net | **389** | (986) |

* Cost of sales disclosed on the face of the consolidated income statement comprises cost of inventories sold, wages and salaries and allowances of HK$9,702,000 (2011: HK$6,919,000) disclosed under employee benefit expense and depreciation charges of HK$23,856,000 (2011: HK$23,532,000) above.

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

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on loans/bonds wholly repayable within five years: | | |
| Bank loans | **11,681** | 6,413 |
| Other loans | **1,789** | 2,899 |
| Convertible bonds | **3,441** | 2,050 |
| Total interest expense on financial liabilities | **16,911** | 11,362 |
| Less: interest capitalised | **–** | (1,730) |
| | **16,911** | 9,632 |

## 7. 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 year (2011: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group operates.

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Group: | | |
| Current – Mainland China | **25,609** | 17,615 |

Certain subsidiaries of the Group in Mainland China were eligible for exemption from corporate income tax ("CIT") for two years starting from the first year in which assessable profits were generated, and a 50% exemption from CIT for the following three years.

The share of tax attributable to jointly-controlled entities and associates amounting to HK$1,975,000 (2011: HK$1,142,000) and Nil (2011: HK$195,000), respectively, is included in "Share of profits and losses of jointly-controlled entities" and "Share of profits and losses of an associate" in the consolidated income statement.

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

The calculation of the basic earnings/(loss) per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of HK$25,966,000 (2011: profit of HK$8,482,000), and the weighted average number of ordinary shares of 3,477,415,987 (2011: 2,362,912,560) in issue during the year.

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

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Earnings/(loss) | | |
| Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | **(25,966)** | 8,482 |

| | **Number of shares** | |
|---|---|---|
| | **2012** | 2011 |
| Shares | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | **3,477,415,987** | 2,362,912,560 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share options | **–** | 2,548,150 |
| | **3,477,415,987** | 2,365,460,710 |

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2012 in respect of a dilution as the convertible bonds and share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

## 9. DIVIDEND

The directors do not recommend the payment of dividend to shareholders for the year ended 31 December 2012 (2011: Nil).

## 10. CONCESSION FINANCE RECEIVABLES

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.

## 11. TRADE AND BILLS RECEIVABLES

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade and bills receivables | **85,074** | 54,641 |
| Impairment | **(14,147)** | (1,632) |
| | **70,927** | 53,009 |

The Group's trading terms with its 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 these balances. Trade and bills receivables are non-interest-bearing.

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:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 90 days | **83,634** | 51,936 |
| 91 to 120 days | **412** | 364 |
| Over 120 days | **1,028** | 2,341 |
| | **85,074** | 54,641 |

## 12. 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:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 90 days | **41,549** | 35,383 |
| 91 to 120 days | **62** | – |
| Over 120 days | **3,334** | 1,653 |
| | **44,945** | 37,036 |

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

As at 31 December 2011, the Group's bills payable had an average maturity period of 30 days and were interest-free. Bills payable were secured by a time deposit of HK$3,360,000. Bills payable were denominated in Renminbi ("RMB").

## 13. EVENTS AFTER THE REPORTING PERIOD

(a) On 26 November 2012, Beijing Tianxu Hengyuan Energy-Saving Technology Co., Ltd. (北京天旭恒源節能科技有限公司) ("Tianxu Hengyuan"), an indirect wholly-owned subsidiary of the Company, entered into an acquisition agreement with two individual vendors pursuant to which Tianxu Hengyuan agreed to purchase and the vendors agreed to sell the entire issued share capital of Shanghai Shangju Enterprise Company Limited (上海商聚實業有限公司) ("Shanghai Shangju") at a consideration of RMB63 million which had bean paid before the balance sheet date. Upon completion of the acquisition, Shanghai Shangju would become an indirect wholly-owned subsidiary of the Company. The acquisition was completed on 5 January 2013.

