CHINA EVERBRIGHT INTERNATIONAL LIMITED
中國光大國際有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code : 257)

2012 RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

Operating results achieved new height
with profit attributable to equity shareholders exceeding HK$1 billion
Establishing a new era of development
with fruitful market development and strong financial foundation

- Turnover from continuing operations decreased by 2% to HK$3,409,938,000 (2011 (restated): HK$3,486,697,000)
- EBITDA on recurring basis increased by 21% to HK$1,564,705,000 (2011 (restated): HK$1,292,214,000)
- Profit attributable to equity shareholders increased by 40% to HK$1,123,269,000 (2011: HK$801,441,000)
- Final dividend of HK3.0 cents per share (2011: HK2.5 cents per share)

2012 ANNUAL RESULTS

The board of directors (the "Board") of China Everbright International Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2012 with comparative figures for the year ended 31 December 2011 as follows:

Consolidated income statement
For the year ended 31 December 2012

	Note	**2012** **HK$'000**	2011 *HK$'000* (restated - see note 8)
Continuing operations			
Turnover	*3*	**3,409,938**	3,486,697
Direct costs and operating expenses		**(1,726,266)**	(2,048,378)
		1,683,672	1,438,319
Other revenue	*4*	**106,929**	58,727
Other loss	*4*	**(10,022)**	(943)
Administrative expenses		**(297,377)**	(235,823)
Profit from operations		**1,483,202**	1,260,280
Finance costs	*5(a)*	**(312,640)**	(240,778)
		1,170,562	1,019,502
Share of result of associate	*6*	**-**	-
Profit before taxation	*5*	**1,170,562**	1,019,502
Income tax	*7*	**(266,554)**	(254,713)
Profit from continuing operations		**904,008**	764,789
Discontinued operation			
Profit from discontinued operation (net of tax)	*8*	**250,096**	80,475
Profit for the year		**1,154,104**	845,264

Consolidated income statement *(continued)*
For the year ended 31 December 2012

	Note	**2012**	2011
	Note	***HK$'000***	*HK$'000*
			(restated - see note 8)
Attributable to:			
Equity shareholders of the Company			
- Continuing operations		**881,239**	737,061
- Discontinued operation		**242,030**	64,380
		1,123,269	801,441
Non-controlling interests			
- Continuing operations		**22,769**	27,728
- Discontinued operation		**8,066**	16,095
		30,835	43,823
Profit for the year		**1,154,104**	845,264
Earnings per share	*10*		
Basic			
- Continuing operations		**HK23.26 cents**	HK20.10 cents
- Discontinued operation		**HK6.39 cents**	HK1.76 cents
		HK29.65 cents	HK21.86 cents
Diluted			
- Continuing operations		**HK23.14 cents**	HK19.94 cents
- Discontinued operation		**HK6.35 cents**	HK1.74 cents
		HK29.49 cents	HK21.68 cents

Consolidated statement of comprehensive income
For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
Profit for the year	**1,154,104**	845,264
Other comprehensive income for the year:		
Exchange differences on translation of financial statements of subsidiaries	**82,527**	242,019
Changes in fair value of available-for-sale securities	**10,396**	(69,011)
Reclassification adjustment for amounts transferred to profit or loss :		
- upon disposal of available-for-sale securities	**-**	1,030
- impairment loss on available-for-sale securities	**9,994**	-
Tax effect relating to changes in fair value of available-for-sale securities	**(2,528)**	15,739
Exchange reserve realised on disposal of subsidiaries	**(96,560)**	-
	3,829	189,777
Total comprehensive income for the year	**1,157,933**	1,035,041
Attributable to:		
Equity shareholders of the Company	**1,127,677**	972,367
Non-controlling interests	**30,256**	62,674
Total comprehensive income for the year	**1,157,933**	1,035,041

Consolidated balance sheet
At 31 December 2012

		2012		2011	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets					
Fixed assets					
- Investment properties			**10,731**		10,509
- Other property, plant and equipment			**1,422,515**		845,511
- Interest in leasehold land held for own use under operating leases			**37,801**		31,577
			1,471,047		887,597
Intangible assets			**613,564**		1,069,730
Goodwill			**20,793**		46,133
Interest in associate			**-**		-
Other financial assets			**196,692**		184,284
Other receivables and deposits	*11*		**2,603,369**		2,181,165
Gross amounts due from customers for contract work	*12*		**6,889,550**		5,963,047
Finance lease receivables			**21,384**		21,608
Deferred tax assets			**27,508**		12,836
			11,843,907		10,366,400
Current assets					
Inventories		**65,317**		43,475	
Debtors, other receivables, deposits and prepayments	*11*	**1,207,000**		1,016,164	
Gross amounts due from customers for contract work	*12*	**643,800**		553,177	
Tax recoverable		**26,118**		-	
Finance lease receivables		**463**		432	
Pledged bank deposits		**46,289**		215,670	
Deposits with bank		**943,352**		-	
Cash and cash equivalents		**1,806,868**		1,684,299	
		4,739,207		3,513,217	
Current liabilities					
Bank loans					
- Secured		**604,162**		507,152	
- Unsecured		**1,031,224**		556,928	
		1,635,386		1,064,080	
Creditors, other payables and accrued expenses	*13*	**1,190,736**		1,423,305	
Current taxation		**58,179**		52,101	
		2,884,301		2,539,486	
Net current assets			**1,854,906**		973,731

Consolidated balance sheet *(continued)*
At 31 December 2012

		2012		2011	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Total assets less current liabilities			**13,698,813**		11,340,131
Non-current liabilities					
Bank loans					
- Secured		**3,104,148**		3,012,588	
- Unsecured		**1,264,817**		1,016,341	
		4,368,965		4,028,929	
Other loans		**-**		55,350	
Loan from ultimate holding company		**-**		122,022	
Deferred tax liabilities		**659,439**		472,266	
			5,028,404		4,678,567
NET ASSETS			**8,670,409**		6,661,564
CAPITAL AND RESERVES					
Share capital			**403,841**		367,546
Reserves			**7,945,918**		5,822,478
Total equity attributable to equity shareholders of the Company			**8,349,759**		6,190,024
Non-controlling interests			**320,650**		471,540
TOTAL EQUITY			**8,670,409**		6,661,564

Notes:

1. Basis of preparation

The financial statements have been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the changes in accounting policies set out in note 2. The financial statements have been reviewed by the Company's audit committee. The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2012, but is derived from those financial statements.

2. Changes in accounting policies

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued several amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKFRS 7, *Financial instruments: Disclosures - Transfers of financial assets*

- Amendments to HKAS 12, *Income taxes - Deferred tax: Recovery of underlying assets*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKFRS 7, *Financial instruments: Disclosures*

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised and for any continuing involvement in transferred assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity needs not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Amendments to HKAS 12, *Income taxes*

Under HKAS 12, deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the assets in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, *Investment property*, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

2. **Changes in accounting policies** *(continued)*

Amendments to HKAS 12, *Income taxes (continued)*

The Group's investment properties are located in the PRC. As a result of adopting the amendments to HKAS 12, the Group has determined that each of these properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time and consequently the presumption in the amended HKAS 12 is rebutted for these properties. As a result, the Group continues to measure the deferred tax relating to these properties using the tax rate that would apply as a result of recovering their value through use.

3. Turnover and segment reporting

(a) Turnover

Continuing operations

The principal activities of the Group are construction, environmental energy project operation (waste-to-energy power plants, hazardous waste landfill and industrial solid waste landfill), environmental water project operation (waste-water treatment plants and reusable water treatment plants), alternative energy project operation (methane-to-energy power plants, photovoltaic energy projects, biomass power generation plant and waste water source heat pump projects), environmental technology and construction management, property investments and investment holding.

Turnover represents the revenue from construction services, revenue from environmental energy project, environmental water project and alternative energy project operation services, finance income and rental income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2012	2011
	HK$'000	*HK$'000*
Revenue from environmental energy project construction services	**932,978**	1,536,109
Revenue from environmental water project construction services	**530,231**	128,876
Revenue from alternative energy project construction services	**138,741**	453,626
Revenue from environmental energy project operation services	**453,654**	347,148
Revenue from environmental water project operation services	**502,789**	431,275
Revenue from alternative energy project operation services	**256,097**	61,743
Finance income	**594,994**	526,616
Gross rentals from investment properties	**454**	1,304
	3,409,938	3,486,697

3. Turnover and segment reporting *(continued)*

(a) Turnover *(continued)*

Continuing operations *(continued)*

For the year ended 31 December 2012, the Group has transactions with two PRC local government authorities which individually exceeded 10% of the Group's revenues. The revenue from these two PRC local government authorities during the year ended 31 December 2012 amounted to HK$979,723,000 (2011: HK$432,526,000) and HK$361,097,000 (2011: HK$114,384,000) respectively.

The aggregated revenues from environmental energy project construction and operation services, environmental water project construction and operation services, alternative energy project construction and operation services and finance income derived from local government authorities in the PRC amounted to HK$3,028,499,000 (2011: HK$3,432,212,000) for the year ended 31 December 2012. The revenues are included in "Environmental energy project construction and operation", "Environmental water project construction and operation" and "Alternative energy project construction and operation" segments as disclosed in note 3(b) to the financial statements.

(b) Segment reporting

The Group manages its business by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following six reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Environmental energy project construction and operation: this segment engages in the construction and operation of waste-to-energy power plants, hazardous waste landfill and industrial solid waste landfill to generate revenue from construction services, revenue from operation services as well as finance income.
- Environmental water project construction and operation: this segment engages in the construction, upgrade and operation of waste-water treatment plants, reusable water treatment plants and surface water treatment plant to generate revenue from construction services, revenue from operation services as well as finance income.
- Alternative energy project construction and operation: this segment engages in the construction and operation of methane-to-energy power plants, photovoltaic energy projects, biomass power generation plant and waste water source heat pump projects to generate revenue from construction services, revenue from operation services as well as finance income.
- Environmental technology and construction management: this segment engages in the conduct of environmental protection technology research projects and the provision of construction management services to generate management and consultancy fee income.
- Property investment: this segment engages in the leasing of office premises to generate rental income and to gain from the capital appreciation of the properties' values in the long term.
- Infrastructure construction and operation: this segment engages in the construction and operation of a toll bridge to generate revenue from construction service and toll fee revenue.

3. Turnover and segment reporting *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets, interest in associate, deferred tax assets and current assets with the exception of goodwill, investments in other financial assets, intercompany receivables and other corporate assets. Segment liabilities include current taxation, deferred tax liabilities, creditors, other payables and accrued expenses attributable to the activities of the individual segments and borrowings managed directly by the segments, with the exception of intercompany payables.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment provision of construction management services, assistance provided by one segment to another, including technical know-how, is not measured.

The measure used for reporting segment profit is "EBITDA" i.e. "earnings before interest, taxes, depreciation and amortisation". To arrive at EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

3 Turnover and segment reporting *(continued)*

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

In addition to receiving segment information concerning EBITDA, management is provided with segment information concerning revenue (including inter-segment revenue from construction management services), interest expense from borrowings managed directly by the segments, depreciation and amortisation and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purpose of resource allocation and assessment of segment performance for the years ended 31 December 2012 and 2011 is set out below:

	Continuing operations												**Discontinued operation**			
	Environmental energy project construction and operation		**Environmental water project construction and operation**		**Alternative energy project construction and operation**		**Environmental technology and construction management**		**Property investment**		**Subtotal**		**Infrastructure construction and operation**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	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$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**1,741,898**	2,160,866	**1,267,442**	804,505	**400,144**	520,022	**-**	-	**454**	1,304	**3,409,938**	3,486,697	**73,564**	176,866	**3,483,502**	3,663,563
Inter-segment revenue	**-**	-	**-**	-	**-**	-	**389,229**	277,934	**-**	-	**389,229**	277,934	**-**	-	**389,229**	277,934
Reportable segment revenue	**1,741,898**	2,160,866	**1,267,442**	804,505	**400,144**	520,022	**389,229**	277,934	**454**	1,304	**3,799,167**	3,764,631	**73,564**	176,866	**3,872,731**	3,941,497
Reportable segment profit (EBITDA)	**996,743**	820,373	**442,860**	440,454	**205,157**	98,752	**255,529**	196,607	**436**	761	**1,900,725**	1,556,947	**69,012**	149,164	**1,969,737**	1,706,111
Interest income from bank deposits	**3,051**	3,177	**11,662**	1,581	**391**	442	**2,394**	1,410	**-**	-	**17,498**	6,610	**422**	971	**17,920**	7,581
Interest expense	**136,452**	111,883	**78,721**	103,499	**17,852**	4,013	**34,651**	4,413	**-**	-	**267,676**	223,808	**2,302**	5,844	**269,978**	229,652
Depreciation and amortisation	**6,493**	5,266	**9,935**	6,491	**43,881**	12,581	**8,251**	4,966	**1**	-	**68,561**	29,304	**10,889**	25,801	**79,450**	55,105
Additions to fixed assets and intangible assets	**11,028**	8,604	**89,648**	50,749	**97,014**	830,711	**531,924**	56,081	**-**	90	**729,614**	946,235	**7**	54	**729,621**	946,289
Additions to non-current portion of other receivables and deposits and gross amounts due from customers for contract work	**1,288,244**	1,813,718	**743,765**	394,177	**60,313**	28,966	**-**	-	**-**	-	**2,092,322**	2,236,861	**-**	-	**2,092,322**	2,236,861
Reportable segment assets	**7,929,219**	6,134,993	**4,455,279**	4,170,449	**1,624,461**	1,450,728	**1,077,356**	745,437	**110,087**	25,110	**15,196,402**	12,526,717	**-**	700,016	**15,196,402**	13,226,733
Reportable segment liabilities	**2,722,138**	3,098,593	**1,492,508**	1,570,190	**566,215**	731,683	**854,870**	465,433	**3,083**	2,468	**5,638,814**	5,868,367	**-**	220,977	**5,638,814**	6,089,344

3 Turnover and segment reporting *(continued)*

(b) Segment reporting *(continued)*

(ii) Reconciliation of reportable segment revenue, profit, assets and liabilities

	2012			2011		
	Continuing operations	**Discontinued operation**	**Total**	Continuing operations	Discontinued operation	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
Reportable segment revenue	**3,799,167**	**73,564**	**3,872,731**	3,764,631	176,866	3,941,497
Elimination of inter-segment revenue	**(389,229)**	**-**	**(389,229)**	(277,934)	-	(277,934)
Consolidated turnover	**3,409,938**	**73,564**	**3,483,502**	3,486,697	176,866	3,663,563
Profit						
Reportable segment profit	**1,900,725**	**69,012**	**1,969,737**	1,556,947	149,164	1,706,111
Elimination of inter-segment profit	**(315,967)**	**-**	**(315,967)**	(233,782)	-	(233,782)
Reportable segment profit derived from the Group's external customers	**1,584,758**	**69,012**	**1,653,770**	1,323,165	149,164	1,472,329
Depreciation and amortisation	**(71,509)**	**(10,889)**	**(82,398)**	(31,934)	(25,801)	(57,735)
Finance costs	**(312,640)**	**(2,302)**	**(314,942)**	(240,778)	(5,844)	(246,622)
Gain on disposal of subsidiaries	**-**	**234,768**	**234,768**	-	-	-
Unallocated head office and corporate income	**17,059**	**-**	**17,059**	7,627	-	7,627
Unallocated head office and corporate expenses	**(47,106)**	**(1,895)**	**(49,001)**	(38,578)	(1,807)	(40,385)
Consolidated profit before taxation	**1,170,562**	**288,694**	**1,459,256**	1,019,502	115,712	1,135,214

3. Turnover and segment reporting *(continued)*

(b) Segment reporting *(continued)*

(ii) Reconciliation of reportable segment revenue, profit, assets and liabilities *(continued)*

	2012	2011
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**15,196,402**	13,226,733
Non-current other financial assets	**196,692**	184,284
Goodwill	**20,793**	46,133
Unallocated head office and corporate assets	**1,169,227**	422,467
Consolidated total assets	**16,583,114**	13,879,617
Liabilities		
Reportable segment liabilities	**5,638,814**	6,089,344
Unallocated head office and corporate liabilities	**2,273,891**	1,128,709
Consolidated total liabilities	**7,912,705**	7,218,053

3. **Turnover and segment reporting** *(continued)*

(b) Segment reporting *(continued)*

(iii) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers, (ii) the Group's fixed assets and intangible assets and (iii) the Group's non-current portion of other receivables and deposits and non-current portion of gross amounts due from customers for contract work. The geographical location of customers is based on the location at which the services were provided. The geographical location of the assets is based on the physical location of the assets, in the case of fixed assets, and the location of the operation to which they are allocated, in the case of other receivables and deposits, intangible assets and gross amounts due from customers for contract work.

	Revenue from external customers		*Fixed assets and intangible assets*		*Non-current portion of other receivables and deposits and gross amounts due from customers for contract work*	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations						
Hong Kong (place of domicile)	**-**	505	**56,844**	57,463	**-**	-
Other parts of the PRC	**3,402,041**	3,483,296	**1,961,090**	1,273,198	**9,492,919**	8,144,212
Germany	**7,897**	2,896	**66,677**	76,917	**-**	-
	3,409,938	3,486,697	**2,084,611**	1,407,578	**9,492,919**	8,144,412
Discontinued operation						
Other parts of the PRC	**73,564**	176,866	**-**	549,749	**-**	-
	3,483,502	3,663,563	**2,084,611**	1,957,327	**9,492,919**	8,144,212

4. Other revenue and other loss

Continuing operations

	2012	2011
	HK$'000	*HK$'000*
Other revenue		
Bank interest income	**24,320**	12,812
Dividend income from listed securities	**8,804**	6,316
Government grant*	**1,057**	1,144
Value-added tax refund**	**56,660**	32,381
Others	**16,088**	6,074
	106,929	58,727

* Government grant of HK$1,057,000 (2011: HK$1,144,000) was granted during the year ended 31 December 2012 to subsidise certain environmental energy, environmental water and alternative energy projects of the Group in the PRC, of which the entitlement was unconditional and under the discretion of the relevant authorities.

** Value-added tax refund of HK$56,660,000 (2011: HK$32,381,000) was received during the year ended 31 December 2012 in relation to environmental energy project operations and alternative energy project operations of the Group in the PRC. The entitlement of the value-added tax refund was unconditional and under the discretion of the relevant authorities.

	2012	2011
	HK$'000	*HK$'000*
Other loss		
Net loss on sale of other property, plant and equipment	**28**	943
Impairment loss on available-for-sale securities	**9,994**	-
	10,022	943

5. Profit before taxation

Continuing operations

Profit before taxation is arrived at after charging/(crediting):

	2012	2011
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on bank advances wholly repayable within five years	**144,701**	100,676
Interest on other bank advances and other loans	**167,939**	140,102
	312,640	240,778
(b) Staff costs:		
Contributions to defined contribution retirement plan	**18,503**	16,498
Salaries, wages and other benefits	**254,744**	220,320
	273,247	236,818
(c) Other items:		
Amortisation		
- interest in leasehold land held for own use under operating leases	**972**	223
- intangible assets	**18,107**	4,726
Depreciation	**52,430**	26,985
Net foreign exchange (gain)/loss	**(10,601)**	415
Auditors' remuneration		
- audit services	**3,650**	3,250
- other services	**6**	6
Operating lease charges: minimum lease payments		
- hire of premises	**5,343**	9,070
Loss on disposal of listed securities	**-**	1,030
Research and development costs	**11,793**	5,078
Rentals receivable from investment properties less direct outgoings of HK$45,000 (2011: HK$535,000)	**(409)**	(769)

6. **Share of result of associate**

As at 31 December 2011 and 2012, the Group's share of accumulated loss of associate exceeds the Group's interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued.

7. **Income tax**

	2012	2011
	HK$'000	*HK$'000*
Current tax - Hong Kong Profits Tax		
Over-provision in respect of prior years	**-**	(612)
Current tax - PRC Income Tax		
Provision for the year	**144,528**	91,544
(Over) /under-provision in respect of prior years	**(19,427)**	23,425
	125,101	114,969
Deferred tax		
Origination and reversal of temporary differences	**180,051**	175,593
	305,152	289,950
Representing:		
Income tax expense from continuing operations	**266,554**	254,713
Income tax expense from discontinued operation	**38,598**	35,237
	305,152	289,950

No provision for Hong Kong Profits Tax has been made in the financial statements for the years ended 31 December 2012 and 2011 as the Group's operations in Hong Kong sustained a loss for Hong Kong Profits Tax purpose.