(b) On 17 January 2013, the Company entered into a placing and subscription agreement with Billirich Investment Limited ("Billirich"), a wholly-owned subsidiary of AVIC International Holding (HK) Limited 中國航空工業國際控股(香港)有限公司 and a placing agent pursuant to which Billirich has agreed to sell, and the placing agent has agreed to procure purchasers for up to 730,000,000 shares of the Company owned by Billirich at the placing price of HK$0.2 per share. Billirich also conditionally agreed to subscribe for up to 730,000,000 shares of the Company at the subscription price of HK$0.2 per share. The placing and subscription was completed on 28 January 2013 such that the number of issued shares of the Company has increased to 4,383,782,539 shares and the issued share capital has increased to HK$876,757,000.

(c) On 4 February 2013, the Group entered into a conditional agreement with Peace Town International Holdings Limited ("PTI"), an independent third party, and two individual guarantors, who are the beneficial owners of PTI. Pursuant to the agreement, the Group and PTI agreed to form a joint venture, the Group agreed to invest a sum of HK$79.2 million in cash for an 88% interest of the joint venture and PTI agreed to invest a sum of HK$10.8 million in cash for an 12% interest of the joint venture. The joint venture then formed will acquire the entire equity interests of three wholly-owned subsidiaries of PTI, which are mainly engaged in the financial services business, at a consideration of HK$54.6 million, subject to adjustment. The joint venture was formed on 20 February 2013 and the acquisition of the respective interests by the joint venture is not yet completed up to the date of approval of these financial statements.

## CHAIRMAN'S STATEMENT

2012 was a difficult year for the Chinese economy where growth slowed down and the Group faced numerous challenges in its business. Comparing to 2011, the Group achieved consolidated revenue of HK$1.2 billion but recorded a net loss of HK$21.6 million. The Group's gas business maintained its modest growth and achieved HK$1.1 billion of segment revenue, representing an increase of 8.5% from last year. Although the gas segment experienced increasing operating costs, impairment of trade receivables and some other write-offs, it contributed a positive segment profit to the Group.

The Group's LED business performance was below expectations. The segment result for the LED EMC business recorded a loss of HK$11.4 million in 2012, mainly attributed to two reasons: on the macro front, in the year of the Communist Party's 18th Congress, China experienced changes in leadership, from the central government to local levels. This leadership change slowed down many project negotiations that were already at or close to final stage. Apparently this delayed many of our projects. In addition, many domestic LED makers ventured into the EMC business as a measure to cope with the over-supply and pricing pressure issues in the LED manufacturing business. This makes our project acquisitions more difficult. Due to a lack of new meaningful LED EMC contracts, our LED business model has not attained the desired level of economies of scale.

The Group's financial leasing business, Guangdong Zi Yu Tai Finance Leasing Company Limited (廣東資雨泰融資租賃有限公司) ("Guangdong Ziyutai") recorded a segment profit of HK$2.4 million. Meanwhile, after substantial capital injection, Guangdong Ziyutai secured over RMB2 billion credit line from local banks during the year, equipping the Group with stronger funding capacities for our LED EMC business expansions.

Looking into the year 2013, I believe this year the Group's efforts in the LED EMC business will start to bear fruits. Guangdong Ziyutai is expected to continue to play an important role in providing financing to the Group's LED business. Also, given strong demand of natural gas in China and continuous policy supports, I believe our gas business will continue its growth.

During the year, the Group has continued its steps of making new investments by acquiring an indoor LED EMC business in Jiangsu Province as well as acquiring 23.5% issued shares of another Hong Kong listed company. In addition, after the reporting period, the Group has completed a placing of existing shares and top-up subscription of new shares in January 2013. In February 2013, the Group has entered into a conditional agreement to form a joint venture with PTI to acquire its entire shareholding in three Hong Kong companies mainly engaged in the financial service businesses in Hong Kong. In addition to our existing gas, LED EMC and finance leasing businesses, I believe these new investments will broaden our portfolio and further diversify the income base.

Finally, I would like to extend my thanks to the Board, all staff, professionals and shareholders for their support during the year.