Taxation for the PRC operations is charged at the statutory rate of 25% of the assessable profits under taxation ruling in the PRC. During the year, certain PRC subsidiaries are subject to tax at 50% of the standard tax rates or fully exempt from income tax under the relevant tax rules and regulations.

8. Discontinued operation

On 25 May 2012, the Company entered into sale and purchase agreements with an independent third party to dispose of the Group's 80% equity interest in and shareholder's loan to Greenway Venture Limited ("Greenway") at a total consideration of approximately HK$657,629,000. The subsidiaries of Greenway include China Everbright Road & Bridge (Fujian) Investment Limited and Fuzhou Guang Min Road and Bridge Construction & Development Company Limited. The principal activities of Greenway and its subsidiaries are construction and operation of a toll bridge in the PRC. The disposal was completed in June 2012.

Accordingly, the consolidated operating results of Greenway and its subsidiaries for the period ended 31 May 2012 are presented as discontinued operation in the financial statements. The presentation of comparative information in respect of the year ended 31 December 2011 has been reclassified to conform to the current year's presentations.

(a) Results of the discontinued operation:

	1 January 2012 to 31 May 2012	1 January 2011 to 31 December 2011
	HK$'000	*HK$'000*
Revenue	**73,986**	177,885
Expenses	**(20,060)**	(62,173)
Profit before taxation	**53,926**	115,712
Income tax	**(13,598)**	(35,237)
Profit from operations	**40,328**	80,475
Gain on sale of discontinued operation (net of tax)	**209,768**	-
Profit for the period/year	**250,096**	80,475

8. Discontinued operation *(continued)*

(b) Results of the discontinued operation is arrived at after charging/(crediting):

	1 January 2012 to 31 May 2012	1 January 2011 to 31 December 2011
	HK$'000	*HK$'000*
(i) Finance costs:		
Interest on bank advances wholly repayable within five years	**2,302**	5,844
(ii) Staff costs:		
Contributions to defined contribution retirement plan	**45**	107
Salaries, wages and other benefits	**754**	2,204
	799	2,311
(iii) Other items:		
Bank interest income	**(422)**	(971)
Amortisation of intangible assets	**10,798**	25,565
Depreciation	**91**	236

(c) Cash flows of the discontinued operation:

	1 January 2012 to 31 May 2012	1 January 2011 to 31 December 2011
	HK$'000	*HK$'000*
Net cash generated from operating activities	**32,124**	139,518
Net cash generated from/(used in) investing activities	**648,563**	(46)
Net cash used in financing activities	**(46,838)**	(123,053)
Net cash flows for the period/year	**633,849**	16,419

8. Discontinued operation *(continued)*

(d) Effect of disposal on the financial position of the Group:

	HK$'000
Net assets disposed of:	
Fixed assets	1,515
Intangible assets	533,419
Goodwill	25,340
Debtors, other receivables, deposits and prepayments	32,394
Pledged bank deposits	158,709
Cash and cash equivalents	9,059
Bank loans	(85,484)
Creditors, other payables and accrued expenses	(4,305)
Current taxation	(4,456)
Deferred tax liabilities	(16,915)
Loan from non-controlling shareholder	(47,142)
Non-controlling interests	(82,713)
Net identifiable assets	519,421
Exchange reserve realised on disposal	(96,560)
Gain on disposal of subsidiaries	234,768
	657,629
Satisfied by:	
Cash consideration	657,629

Analysis of the net cash inflow in respect of the disposal of subsidiaries

Cash consideration	657,629
Cash and cash equivalents disposed of	(9,059)
Net cash inflow	648,570

9. Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2012	2011
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK3.0 cents per ordinary share (2011: HK2.0 cents per ordinary share)	**120,834**	73,509
Final dividend proposed after the balance sheet date of HK3.0 cents per ordinary share (2011: HK2.5 cents per ordinary share)	**121,152**	91,887
	241,986	165,396

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2012	2011
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK2.5 cents per ordinary share (2011: HK1.5 cents per ordinary share)	**91,892**	54,802

In respect of dividends attributable to the year ended 31 December 2011, the difference between the final dividend proposed and the amount approved and paid during the year represents the additional dividends to the ordinary shareholders upon the exercise of share options before the closing date of the register of members.

10. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$1,123,269,000 (2011: HK$801,441,000) and the weighted average number of 3,788,297,000 ordinary shares (2011: 3,666,560,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2012	2011
	'000	*'000*
Issued ordinary shares at 1 January	**3,675,462**	3,652,462
Effect of ordinary shares issued	**109,973**	-
Effect of share options exercised	**2,862**	14,098
Weighted average number of ordinary shares at 31 December	**3,788,297**	3,666,560

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$1,123,269,000 (2011: HK$801,441,000) and the weighted average number of 3,809,145,000 ordinary shares (2011: 3,696,713,000 ordinary shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2012	2011
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**3,788,297**	3,666,560
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**20,848**	30,153
Weighted average number of ordinary shares (diluted) at 31 December	**3,809,145**	3,696,713

11. Debtors, other receivables, deposits and prepayments

	2012	2011
	HK$'000	*HK$'000*
Debtors	**532,410**	196,352
Loan receivable	**49,744**	-
Other receivables, deposits and prepayments	**3,228,215**	3,000,977
	3,810,369	3,197,329
Less: Non-current portion		
- other receivables and deposits	**(2,553,625)**	(2,181,165)
- loan receivable	**(49,744)**	-
	(2,603,369)	(2,181,165)
Current portion	**1,207,000**	1,016,164

Included in "Debtors, other receivables, deposits and prepayments" are debtors with the following ageing analysis as of the balance sheet date:

	2012	2011
	HK$'000	*HK$'000*
Current	**187,164**	174,053
Less than 1 month past due	**73,360**	9,655
More than 1 month but within 3 months past due	**61,843**	12,142
More than 3 months but within 6 months past due	**93,709**	99
More than 6 months but less than 12 months past due	**116,334**	403
Amounts past due	**345,246**	22,299
	532,410	196,352

11. Debtors, other receivables, deposits and prepayments *(continued)*

The ageing analysis of debtors based on the date of invoice as of the balance sheet date is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 1 month	**187,164**	174,053
More than 1 month but within 2 months	**73,360**	9,655
More than 2 month but within 4 months	**61,843**	12,142
More than 4 months but within 7 months	**93,709**	99
More than 7 months but within 13 months	**116,334**	403
	532,410	196,352

Debtors past due of HK$239,034,000 have been subsequently settled after 31 December 2012.

Debtors are due within 30 days from the date of billing.

Included in "Debtors, other receivables, deposits and prepayments" of the Group are debtors of HK$532,410,000 (2011: HK$196,352,000) of which HK$29,599,000 (2011: HK$10,261,000) and HK$10,551,000 (2011: HK$9,932,000) are due from a non-controlling shareholder and a related company respectively. Debtors represent revenue from environmental energy project, environmental water project, alternative energy project operation services and toll bridge revenue. There was no recent history of default in respect of the Group's debtors. Since most of the debtors are local government authorities in the PRC and based on past experience, management believes that no impairment allowance is necessary in respect of the past due balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. No impairment loss was recognised by the Group at 31 December 2012 (2011: Nil).

"Debtors, other receivables, deposits and prepayments" include balances totalling HK$2,784,034,000 (2011: HK$2,387,032,000) which bear interest at rates ranging from 5.94% to 7.83% (2011: 5.94% to 7.83%) per annum and represent the considerations paid for the acquisition of waste-water treatment plants under TOT (Transfer-Operate-Transfer) arrangements, among which HK$194,094,000 (2011: HK$181,606,000) and HK$491,517,000 (2011: HK$476,468,000) are due from a non-controlling shareholder and a related company respectively. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the TOT arrangements. No impairment loss was recognised by the Group at 31 December 2012 (2011: Nil).

The loan receivable is unsecured, interest-bearing at 11% per annum, due from an unrelated party and due for repayment in 2014.

All of the current portions of the above balances are expected to be recovered or recognised as expense within one year.

12. Gross amounts due from customers for contract work

	2012	2011
	HK$'000	*HK$'000*
Contract cost incurred plus recognised profits less anticipated losses	**9,387,755**	7,785,708
Less: Progress billings	**(1,854,405)**	(1,269,484)
Net contract work	**7,533,350**	6,516,224
Representing:		
Gross amounts due from customers for contract work		
- Non-current	**6,889,550**	5,963,047
- Current	**643,800**	553,177
	7,533,350	6,516,224

Included in "Gross amounts due from customers for contract work" are amounts of HK$227,471,000 (2011: HK$246,876,000) and HK$213,243,000 (2011: HK$229,651,000) which are due from a non-controlling shareholder and a related company respectively.

"Gross amounts due from customers for contract work" represent revenue from construction under BOT (Build-Operate-Transfer) and BT (Build-Transfer) arrangements or upgrade services under TOT arrangements and bear interest at rates ranging from 5.94% to 7.83% (2011: 5.94% to 7.83%) per annum. Among the total of HK$7,533,350,000 (2011: HK$6,516,224,000), HK$5,920,961,000 (2011: HK$6,297,640,000) relates to BOT and TOT arrangements with operation commenced. The amounts for BOT and TOT arrangements are not yet due for payment and will be settled by revenue to be generated during the operating periods of the arrangements. The amount for BT arrangement will be settled according to respective repayment schedules as stated in the agreements.

13. Creditors, other payables and accrued expenses

	2012	2011
	HK$'000	*HK$'000*
Creditors, other payables and accrued expenses	**1,190,736**	1,423,305

Included in "Creditors, other payables and accrued expenses" are creditors with the following ageing analysis as of the balance sheet date:

	2012	2011
	HK$'000	*HK$'000*
Due within 1 month or on demand	**78,611**	63,463
Due after 1 month but within 3 months	**12,212**	51,125
Due after 3 months but within 6 months	**15,697**	36,797
Due after 6 months	**686,687**	737,422
	793,207	888,807

Included in "Creditors, other payables and accrued expenses" of the Group is an amount of HK$14,161,000 (2011: HK$4,610,000) which is payable to an associate. The balance is due within one month and represents service fee for operation of waste-water treatment plants.

Apart from the above, balances totalling HK$774,155,000 (2011: HK$868,230,000) represent construction payables for the Group's BT, BOT and certain BOO (Build-Operate-Own) arrangements, among which HK$10,241,000 (2011: HK$12,257,000) is due to a non-controlling shareholder. The construction payables are not yet due for payment. Included in "Other payables and accrued expenses" of the Group as at 31 December 2012 is an amount of HK$6,218,000 (2011: Nil) which is payable to a non-controlling shareholder. The amounts due to a non-controlling shareholder is unsecured, interest free and expected to be settled within one year.

BUSINESS REVIEW AND PROSPECTS

Operating Results

With continued weakness in the global economy and unresolved global economic uncertainties such as the European debt crisis and the U.S. financial cliff, major countries worldwide are in need of stimulus to drive economic growth and transformation. In such circumstances, active development of the green economy has become a key growth driver as the world faces the challenge of climate change.

In a bid to secure an advantageous position in the next round of economic competition, China has endeavoured to develop energy conservation and environmental protection industry. In 2012, the State ranked energy conservation and environmental protection first among the seven "Strategic Emerging

Industries" under its "Twelfth Five-Year Plan". The National Development and Reform Commission ("NDRC") has also refined the waste-to-energy tariff policy and provided concrete support to the environmental protection industry through special subsidies. In addition, social aspiration for environmental protection is ever increasing. All these bring huge development opportunities and challenges to the Group.

2012 was a year of reorganisation and also a fruitful year for the Group. During the year, under favourable national policy, the Group was able to achieve breakthroughs in market expansion, internal management, technology research and development, design and technology optimisation, fund raising and financing, extension in industry chain and transfer of non-core business, with its upheld objective of "Creating a new horizon of steady and sustainable development by drastic reorganisation" and guiding operating philosophies of "Integrity, Efficiency, Pragmatism and Innovation". Through developments, the Group accommodates well to the more complex and intense market competition, and manages to reach a new horizon.

During the year under review, the Group achieved growth in scale and effectiveness together. Through reorganisation in market expansion, concentrating resources on key areas and key projects, the Group succeeded in securing 8 waste-to-energy projects and a hazardous waste landfill project that are designed with an annual household waste processing capacity of approximately 2,957,000 tonnes and hazardous waste landfill capacity of approximately 20,000 m^3. The facilities commanded a total investment of approximately RMB4.7 billion, the biggest over the years and allowed business operations of the Group to extend further to Zhejiang and Hainan Provinces from Jiangsu, Shandong, Anhui and Guangdong Provinces. This has not only expanded the Group's market presence across the country, but also laid a solid foundation for its next round of development. At the same time, through continued reorganisation and optimising production and construction processes, the Group endeavoured to improve its overall effectiveness and successfully achieved the profit attributable to shareholders for the year exceeding HK$1 billion for the first time. With a batch of projects completed and commenced commercial operation in the past two years, our construction business gradually enters into a period of consolidation, whilst the newly secured projects are still in preparatory stage. The Group will constantly learn from experiences so as to prepare adequately for the next round of busy construction. It is expected that the new projects will contribute more revenue to the Group following kicking-off of construction and commencement of commercial operation of projects.

Through reorganisation, the Group aims to seek a new business direction, to promote growth, and to inject vitality for new developments of the Group. In 2012, Everbright Environmental Protection (China) Limited was established in Shenzhen as the mainland management centre, which integrated seamlessly processes of project construction, operation, research and development and equipment manufacturing, and strengthened management of environmental protection business in the mainland China. Entering this new stage of development, the Group does not only focus on quantitative growth and external expansion, but also integrate speed, quality and effectiveness in its development, aiming to achieve growth in scale and effectiveness together, as well as sustainable development of the enterprise, the society and the environment.

During the year under review, the Group has successfully disposed of the Fuzhou Qingzhou Bridge, its only non-core business. This does not only enable us to recover the investment amount earlier than scheduled and record a net gain on disposal of approximately HK$209,768,000, but also completely transform the Group towards environmental protection businesses and facilitate the Group to focus its resources in developing environmental protection businesses.

At the same time, completion of the equipment manufacturing center in Changzhou ("Equipment Centre") has facilitated development of a new business sector, as the manufacturing of equipment promoted further project development and technological research, allowing the Group to achieve its developmental strategy to extend its supply chain from downstream to mid and upstream .

In order to ensure sustainable development of the Group in the face of volatility in the international capital markets, the Group entered into a loan facility agreement with the Asian Development Bank ("ADB") and 6 other banks in the beginning of 2012, securing a US$100 million B loan. In November 2012, the Group secured another two loan facilities from ADB: a US$100 million A loan and a US$100 million B loan to support agricultural waste and waste-to-energy projects, further enhancing the financial strength of the Group. In addition, the Company raised about HK$1,237,100,000 in August 2012 through the placement of 350 million shares of the Company, which provided adequate working capital and broadened our shareholder base and equity base. As at 31 December 2012, the Group had cash on hand of HK$2,796,509,000, and maintained a reasonable gearing level and healthy financial position. The Group has steadily achieved new milestones in business development and further enhanced its competitive strength.

The Group has continued maintaining its leading position in the industry in terms of investment scale, quality and return. In 2012, the Group was selected as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index Series for a second consecutive year. This reaffirmed the Group's reputation for outstanding performance in corporate sustainable development, which includes environmental protection, corporate social responsibility and corporate governance.

Mr. Chen Xiaoping, the Chief Executive Officer of the Company, was honoured with the "2010-2011's Man of the Year in China's Green Industry" award in June 2012. This award was organised by 8 PRC governmental departments and committees, most notably the Ministry of Environmental Protection of the PRC. This award signifies industry recognition of Mr. Chen's eight years of dedication towards developing the Group into a leading enterprise within China's environmental protection industry, and his achievements and contributions towards advancing the industry in China. Meanwhile, the Group's dedicated efforts in the environmental protection business have been widely acknowledged and praised by the country and the community. During the year under review, the Group won the "China Company Award" at the "2012 DHL/SCMP Business Awards", was selected as a "Hong Kong Outstanding Enterprise" at the "Hong Kong Outstanding Enterprise Awards", and was granted the "China Green-Benefit Enterprise Individual Award" at "The 2nd International Carbon-Value Awards".

The Group is actively involved in carbon emissions trading. Following the Dangshan Biomass Power Generation Project ("Dangshan Project") last year, the Zhenjiang Waste-to-energy Project ("Zhenjiang Project") and Suqian Waste-to-energy Project ("Suqian Project") have also been successfully registered in the United Nations' Clean Development Mechanism.

The Group actively applied for government subsidy and tax benefit for environment protection industry. The Group has received government subsidies, value-added tax refund and profit tax refund of RMB39,772,000, RMB46,092,000 and RMB17,573,000 respectively during the year under review.

In 2012, the Group's consolidated turnover from continuing operations amounted to HK$3,409,938,000, a decrease of 2% from HK$3,486,697,000 of 2011. The EBITDA on recurring basis amounted to HK$1,564,705,000, a rise of 21% from HK$1,292,214,000 of last year. Profit attributable to equity shareholders of the Company for the year of 2012 was HK$1,123,269,000, 40% more than the HK$801,441,000 of 2011. Basic earnings per share were HK29.65 cents, HK7.79 cents more than the HK21.86 cents in the previous year.

The Group remained dedicated to enhancing value for its shareholders. To reward shareholders for their support and considering the Group's need to achieve long term continuous development, the Board of the Company has proposed to pay a final dividend of HK3.0 cents per share to shareholders of the Company. Together with the interim dividend of HK3.0 cents per share already paid, the total dividends for the year are to be HK6.0 cents per share (2011: HK4.5 cents per share).

Environmental Protection and Alternative Energy Businesses

To keep pace with the rapid development of environmental protection and alternative energy industries, the Group actively explores business opportunities in domestic and overseas markets. Up to the end of 2012, the Group has secured 66 environmental protection and alternative energy projects with a total investment of approximately RMB16.492 billion. Of these projects, those with completed construction accounted for a total investment of approximately RMB8.14 billion, while those currently under construction accounted for a total investment of about RMB2.876 billion. The estimated total investment of projects still in the preparatory stage was approximately RMB5.476 billion (amounted to RMB4.176 billion after deducting the investment of the biomass power generation projects of which construction has been postponed).

During the year under review, the turnover from environmental protection and alternative energy business sectors amounted to HK$3,409,484,000 in which the construction service revenue decreased by 24% to HK$1,601,950,000 and the operation service revenue was increased by 44% to HK$1,212,540,000 as compared with 2011. The proportion of the revenue is as follows: construction service revenue 47%, operation service revenue 36% and financial income 17%.

Major financial data of the environmental protection and alternative energy businesses in 2012 is summarised in the table below:-

	2012				2011			
	Environmental Energy Projects	**Environmental Water Projects**	**Alternative Energy Projects**	**Total**	Environmental Energy Projects	Environmental Water Projects	Alternative Energy Projects	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover								
- Construction services	**932,978**	**530,231**	**138,741**	**1,601,950**	1,536,109	128,876	453,626	2,118,611
- Operation services	**453,654**	**502,789**	**256,097**	**1,212,540**	347,148	431,275	61,743	840,166
- Finance income	**355,266**	**234,422**	**5,306**	**594,994**	277,609	244,354	4,653	526,616
	1,741,898	**1,267,442**	**400,144**	**3,409,484**	2,160,866	804,505	520,022	3,485,393
EBITDA	**996,743**	**442,860**	**205,157**	**1,644,760**	820,373	440,454	98,752	1,359,579

In its energy conservation and emission reduction operations, the Group processed household and industrial waste of 3,711,000 tonnes and 45,000 m^3 respectively, agricultural waste of 429,000 tonnes and generated green electricity of 1,307,547,000 kWh during the year under review. This output can support the annual electricity consumption of 1,090,000 households and is equivalent to saving consumption of standard coal of 523,000 tonnes and reducing carbon dioxide (CO_2) emissions by 1,285,000 tonnes. Meanwhile, the Group treated waste water of 508,822,000 m^3 and leachate of 757,000 m^3 from waste-to-energy plants and reduced COD emissions by 192,000 tonnes. Since the Group's first environmental protection project commenced operation in 2005, the Group has processed an accumulated household and industrial waste of 11,445,000 tonnes and 176,000 m^3 respectively, agricultural waste of 516,000 tonnes and generated green electricity of 3,625,280,000 kWh, which can fulfill the annual electricity consumption of 3,021,000 households and save the equivalent of standard coal of 1,450,000 tonnes, reducing CO2 emissions by 3,232,000 tonnes and preventing the cutting of 471 million trees. The Group has treated an accumulated waste water of 2,653,109,000 m^3 and leachate of 1,720,000 m^3 from waste-to-energy plants and reduced COD emissions by 1,030,000 tonnes.