**Ji Guirong**
*Chairman*

Hong Kong, 18 March 2013

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

The Group's consolidated revenue increased by 14.9% to HK$1,177,611,000 for the year ended 31 December 2012 (2011: HK$1,024,588,000). The consolidated revenue consisted of its business of CNG and LPG vehicle refueling stations in China, new businesses of LED EMC and provision of finance lease and loan services since March 2012. Increase of 8.5% in consolidated revenue was attributed to growth in the gas business in the PRC and inclusion of the new businesses of LED EMC and provision of finance lease and loan services accounted for the remaining increase in consolidated revenue.

The Group's gross profit for the year ended 31 December 2012 was HK$229,209,000 (2011: HK$209,494,000), representing an increase of 9.4% from last year mainly resulted from continuous growth in gas sales volume.

The Group made a loss attributable to owners of the parent for the year ended 31 December 2012 amounting to HK$25,966,000 (2011: profit of HK$8,482,000). The change of profit to loss was mainly caused by (i) non-recurring expenses associated with the open offer and business acquisitions at the beginning of 2012; (ii) increased administrative expenses due to expansion of the Hong Kong office catering for anticipated growth of the Group's business in LED and finance leases; (iii) impairment of trade receivables and write-off of vehicle conversion parts in the gas subsidiaries; and (iv) higher interest expenses.

**Operational Review**

*(1) Gas Business*

The Group's sales volume of CNG and LPG amounted to 176,082,630 $m^3$ and 48,909 tons respectively during the year, representing an increase of 11.4% and a decrease of 5.8% respectively over last year. The decrease of LPG sales volume was mainly due to a LPG refueling station in the North-eastern China district has been altered into a CNG station.

During the year, the Group's gas business encountered intensified competition and further squeeze in gross profit margins. The Group sought to expand its gas business in places where it had relative competitive strengths. In South-western China, management continued to seek for new investment opportunities and a new CNG station has been built by the jointly-controlled entity. In North-eastern China, management is finalizing relevant land use documents for a LPG storage facility. In Henan district, as affected by local urban planning projects, one of the refueling stations had to temporarily cease operation and management has taken actions to accelerate the relocation. In Southern China, a new LPG station in Guangzhou has started to operate.

*(2) LED Business*

The Group's LED business performance in 2012 was below expectation.

There was little progress in acquiring new projects in 2012. Aside from Beijing Dajianlu project, which is 2nd phase of Beijing Fangshan District LED street light project, no meaningful new projects were secured. As a result, the LED segment suffered a loss of HK$11.4 million in 2012 due to a lack of economies of scale. We believe there were two major reasons behind this slow progress.

First and foremost, 2012 was a year when the Chinese governments, from local to the central, experienced major leadership changes prior to and after the Communist Party's 18th Congress. As a result of these personnel changes, many projects which were at closing stages, were either postponed or needed to be re-negotiated.

Secondly, 2012 turned was a tough year for domestic LED makers. Two issues have been hurting this industry: over supply and constant pricing pressure due to technology migration. In some cases we saw LED street light unit price fall by close to 50% last year caused by severe over-capacity. Under these circumstances, many LED makers were forced to enter into the EMC market, which directly competes with the business model we adopt in our LED business.

During 2012, the Group set up LED subsidiaries in Fujian Province, Zhejiang Province and Guangdong Province in an effort to expand and manage the Group's EMC business in the respective provinces as almost all local governments prefer to do business with companies registered in their own respective jurisdictions. We have also expanded our LED business to indoor EMC by acquiring a small indoor LED EMC company in Suzhou, which will provide a platform for the Group to further enhance its market presence in this segment. The setup costs of these subsidiaries have to be expensed in 2012 while most of these newly setup unit did not generate sales yet as of end of 2012, which is another factor which led to a loss of our LED segment.

On the positive side, there are signs business activities in EMC are picking up again after the Communist Party's's 18th Congress. The LED unit is currently working on a number of LED street light projects which if proceeded according to the plan, are expected to bear fruits in 2013.

*(3) Finance Leasing Business*

The Group aims to become a leading player in the energy saving and environmental friendly technology field. The biggest challenge the Group has to face is how to leverage on the Company's limited resources, especially funding capacities, to achieve the Group's long term goal. Guangdong Ziyutai, being a financial leasing company, is well positioned to provide the Group with required funding.