1. Environmental Energy

As at 31 December 2012, the Group had 20 waste-to-energy projects and 4 industrial solid waste and hazardous waste landfill projects that commanded a total investment of approximately RMB9.961 billion. The facilities were designed with the annual capacity to process household waste of approximately 6,807,000 tonnes which can generate on-grid electricity of approximately 1.989 billion kWh annually. The annual capacity of the industrial solid waste and hazardous waste landfill is approximately 115,000 m^3.

The Group constantly learns from experiences, equips itself adequately, has an insight into the market, concentrates resources and makes every effort to develop the environmental energy sector. In January 2012, the Group has successfully secured the waste-to-energy project in Nanjing of Jiangsu Province which is our first new waste-to-energy project since promulgation of the “Twelfth Five-Year Plan” and laid a good foundation for fruitful market expansion during the year. During the year under review, the Group implemented the strategic plan successfully and secured further new waste-to-energy projects in Ningbo of Zhejiang Province, Wujiang and Pizhou of Jiangsu Province, Sanya of Hainan Province, Weifang and Shouguang of Shandong Province and Boluo of Guangdong Province, and a hazardous waste landfill project in Guanyun County of Jiangsu Province. The 8 new waste-to-energy projects add a total designed daily household waste processing capacity of 8,100 tonnes (10,950 tonnes if including phase II projects which have not been activated yet), enhancing greatly the scale of our waste-to-energy business which facilitate the Group becoming the largest investor, contractor and operation service provider in the waste-to-energy industry in China. Acquisitions of new projects further consolidate the Group's strategic advantage in Jiangsu Province and Shandong Province, and extend our coverage to Zhejiang and Hainan markets.

Our success in market expansion is attributable substantially to stable running of the operating projects which meets the emissions standards. During the year under review, operational efficiency of the environmental energy sector was enhanced through optimisation in the accountability system in production technology, operational management, environmental protection, resources planning, leachate treatment and implementation of the “chief” system. Also, exterior landscaping of the operating projects enable them to look more harmonious with the surrounding environment. During the year under review, the Group completed upgrading its operating projects in accordance with the Euro 2000 Standard (currently the most stringent standard in the world) and has become the first enterprise in China with gas emission of all operating waste-to-energy projects complying with the Euro 2000 Standard, ensuring and consolidating its leadership role in China. The Group’s waste-to-energy projects in Zhenjiang and Suqian have received special environmental subsidies totaling RMB10 million and RMB4 million respectively for the year of 2012 as approved by the NDRC.

In March 2012, the NDRC issued a "Notice in relation to the Optimisation of Waste-to-energy Power Tariff Policy", which set the benchmark power tariff for waste-to-energy projects across the country at RMB0.65/kWh, effective as of 1 April 2012. All of the Group's waste-to-energy projects have benefited from this policy in that the new tariff is RMB0.02 to RMB0.15 per kWh higher than what the Group's waste-to-energy projects received previously. The increase in electricity tariff will have a favourable impact on the Group's long term development in the waste-to-energy industry in China.

During the year under review, the Group's environmental energy projects processed a total household waste of 3,711,000 tonnes, solid waste of 45,000 m^3 and generated a total on-grid electricity of 825,490,000 kWh, an increase of 52%, a decrease of 2% and an increase of 49% respectively as compared with 2011. The environmental energy projects brought an EBITDA of HK$996,743,000, an increase of 21% from last year. The growth in profit was mainly attributable to the recognition of construction service revenue and cost saving during the year as well as the continual increase in total processing volume of the operating projects which enhanced the operation service revenue.

Major operating and financial data of the environmental energy sector in 2012 is summarised below:

Project	Waste processing volume (tonne)		On-grid electricity (MWh)		EBITDA (HK$'000)	
	2012	2011	**2012**	2011	**2012**	2011
Suzhou Waste-to-energy Project ("Suzhou Project") Phase I, II and III [(1)]	**959,000**	950,000	**234,794**	240,713	**356,895**	186,525
Yixing Waste-to-energy Project ("Yixing Project") [(2)]	**232,000**	231,000	**52,224**	52,480	**28,243**	29,711
Jiangyin Waste-to-energy Project ("Jiangyin Project") Phase I and II [(3)]	**509,000**	489,000	**127,398**	117,234	**84,437**	141,846
Changzhou Waste-to-energy Project ("Changzhou Project") [(4)]	**383,000**	372,000	**84,858**	81,599	**47,561**	60,564
Jinan Waste-to-energy Project ("Jinan Project") [(5)]	**913,000**	269,000	**183,007**	40,126	**281,413**	193,074
Zhenjiang Project [(5)]	**462,000**	131,000	**106,640**	20,885	**110,374**	74,045
Suqian Project [(6)]	**253,000**	-	**36,569**	-	**22,777**	91,838
Nanjing, Ningbo and Pizhou Waste-to-energy Projects [(7)]	-	-	-	-	**3,992**	-
Other waste-to-energy projects in preparatory stage	-	-	-	-	**(1,709)**	(1,869)
	3,711,000	2,442,000	**825,490**	553,037	**933,983**	775,734
Suzhou Solid Waste Landfill Project Phase I and II, Suqian Hazardous Waste Landfill Project and Guanyun Solid Waste Landfill Project (collectively "Solid Waste Projects") [(8)] (m^3)	**45,000**	46,000	-	-	**62,760**	44,639
					996,743	820,373

(1) The increase in profit of the Suzhou Project was mainly attributable to the construction service revenue generated by the construction of Suzhou Project Phase III during the year under review.

(2) The drop in profit of the Yixing Project was mainly attributable to the maintenance expenditure incurred during the year under review.

(3) The decrease in profit of the Jiangyin Project was mainly attributable to the recognition of construction service revenue and construction cost saving on Phase II project in 2011. During the year under review, this project only recognised operation service revenue.

(4) The drop in profit of the Changzhou Project was mainly attributable to the maintenance expenditure incurred during the year under review plus the provision of the development fund.

(5) Jinan Project and Zhenjiang Project commenced commercial operation in October 2011 and August 2011 respectively. During the year under review, the projects contributed operation service revenue and recognised construction cost saving.

(6) Suqian Project completed construction in December 2011. In the first half of 2012, the project has completed trial run and commenced commercial operation. The waste processing volume and operation efficiency is gradually increasing.

(7) Nanjing Project, Ningbo Project and Pizhou Project commenced construction in October 2012, November 2012 and January 2013 respectively.

(8) The increase in profit of the Solid Waste Projects was mainly attributable to the construction service revenue contributed by the construction of the Suqian Hazardous Waste Landfill Project during the year under review. This project has completed construction in January 2013.

2. Environmental Protection Industrial Parks

The Group continues striving to promote environmental protection. While designing and building an environmental protection industrial park, the Group works closely with the responsible local government authorities to comprehensively plan the full utilisation of local resources within the park, the sharing of infrastructure and optimising available land resources. The objective of this exercise is to achieve integration of the use of solid waste and enhanced efficiency of energy conservation, to ultimately achieve "nil discharge". The Group currently has 7 environmental protection industrial parks, including the industrial parks in Suzhou, Changzhou, Suqian, Zhenjiang, Yixing and Nanjing cities of Jiangsu Province and Weifang city of Shandong Province.

3. Environmental Water

As at 31 December 2012, the Group's environmental water sector owned a total of 18 waste water treatment plants and 3 reusable water projects, commanding a total investment of RMB3.139 billion. The projects are designed with an annual treatment capacity to treat waste water of approximately 657,000,000 m^3 and provide reusable water of 22,334,000 m^3 annually. Meanwhile, there are 2 BT projects commanding a total investment of RMB447 million.

The Group continued to further consolidate its environmental water sector, stabilise operations and strictly comply with discharge standards. The Group conducted a series of adjustments and implemented controls on water volume and water quality through carefully evaluating project agreements, sewage piping network deployment, factory arrangements and complementary water charges, effectively lowering operating costs and enhancing efficiency. During the year under review, environmental water projects treated waste water of 508,822,000 m^3, an increase of 2% as compared with last year. These operations brought an EBITDA of HK$442,860,000, 1% more than in the previous year.

The Jiangyin Reusable Water Project (the "Jiangyin Reusable Water Project") Phase I is the Group's third reusable water project following projects in Zibo and Jinan. It currently supplies reusable water of 10,000 m^3 per day. The project underwent system commissioning and trial operations starting in November 2012 and commenced commercial operation in January 2013. The commencement of the project's commercial operation signifies a successful extension of the Group's industry chain in the field of waste water treatment in Jiangyin. It also marks the beginning of reusable water utilisation in the development of municipal infrastructure for the Jiangyin National Hi-Tech Industrial Development Zone, and is another great example of water recycling and reutilisation by the Group.

During the year under review, the Group has established cooperation between its environmental energy and environmental water sectors, identifying a new method of power generation in Jiangyin through the incineration of dehydrated sludge. At present, the sludge generated from Jiangyin waste water treatment plant is dehydrated and transported to the Jiangyin waste-to-energy plant for incineration, thereby addressing not only the issue of sludge disposal, but also generating green electricity.

Major operating and financial data in the environmental water sector in 2012 is summarised below:

Project	Waste water treatment volume (m^3)		EBITDA (HK$'000)	
	2012	2011	**2012**	2011
Qingdao Waste Water Treatment Project ("Qingdao Project") (1)	**43,680,000**	70,358,000	**34,429**	44,616
Zibo Waste Water Treatment Project (Southern and Northern Plants and Hightech Zone Plant) ("Zibo Projects") (2)	**119,546,000**	113,583,000	**74,743**	56,195
Jinan Waste Water Treatment Project (Plant 1, 2, 3 and 4) ("Jinan Waste Water Projects") (3)	**241,096,000**	227,068,000	**156,191**	169,120
Boxing, Zhoucun and Ling County Waste Water Treatment Projects ("Boxing Zhoucun and Ling County Projects") (3)	**48,930,000**	38,900,000	**22,729**	39,108
Jiangyin Waste Water Treatment Project ("Jiangyin Waste Water Project") (3)	**55,570,000**	51,063,000	**84,524**	106,888
Xinyi BT Project and Xinyi Surface Water BT Project (4)	**-**	-	**34,160**	22,144
Dezhou Nanyunhe Waste Water Treatment Project ("Nanyunhe Project") (5)	**-**	-	**29,516**	-
Jinan, Zibo and Jiangyin Reusable Water Projects (6)	**-**	-	**6,568**	2,383
	508,822,000	500,972,000	**442,860**	440,454

(1) The decrease in profit of the Qingdao Project was mainly attributable to the expansion of Haibohe Plant which affected the waste water treatment volume as well as the increase in operation and maintenance fee during the year under review.

(2) The increase in profit of the Zibo Project was mainly attributable to the increase in the waste water treatment fee approved in 2011 and rise in waste water treatment volume which enhanced overall operating efficiency.

(3) The decrease in profits of the Jinan Waste Water Projects was mainly attributable to the recognition of construction cost saving on the completion of final construction accounts in 2011. During the year under review, the projects only recognised operation services revenue.

(4) The increase in profit of the Xinyi BT Projects was mainly due to the recognition of construction service revenue of the Xinyi Surface Water BT Project during the year under review.

(5) Nanyunhe Project commenced construction in June 2012 and has met Grade 2 water discharge milestone in January 2013.

(6) Jinan and Zibo Reusable Water Projects commenced operation in September 2011. During the year under review, these projects generated operation service revenue. Jiangyin Reusable Water Project also commenced commercial operation in January 2013.

4. Alternative Energy

In recent years, energy consumption has been growing with the continued development of the global economy and the consumption of fossil fuels such as coal, oil and natural gas etc. have increased as a result. To better position itself to succeed in the next round of international competition, the Group has focused strategically on environmental protection and alternative energy businesses.

As at 31 December 2012, the Group had secured 18 alternative energy projects, including 8 photovoltaic energy projects, 6 biomass power generation projects, 2 methane-to-energy projects and 2 waste water source heat pump projects. These projects commanded a total investment of approximately RMB2.855 billion, were designed with a total annual agricultural waste processing capacity of approximately 1,643,000 tonnes, and have the annual capacity to generate 1,167,000,000 kWh of on-grid electricity.

During the year under review, the Group continued to pay close attention to the national policies related to the alternative energy industry. It was able to make timely adjustments on a number of biomass power generation projects under development which were affected by the local economic situation and uncertain policies in the first half of 2012, while reallocating the original project's funding to the biomass power generation projects for the Group's newly secured waste-to-energy projects. For the Dangshan Project which is already in operation, the Group has strengthened its management levels and enhanced its biomass collection and storage system. The project's current operations are stable, at optimum efficiency levels, and leading in various technical indicators among comparable projects.

In January 2013, the Group reactivated the Hanshan Biomass Power Generation Project ("Hanshan Project") in Anhui after receiving the approval from the National Energy Administration. The Hanshan Project will be classified as part of a nationally approved plan and is able to benefit from the unified national biomass feed-in tariff at RMB0.75/kWh. This is the first green light for the biomass power industry since the government tightened management on biomass power project construction in 2010. The total investment of phase I of the project was RMB320 million and the designed annual processing capacity is approximately 300,000 tonnes of various types of agricultural waste. The Hanshan Project is carrying out preliminary procedures and will commence construction in 2013. The Group will enhance the facilities of the Hanshan Project based on foundations established through the Dangshan Project, constructing the Hanshan Project as an industry benchmark.

During the year under review, the Group's alternative energy projects have provided a total on-grid electricity of 269,363,000 kWh, and brought in an EBITDA of HK$205,157,000, an increase of 108% as compared with last year. The increase in profit was mainly due to the completion of construction of 3 photovoltaic energy projects which began operating at the end of 2011 which contributed to the increase in operation service revenue for the year. In addition, the completion of the final construction account of Dangshan Project also resulted in the recognition of construction cost saving.

Major operating and financial data of the alternative energy sector in 2012 is summarised below:

Project	**On-grid electricity (MWh)**		**EBITDA (HK$'000)**	
	2012	2011	**2012**	2011
Dangshan Project [(1)]	**221,940**	42,738	**113,073**	72,603
Suqian Photovoltaic Energy Project [(2)]	**7,256**	2,221	**17,716**	4,428
Zhenjiang Photovoltaic Energy Project [(2)]	**11,986**	3,553	**25,369**	3,878
Changzhou Photovoltaic Energy Project [(2)]	**4,006**	-	**9,335**	(603)
Suzhou Methane-to-energy Project [(3)]	**17,251**	23,634	**5,951**	9,538
Shenzhen and Huaining Photovoltaic Energy Project [(4)]	**3,370**	2,848	**4,526**	2,179
German Ground Photovoltaic Energy Project [(5)]	**3,554**	1,454	**5,618**	2,852
Zibo Heat Pump Project Phase I and II [(6)]	**-**	-	**23,569**	3,877
	269,363	76,448	**205,157**	98,752

(1) The Dangshan Project has started power generation in September 2011. The increase in profit was mainly attributable to the recognition of construction cost saving upon the completion of final construction account during the year under review.

(2) The Suqian Photovoltaic Energy Project Phase II, the Zhenjiang Photovoltaic Energy Project (Rooftop) and the Changzhou Photovoltaic Energy Project commenced operation in January 2012. These contributed to an increase in operation service revenue during the year under review.

(3) The decline in profit of the Suzhou Methane-to-energy Project was mainly attributable to the impact on the decrease in on-grid electricity and revenue, which offset the recognition of VER revenue.

(4) The growth in profit of Shenzhen and Huaining Photovoltaic Energy Project was attributable to the increase in on-grid electricity during the year under review.

(5) The German Photovoltaic Energy Project started commercial operation in June 2011, and continued to bring a profit contribution to the Group during the year under review.

(6) The Zibo Heat Pump Project Phase II completed construction in December 2012. The increase in profit was mainly attributable to the recognition of construction service revenue on Phase II during the year under review.

Environmental Protection Engineering

The Group has remained committed to its philosophy of "Producing quality facilities and building a brand" from its method of management down to its execution of construction work. In 2012, 24 projects with a total investment of RMB8.707 billion were under construction or in preparatory stages. During the year, the construction of Suqian Hazardous Solid Waste Landfill Project, Jiangyin Reusable Water Project, Zibo Heat Pump Project Phase II, Suzhou Waste-to-energy Project Phase III and Equipment Centre were completed. The Dezhou Nanyunhe Waste Water Treatment Project Phase I had finished the Grade 2 water discharge milestone. The Xinyi Surface Water Project had also completed the construction of purification plant and pipeline and had partly transferred in January 2013. The total designed waste processing capacity of Suzhou Waste-to-energy Project Phase I, II and III has reached 3,550 tonnes after the commencement of operation of Suzhou Waste-to-energy Project Phase III, making it the largest waste-to-energy project in China. In addition, the Group has secured a number of new projects, of which 3 waste-to-energy projects in Nanjing, Ningbo and Pizhou had begun construction in October 2012 and November 2012 and January 2013 respectively. The other projects were under schedule with the overall design, site preparation, key equipment procurement, etc completed. With the continuous development of new projects, the Group will experience an important year for project construction in 2013. It is anticipated that construction service revenue will continue to be the Group's main revenue source and growth driver.

During the year under review, the Group utilised the management experience accumulated through the construction and management of environmental protection engineering projects to establish a standardised engineering management system. This system encompasses construction standards, implementation rules and operations manuals. The Group aims to standardise the management of engineering projects to provide top engineering construction services and enhance the overall efficiency of construction.

Environmental Protection Technology

Science and technology is an advanced production force. Development of science and technology is the driving power and protective force behind the long-term development of an enterprise. By upholding an operating philosophy of scientific planning, meticulous organization, bold innovation and actively executing plans in carrying out scientific work, the Group has consistently increased its R&D investment and capability. The Group currently established a set of R&D systems conducive to the healthy scientific development.

In the beginning of 2012, the Group established a priority in 8 fields for R&D, with budget more than RMB20 million in total. On top of the RMB10 million and RMB4 million subsidies for the Zhenjiang Project and Suqian Project from the NDRC, the Group's environmental protection equipment manufacturing project also secured a special subsidy of RMB9.7 million from the PRC Central

Government.

Furthermore, the Group's self-developed hydraulic grate furnace passed the environmental protection technology assessment by the Chinese Society for Environmental Sciences in May 2012. This self-developed furnace combustion system and combustion control system has been applied to the waste-to-energy projects in Jiangyin, Zhenjiang and Suqian. The operating results have shown that the ignition loss rate of slag was under 3%, attaining a very high burning efficiency of 96% and a stable operating duration exceeding 8,000 hours per year. This accomplishment demonstrates that the new grate furnace technology developed by the Group is suitable for treating household waste in the PRC, and that their production, installation, operation and investment have reached international standards for similar technologies.

In 2012, the Group restructured the organisation and management of the R&D department. Specialised teams were set up to focus on specific development. Incentive schemes were also established for successful patent applications and commercialization of R&D. These initiatives are expected to facilitate the development and the implementation of R&D activities by the Group. In addition, the Group has revised a series of policies including R&D Project Management Policy, R&D Funds Management Policy, Technological Transformation Project Management Policy, R&D Equipment Management Policy, R&D Incentives Policy and Intellectual Property Management Policy in order to enhance its management standard in R&D.

During the year under review, 30 patents were filed by the Group, of which 13 were invention patents and 17 were new utility invention patents. The Group will continue to strengthen its efforts in advancing R&D and expand investment in specified technologies. The Group will continue to expand its business scope and set a direction for continuing development through the innovations of its strong R&D team.

Environmental Protection Equipment Manufacturing

Environmental Protection Equipment Manufacturing is a new business sector for the Group. The Group's production base for environmental protection equipment is located in Changzhou City of Jiangsu Province and has already started production in July 2012. With the establishment of clear target and organization structure, the Group has established 5 key departments of Research and Development, Production Management, Technology Management, Sale & Marketing and Human Resources Management with high standard. These will further facilitate the Group to extend its value chain and increase its competitive advantage. Currently, it mainly manufactures grate furnaces, sludge treatment equipment and emission purification equipment for its waste-to-energy projects. The grate furnaces and automatic control systems for the new projects secured in 2012 were included in its production plan. In addition, the development of an entire line of waste-to-energy equipment is under planning, marking a new milestone in the development of the Group's mid and upstream environmental protection markets.