Following Guangdong Ziyutai becoming a 100% owned subsidiary of the Group in the first quarter of 2012, Guangdong Ziyutai's registered capital was increased from US$10 million to US$100 million, making it one of the biggest financial leasing companies in Guangzhou and enhancing its funding capacities. In 2012, Industrial and Commercial Bank of China ("ICBC") signed a strategic corporation agreement with Guangdong Ziyutai, giving the company a credit line of RMB1 billion for three years in collaboration to explore the leasing business opportunities in China's energy saving and environmental friendly technologies. Following ICBC's footsteps, China Industrial Bank gave Guangdong Ziyutai a credit line of RMB1 billion for one year as well.

In 2012, Guangdong Ziyutai made noticeable progress and recorded a segment profit of HK$2.4 million in 2012. In addition to providing funding support to group companies, Guangdong Ziyutai also started to explore financial leasing opportunities outside the Group. At the end of 2012, China Leasing Business Association awarded Guangdong Ziyutai "Financial Leasing Innovation Award" in recognition of its achievements in pioneering financial leasing business model in the EMC field.

*(4) New Investments*

(a) On 26 November 2012, the Group, through its wholly-owned subsidiary, completed an acquisition of entire issued share capital of Suzhou Target Lighting Company Limited (蘇州達冠照明有限公司) ("Suzhou Target") for a consideration of RMB500,000. Suzhou Target is registered in Suzhou, Jiangsu Province with principal business of LED EMC in the PRC.

(b) On 11 December 2012, the Group, through its wholly-owned subsidiary, completed the transaction of acquiring 433,000,000 issued shares of Mongolia Investment Group Limited ("MIG"), a main-board listed company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with principal businesses of provision of maintenance and construction work on civil engineering contract in respect of waterwork engineering, road work and drainage and slope upgrading in Hong Kong, water supply service in the PRC and mining and exploration of mineral resources in Mongolia. MIG's shares were acquired at an average price of HK$0.23 per share sourced through securities brokers via the trading system of the Stock Exchange and these MIG shares represent approximately 23.5% of MIG's issued share capital as at the date of the acquisition. The total consideration for the 433,000,000 MIG shares was HK$98,954,000 excluding transaction costs.

**Business Outlook**

In the Natural Gas Utilization Policy issued by the PRC National Development and Reform Commission in late 2012, natural gas users have been categorized into several groups: prioritized, permitted, restricted and prohibited. The utilization of natural gas for automobiles falls into the prioritized group, which will be better supported comparing to the other groups. With China's accelerating urbanization process, increasing car ownership coupled with the continuous support of government policies to promote clean energy, the prospects of the Group's natural gas business are promising. The Group will continue to look for ways to further improve its operating efficiency and for more effective deployment of its resources.

The Group's LED EMC and finance leasing businesses have already begun to contribute to Group's turnover. For the LED EMC segment, after successful post-merger integration of Tianxu Hengyuan and establishment of new subsidiaries in several provinces in the PRC, the Group is expected to proceed to secure more new projects in 2013. Given the oversupply situation and market downturn for the LED manufacturers, we believe it is a good timing to accelerate our market penetration by taking the advantage of decreasing LED manufacturing costs as well as getting into collaboration with LED manufacturers.

On the other hand, apart from outdoor street lighting LED projects, we believe our newly acquired indoor LED EMC business will also provide us with growth opportunities in 2013. Basically, most of the target indoor LED EMC clients are commercial users including 5-star hotels, supermarkets, factories, schools and hospital. The project negotiation is less complicated and the project cycle is much shorter. Given we have an experienced project team in the indoor LED EMC industry, we believe our indoor LED EMC business will make further contributions to the Group in future.

In addition, as our major funding platform, Guangdong Ziyutai also enjoys ample opportunities to grow its loan book within and outside the Group businesses under the current credit market condition. After the capital injection during the year, Guangdong Ziyutai now has become one of the leading financial leasing players with strong funding capacity. With the anticipated growth in the Group's LED EMC business, Guangdong Ziyutai's loan book is expected to grow in 2013.