Infrastructure

Toll Bridge

The Group's only non-core project, the Fuzhou Qingzhou Bridge, has generated valuable returns for the Group over the past few years. However, to further optimise resource allocation and focus capital on strengthening its core strength in environmental protection businesses, the Group has disposed of its 80% equity interest in the Fuzhou Qingzhou Bridge and the shareholder's loan in May 2012 for a consideration of approximately HK$657,629,000. The disposal was completed in June 2012. During the year under review, the Fuzhou Qingzhou Bridge brought the Group a net profit of HK$250,096,000, which included a net gain on disposal of HK$209,768,000, and a net operating profit of HK$40,328,000. This disposal has strengthened the Group's cash position and facilitated the Group to expand and develop its core environmental protection projects. Subsequent to the completion of the disposal, the Group has become an integrated environmental protection enterprise exclusively engaged in the environmental protection and alternative energy businesses.

Post-Result Events

The Group entered into a framework agreement with Rizhao City of Shandong Province for a household waste-to-energy project in January 2013, and has entered into a concession agreement for the Ninghai Waste-to-energy Project ("Ninghai Project") of Zhejiang Province. The Ninghai Project has a concession period (including the construction period) of 30 years. Its Phase I Project will have a daily waste processing capacity of 700 tonnes and command a total investment of RMB360 million. It is expected to process 256,000 tonnes of waste annually, generating 90 million kWh of electricity each year.

In January 2013, the Group has also signed an agreement for the introduction of grate furnace technology from the German-based Martin company (MARTIN GmbH für Umwelt - und Energietechnik). MARTIN GmbH is a European industry leader in waste incineration technology. Its waste combustion systems, widely used all over the world, feature complete burnout of fly ash, bottom ash and flue gas, which can improve combustion efficiency and reduce the manufacturing, operating and maintenance costs. This technology from MARTIN GmbH equips the Group with both self-developed and imported grate furnace technology, effectively lowering construction and operating costs of waste-to-energy projects through the joint strength of the two effective technologies.

The Group's waste-to-energy project in Jinan City, the Jinan Project, has been awarded the nation's highest honour for National High Quality Projects in 2012 - 2013, the Luban Award. This is the first waste-to-energy project recognised by the most prominent construction and engineering award in the nation. Besides, the Suzhou Project Phase I & II were evaluated as the national class AAA waste-to-energy plant in China by the State Industrial and Information Bureau. The Group will continue to complete every project according to the highest standards. Furthermore, the Group will strive to construct each project as a pioneer project in the industry regardless of the project scale and investment size in order to strengthen the Group's leadership position in the environmental protection industry.

Following the Zhenjiang Project, the Suqian Project was also successfully registered in the United Nations as a Clean Development Mechanism (CDM) project, and the CDM project of Suzhou Project will be completed and publicly announced on 1 March 2013.

Business Prospects

Starting from scratch after the Group's transformation to environmental protection business in 2003, the Group has developed into a comprehensive and innovative enterprise in environmental protection and alternative energy businesses through a decade of exploration and campaigning.

Entering 2013, further changes in the industry are expected, as the new blueprint formulated by the 18th CPC Congress emphasized sustainable development and the reform and innovation of development models with the goal of boosting China's economic development. Improving the environment, reducing pollution and developing the environmental protection industry will become a new focal point for growth, which will bring new ideas, new direction and a new driving force for green enterprises.

According to the "National Plan for Establishing Facilities for Treatment Of Urban Household Waste in a Non-Hazardous Way under the 12th Five-Year Plan" issued in May 2012, the daily waste processing capacity of waste-to-energy shall be substantially increased from 89,625 tonnes at the end of 2010 to approximately 307,155 tonnes by the end of 2015 at an annual compound growth rate of 28%. In expectation of the great market potential underscored by favourable national policies, the Group will endeavour to seize opportunities in the environmental protection and alternative energy industries to deliver stronger results for its shareholders.

Looking ahead, with stronger supporting policies from the State, inspiration from the 18th CPC Congress, and the continued comprehensive support from our parent company, China Everbright Holdings Company Limited, we are confident that we can realise the full potential of all the exciting opportunities for future development. As an industry leading player, the Group will act as a responsible enterprise in advancing its business through unremitting efforts and opportunities grasp.

While focusing on developing its core businesses of environmental energy and environmental water, the Group will continue to expand its alternative energy projects. It will also capitalise on its strong innovation capabilities and core competencies to develop its environmental protection equipment manufacturing business. As such, the Group can extend its reach across the industry chain, develop markets in all economic regions and continue expanding its market share through R&D and innovations.

In addition, the Group will continue to develop its environmental protection and alternative energy businesses both domestically and overseas. On top of enhancing its leading market presence and investment position in Yangtze River Delta and Pearl River Delta, the Group will expand the environmental protection and alternative energy businesses at home and abroad, capitalising on its abundant experience in domestic project operation and the successful photovoltaic energy project in Germany, with the aim of contributing to a solution for global environmental issues as well as laying a foundation for sustainable development of the Group.

The Group believes that 2013 is a year of opportunities and crises. While we embrace these opportunities, the Group will respond to crises in a prompt and timely manner. Facing continued turmoil in external economic environments and a slowdown in China's economy, the Group will closely monitor changes in the global economic environment and develop its business with a prudent and risk adverse approach. Towards this end, the Group established the invaluable corporate objectives of "Unify understanding, Clarify objectives, Improve overall efficiency in all operations and Develop steadily", in addition to the operative values of "Preparing for crisis in good times, Staying calm when faced with challenges, Initiating timely and appropriate actions, and Preparing for the next boom". Through achieving these objectives and fulfilling these values, the Group seeks to enhance its internal risk management and corporate governance, respond effectively to global economic crisis and continue to maximize shareholder value.

Social responsibility is the main focus of the Group, and in early 2012, the Group made 4 solemn pledges to society: We will solidify our foundation for stable growth by improving our manpower and upgrading technology, without lay-offs or salary cuts and increase in investment in R&D and training; we will continue to create job opportunities for construction and operation of projects; we will adhere to our commitment to sharing the fruit of our success with our shareholders; and finally, through carrying out our social responsibility, we will continue to develop environmental protection and alternative energy businesses in an effort to make greater contributions to economic growth and environmental restoration.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Position

As at 31 December 2012, the Group had total assets amounting to HK$16,583,114,000, with HK$8,349,759,000 worth of net assets attributable to equity shareholders of the Company, amounting to HK$2.068 per share, an increase of 23% as compared with HK$1.684 per share for the year 2011. As at 31 December 2012, gearing ratio (total liabilities over total assets) of the Group was 48%, 4 percentage points less than the 52% as at the end of 2011.

Financial Resources

The Group adopts a prudent approach in cash and financial management to ensure proper risk control and low costs of funds. It finances its operations primarily with internally generated cash flow and loan facilities from banks. As at 31 December 2012, the Group had cash and bank balances of HK$2,796,509,000, representing an increase of HK$896,540,000 as compared to HK$1,899,969,000 at the end of 2011. The increase was mainly due to the placement of shares of the Company and the disposal of the Group's equity interest in the Fuzhou Qingzhou Bridge during the year under review. Currently, most of the Group's cash, approximately HK$2,576,501,000, is denominated in Hong Kong dollars and Renminbi.

Borrowings

The Group strives to increase its banking facilities to reserve sufficient funds for the development of its environmental protection business. During the year under review, the Group has strengthened its cooperation with ADB and has successfully obtained new loan facilities, which include the loan facility signed in January 2012 with ADB and 6 commercial banks for the US$100 million B loan, and 2 loan facilities signed with ADB in November for the US$100 million A loan and US$100 million B loan. In addition, the Group has also obtained multiple loan facilities from commercial banks, which have comprehensively enhanced the Group's financial strength.

As at 31 December 2012, the Group had outstanding borrowings of HK$6,004,351,000, representing an increase of HK$733,970,000 as compared to HK$5,270,381,000 at the end of 2011. The borrowings comprised secured bank loans of HK$3,708,310,000 and unsecured bank loans of HK$2,296,041,000. The borrowings are mainly denominated in Renminbi, a portion of about 63%, and the remaining are denominated in US dollars and Hong Kong dollars. All the borrowings are at floating rates.

Foreign Exchange Risk

The Group's assets, borrowings and major transactions are mainly denominated in Renminbi. The Group mainly settles business expenses in the PRC with Hong Kong dollar remittance and income in Renminbi. It has not used any financial instruments to hedge against bank borrowings in Renminbi, which are used mainly to meet capital requirements of its business in the PRC. The Group closely manages and monitors foreign currency risks given the increased loan balances in Hong Kong dollars and US dollars.

Pledge of Assets

As at 31 December 2012, certain banking facilities of the Group were secured by certain revenue and receivables in connection with the Group's service concession arrangements, bank deposits, mortgages on fixed assets and equity interests of certain subsidiaries of the Company. The aggregate net book value of assets and equity interests in subsidiaries pledged amounted to approximately HK$7,684,579,000.

Commitments

As at 31 December 2012, the Group had purchased commitments of HK$470,034,000 outstanding in connection with construction contracts.

Contingent Liabilities

As at 31 December 2012, the Company had issued financial guarantees to 7 wholly-owned subsidiaries and a non-wholly owned subsidiary. The directors do not consider it probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at year end under the guarantees issued is the facilities drawn down by the subsidiaries of HK$2,179,485,000.

Share Placement

On 28 August 2012, the Company’s substantial shareholder, Guildford Limited (“Guildford”) entered into a placing and subscription agreement with the placing agent, J.P. Morgan Securities (Asia Pacific) Limited. Pursuant to which, the Company placed 350,000,000 shares to the independent investors at a placing price of HK$3.58 per share, and Guildford subscribed to 350,000,000 shares of the Company at the same price of HK$3.58 per share. On the day of the agreement, the Company's market value per share was HK$3.89, and the net proceeds from the share placement were approximately HK$1,237,100,000. The Group has been using the net proceeds as its general working capital for the development of its environmental protection business.