**Financial Resources**

During the year ended 31 December 2012, the financial position of the Group was strengthened by the net proceeds of approximately HK$240.6 million received from the completion of open offer (as described in more details in the Company's announcement dated 22 February 2012 and the prospectus dated 1 February 2012).

At 31 December 2012, the Group's total borrowings (including interest-bearing bank and other borrowings, and loans from a related company and convertible bond) amounted to approximately HK$363.7 million (2011: HK$136.5 million), of which HK$166.4 million (2011: HK$93.3 million) were related to bank and other borrowings at operating subsidiaries level funding the local PRC operations denominated in Renminbi, and therefore the Group's gearing ratio, representing the ratio of Group's total borrowings to equity attributable to owners of the parent of HK$947.5 million (2011: HK$679.1 million) was 38.4% (2011: 20.1%). Cash and bank balances were HK$353.8 million (2011: HK$183.4 million).

During the year ended 31 December 2012, the Group was not materially exposed to foreign currency risk.

**Dividend**

The Board does not recommend the payment of dividend for the year ended 31 December 2012 (2011: Nil).

**Staff Benefits**

At 31 December 2012, the Group had a total of 1,340 employees (2011: 1,315). The staff costs for the year amounted to approximately HK$98 million (2011: HK$69.8 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 year.

## Human Resources

The Group treasures its existing staff. 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 31 December 2012, the Group had pledged certain buildings, gas station equipment, motor vehicles and finance lease receivables for certain bank borrowings granted.

## Events After The Reporting Period

(a) Tianxu Hengyuan has completed the acquisition of the entire issued share capital of Shanghai Shangju at a consideration of RMB63 million on 5 January 2013 which had been paid before the balance sheet date. Shanghai Shangju is an investment company and currently owns six adjacent investment properties in Changning District, Shanghai. The Group intends to occupy a substantial portion of the properties for its own use as the new branch office of its LED business in Shanghai.

(b) The Company has completed a placing and subscription agreement to issue 730,000,000 shares of the Company at the subscription price of HK$0.2 per share on 28 January 2013 such that, the number of issued shares of the Company has increased to 4,383,782,539 shares and the issued share capital increased to HK$876,757,000. The net proceeds are approximately HK$141 million which would be used partly as reserve of cash resources to fund the future business expansion of the Group and partly as general working capital.

(c) On 4 February 2013, the Group entered into a conditional agreement with PTI, an independent third party, and two individual guarantors, who are the beneficial owners of PTI. Pursuant to the agreement, the Group and PTI agreed to form a joint venture, the Group agreed to invest a sum of HK$79.2 million in cash for an 88% interest of the joint venture and PTI agreed to invest a sum of HK$10.8 million in cash for an 12% interest of the joint venture. The joint venture then formed will acquire the entire equity interests of three wholly-owned subsidiaries of PTI, which are mainly engaged in the financial services business, at a consideration of HK$54.6 million, subject to adjustment. The joint venture was formed on 20 February 2013 and the acquisition of the respective interests by the joint venture is not yet completed up to the date of approval of these financial statements.

## 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 year.

## CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (effective from 1 April 2012) during the period from 1 April 2012 to 31 December 2012 contained in Appendix 14 to the Listing Rules (the "CG Code"), save and except as disclosed below:

(i) under code provision A.4.1 of the CG Code, non-executive directors 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 should attend general meetings of the Company. An executive director and two independent non-executive directors of the Company were unable to attend the annual general meeting of the Company held on 15 June 2012 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 shall be subject to retirement and re-election in accordance with the articles of association of the Company. Moreover, the 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" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as directors. In addition, the directors are required to comply with the requirements under statue and common law, the Listing Rules, legal and other regulatory requirements.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 year.

## REVIEW BY AUDIT COMMITTEE

The Group's consolidated results for the year have been reviewed by the audit committee of the Company.

## PUBLICATION ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.irasia.com/listco/hk/cei/index.htm). The annual report of the Company for the year ended 31 December 2012 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the same websites in due course.

By order of the Board
**China Environmental Investment Holdings Limited**
**Ji Hui**
*Chief Executive Officer*

Hong Kong, 18 March 2013

*As at the date of this announcement, 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.*