Internal Management

The Group adheres diligently to the management principle that focuses on “People-oriented, Pragmatism, Creativity and Systematic Management” and is committed to building a comprehensive risk management culture. Strengthening management and risk control have always been important duties of a corporation during its operations and development. With the efforts of the Risk Management Advisory Committee and the Budget Approval and Management Committee, the Group formulated strict regulations on investment in, and construction and operating of environmental protection projects. The Group also held the Management Committee meeting on a monthly basis to review all projects under construction and operation. During the year under review, the Group continued to conscientiously implement various management systems and completed the “Contract Management Procedures”, “Computerization of Financial Management System”, “Internal Audit and Rectification Management Procedures”, “Internal Report Measures” to improve internal management. It also conducted internal audits on 26 projects and completed rectification on audit findings. The internal taxation research team has updated the notice of preferential taxation, summary of regulations and policies, and reiterated tax-related workflows to enhance the understanding of preferential taxation policies. The Group has also prepared the “Guide on Application for Investment and Special Subsidy in the Central Government Budget” to unify the reporting requirements and processes so as to secure special subsidies from Central Government.

Human Resources

The Group highly values its human resources. It believes that realizing the full potential of its employees is crucial to its long term growth, thus it puts great emphasis on staff training. The Group has arranged a variety of training courses during the year under review, highlighted by the Master Program II of Environmental Engineering of Tsinghua University and the International CEO Course III of Tsinghua University specifically designed for enhancing the capabilities of the management and specialized technical staff. To assist newcomers to familiarize with and adapt to the corporate culture, the Group has also organized 2 military outward bound training sessions in Shenzhen, which was joined by a total of 147 staff. During the year, the Group has arranged a variety of training courses, including financial training, performance assessment, labour law and corporate promotion courses in Beijing and Zhenjiang, to enhance the professional knowledge of staff in finance, human resources and corporate promotion departments of the whole Group. The Group has also invited external lecturers to conduct 4 video training sessions for the entire staff to broaden their exposure to business. To enhance management, technological standard and market expansion capabilities, the Group has also arranged various delegations to visit overseas countries. The Group has arranged a delegation comprising its management and specialized technical staff to visit overseas countries in order to conduct technical investigation and study of the environmental protection industry, thus helping in the design optimisation of its environmental protection projects located in China.

As at 31 December 2012, the Group had approximately 1,650 employees in Hong Kong and mainland China. Employees of the Group are remunerated according to their qualifications, experience, job nature, performance and with reference to market conditions. Apart from a discretionary performance bonus, the Group also provides other benefits such as medical insurance and provident fund scheme to employees in Hong Kong. According to the share option scheme approved by the Company's extraordinary general meeting on 26 May 2003, at the discretion of the Board, share options may be granted as performance incentives to any employees (including the directors). During the year under review, no share option was granted to any employee (including the directors).

Corporate Governance

The Group strives to maintain a high standard of corporate governance as it believes good corporate governance practices are increasingly important for maintaining and promoting the confidence of the shareholders of the Company. It is crucial for the development of the Group's business and protection of the Shareholders' interests. The Group upholds the management principle of "People-oriented, pragmatism, creativity and systematic management", and through a set of rules and regulations, has continuously strengthened internal controls and risk management. Furthermore, by full and timely public disclosure of information, the Group has maintained transparency, accountability which also enhanced its corporate values. The Board meets regularly and has set up Board committees, namely Executive Committee, Audit

Committee, Nomination Committee, Remuneration Committee, Disclosure Committee and Management Committee. For risk management, the Group has set up a Risk Management Advisory Committee to monitor and assess risk regularly, boost related management standards and evaluate investment projects. Regarding technological risk management, the Group has in place an Engineering Technical Management Committee responsible for assessing the technologies used in different investment projects. For financial control, the Group insists on stringent budget management, and has set up a Budget Approval Management Committee that focuses on monitoring construction budgets. In addition, the Group has also set up an Internal Audit Department to perform internal audits to bolster the Group's management standard.

The Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") has been duly adopted by the Board as the code on corporate governance practices of the Company.

The Company has complied with the code provisions and most of the recommended best practices of the Code (effective until 31 March 2012) and the CG Code (effective from 1 April 2012) as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2012 except the following deviation.

Two Independent Non-executive Directors had not attended the annual general meeting of the Company held on 18 April 2012 due to oversea or other commitment. This constitutes a deviation from the code provision of A.6.7 of the CG Code which requires, inter alia, independent non-executive directors and other non-executive directors to attend general meetings.

EXECUTIVE COMMITTEE

The Executive Committee comprises Mr. Tang Shuangning (Chairman), the Chairman of the Board, and 5 executive directors, namely Mr. Zang Qiutao, Mr. Chen Xiaoping, Mr. Wang Tianyi, Mr. Raymond Wong Kam Chung and Mr. Cai Shuguang. Its main duties include performing the duties assigned by the Board as well as exercising the authority and rights authorized by the Board. The general mandate in relation to the Executive Committee in written form has been established.

AUDIT COMMITTEE

The Audit Committee, currently comprising all 4 independent non-executive directors of the Company, namely Mr. Selwyn Mar (Chairman), Mr. Philip Fan Yan Hok, Mr. Aubrey Li Kwok Sing and Mr. Zhai Haitao, is primarily responsible for reviewing the accounting principles and practices adopted by the Group, as well as discussing and reviewing the internal control and financial reporting matters of the Group. The terms of reference of the Audit Committee are disclosed on the website of the Company.

The Audit Committee has reviewed with the management and KPMG, the Company's auditors, the accounting principles and practices adopted by the Group and discussed the Group's internal control and financial reporting matters, including review of the annual results for the year ended 31 December 2012.

NOMINATION COMMITTEE

The Nomination Committee currently comprises Mr. Zhai Haitao (Chairman), the independent non-executive director, Mr. Chen Xiaoping, the Chief Executive Officer, and 3 other independent non-executive directors of the Company, namely Mr. Philip Fan Fan Hok, Mr. Selwyn Mar and Mr. Aubrey Li Kwok Sing. It is primarily responsible for making recommendations to the Board on appointment of directors regarding the qualification and competency of the candidates, so as to ensure that all nominations are fair and transparent. The terms of reference of the Nomination Committee are disclosed on the website of the Company.

During the year under review, the Nomination Committee held a meeting and discussed and reviewed the re-designation of Mr. Philip Fan Yan Hok as an independent non-executive director of the Company (Mr. Fan had abstained from discussion and voting in this agenda) and the re-election of all the retiring Directors at the forthcoming 2013 annual general meeting.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises Mr. Aubrey Li Kwok Sing (Chairman), the independent non-executive director, Mr. Zang Qiutao the Vice-chairman of the Board, and 2 other independent non-executive directors of the Company, namely Mr. Selwyn Mar and Mr. Zhai Haitao. The terms of reference of the Remuneration Committee, which are disclosed on the website of the Company, set out the duties of the Remuneration Committee, including to determine, with delegated responsibilities, the remuneration packages of the individual executive directors and senior management.

During the year under review, the Remuneration Committee has reviewed the remuneration policy, assessed performance of executive directors and approved the remuneration packages of the directors and senior management.

DISCLOSURE COMMITTEE

The Disclosure Committee was established on 13 December 2012 and currently comprises Mr. Chen Xiaoping (Chairman), the Chief Executive Officer of the Company, Mr. Wang Tianyi, the General Manager of the Company, Mr. Raymond Wong Kam Chung, the Chief Financial Officer of the Company, the Chief Legal Officer and the Company Secretary of the Company. The Board has delegated the day to day execution of its continuous disclosure obligations to the Disclosure Committee to ensure the compliance of the Company with its disclosure obligations. The terms of reference of the Disclosure Committee has been established in writing.

MANAGEMENT COMMITTEE

The Management Committee comprises Mr. Chen Xiaoping (Chairman), the Chief Executive Officer of the Company, Mr. Wang Tianyi (Vice-chairman), the General Manager of the Company, Mr. Raymond Wong Kam Chung, the Chief Financial Officer of the Company, Mr. Cai Shuguang, Mr. Hu Yanguo, Mr. Chen Tao, three Deputy General Managers of the Company as well as the General Managers of the Investment Development Department and Investment Management Department and the Chief Legal Officer of the Legal and Compliance Department. The Management Committee is responsible for the daily business operation management work, formulates and implements annual work task and medium-term development plan of the Group. The Management Committee is the decision-making body for day-to-day business activities and makes collective decisions on major matters relating to the Group's daily business operation, management and personnel etc. The general mandate in relation to the Management Committee has been established in writing.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the model code (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of directors. Specific enquiry has been made with all the directors, who confirmed that they had complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2012.

OTHER INFORMATION

Final Dividend

The Board has proposed to pay a final dividend of HK3.0 cents per share (2011: HK2.5 cents per share) to shareholders whose names appear on the register of members of the Company on Thursday, 9 May 2013. Subject to the approval by the shareholders of the final dividend at the forthcoming annual general meeting of the Company, dividend warrants will be dispatched to shareholders on or about Tuesday, 28 May 2013.

Closure of Register of Members

The register of members will be closed from Tuesday, 23 April 2013 to Friday, 26 April 2013, both days inclusive, on which no transfer of shares will be effected. In order to qualify for attendance of annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Monday, 22 April 2013.

The register of members will be closed from Tuesday, 7 May 2013 to Thursday, 9 May 2013, both days inclusive, on which no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Monday, 6 May 2013.

Purchase, Sale or Redemption of the Company's Listed Securities

There was no purchase, sale or redemption of the listed securities of the Company by the Company or any of its subsidiaries during the year.

By Order of the Board
China Everbright International Limited
Chen Xiaoping
Chief Executive Officer

Hong Kong, 28 February 2013

As at the date of this announcement, the Board comprises: (i) six executive directors, namely Mr. Tang Shuangning (Chairman), Mr. Zang Qiutao (Vice-chairman), Mr. Chen Xiaoping (Chief Executive Officer), Mr. Wang Tianyi, Mr. Raymond Wong Kam Chung and Mr. Cai Shuguang; (ii) four independent non-executive directors, namely Mr. Philip Fan Yan Hok, Mr. Selwyn Mar, Mr. Aubrey Li Kwok Sing and Mr. Zhai Haitao.