THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional advisor.

If you have sold or transferred all your shares in China Infrastructure Investment Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

中國基建投資有限公司

China Infrastructure Investment Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 600)

(1) ENTERING INTO THE AMENDED OPTION AGREEMENT; AND (2) MAJOR TRANSACTION – EXERCISE OF FIRST TRANCHE OPTION AND INVESTMENT IN 49% OF THE EQUITY INTEREST IN THE INTERMEDIATE HOLDING COMPANY

Financial advisor to the Company

Investec

A notice convening the EGM to be held at MJC Members' Clubhouse, 1st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Wednesday, 6 July 2011 at 2:30 p.m. is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you intend to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's branch share registrars in Hong Kong, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so wish.

17 June 2011

CONTENTS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

"Amended Option Agreement"	the amended option agreement dated 28 April 2011 entered into between the Vendors and the Company amending the terms and conditions of the Option Agreement
"associates"	has the same meaning as defined in the Listing Rules
"Board"	the board of Directors
"Business Day"	a day on which banks are open for general banking business in Hong Kong other than a Saturday
"Central Bingo"	Central Bingo Group Limited, an investment holding company and a direct wholly-owned subsidiary of the Company, its sole asset is the 100% interest in China Infrastructure Limited, which sole asset is the 70% interest in Pan-China (Shenyang)
"Changdongshun Acquisition"	(i) acquiring 49% of the equity interest in the Intermediate Holding Company by capital contribution in the amount of RMB960,784 and provision of shareholder's loan (if required); and (ii) payment of the balance of HK$300 million (net of the HK$ equivalent of RMB960,784) to the Vendors
"Company"	China Infrastructure Investment Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Changdongshun Acquisition pursuant to the exercise of the First Tranche Option
"Concession(s)"	concession between member(s) of the Holding Group and the relevant local government(s), pursuant to which such member of the Holding Group to act as the sole pipelined natural gas connection provider and distributor in the designated Concession Operating Area(s) for a period of 30 years

"Concession Operating Area(s)"	area(s) whereby member(s) of the Holding Group has/have obtained Concession; as at the Latest Practicable Date, there were a total of three Concession Operating Areas, namely (i) Jiaohe City in Jilin Province, (ii) area managed by Baishishan Forestry Bureau in Jilin Province, and (iii) Lanxi County in Heilongjiang Province; and each of them, a "Concession Operating Area"
"Designated Vehicle"	a company established by the Vendors or their associates for the purpose of holding the excluded projects as described in the section headed "Joint Investment Arrangements" or in respect of gas project(s) which is(are) considered not suitable for acquisition by the Company for the purpose of the Changdongshun Acquisition
"Director(s)"	the director(s) of the Company
"EGM"	extraordinary general meeting of the Company to be convened for approving, among other things, the Changdongshun Acquisition pursuant to the exercise of the First Tranche Option and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Holding Group
"First Tranche Option"	the option granted by the Vendors to the Company under the Amended Option Agreement, whereby the Company has the option to enter into the Changdongshun Acquisition
"Group"	the Company and its subsidiaries
"Holding Company"	北京中澳綠能科技發展有限公司 (Beijing Zhongao Green Energy Technology Development Limited*), a limited liability company established in the PRC, which will be the holding company of the Intermediate Holding Company
"Holding Group"	the Intermediate Holding Company, the Target Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) the Directors, chief executive and substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
"Intermediate Holding Company"	北京中港綠能投資諮詢有限公司 (Beijing Zhonggang Green Energy Investment Consulting Co., Ltd.*), a limited liability company established in the PRC, which will be the holding company of the Target Company
"Latest Practicable Date"	13 June 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 of the Listing Rules
"Mr. Wang"	Mr. Wang Fa Hui (王發輝)
"Option Agreement"	the option agreement entered into by the Company and the Vendors on 5 November 2010
"Pan-China (Shenyang)"	泛華房地產開發(瀋陽)有限公司 (Pan-China (Shenyang) Real Estate Development Limited*), a company established in the PRC with limited liability
"PRC"	the People's Republic of China, which for the purpose of this circular excludes Hong Kong, the Macao Special Administrative Region and Taiwan
"Second Tranche Option"	the option granted by the Vendors to the Company under the Amended Option Agreement, whereby the Company has the option to acquire the remaining 51% effective interests in the Target Company and interests in gas projects held by the Designated Vehicle at the consideration of 15 times of the latest audited net profits at the time of exercising the Second Tranche Option
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Share(s)"	ordinary share(s), currently with par value of HK$0.05 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	北京昌東順燃氣有限公司 (Beijing Changdongshun Gas Limited*), a company established in the PRC with limited liability
"Vendors"	Mr. Wang and Mr. Zhou Jian Hong (周建宏)
"WOFE"	南通盛階基礎設施建設有限公司 (Nantong Shengjie Infrastructure Development Limited*), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
"Xinan Zhongjing Acquisition"	the acquisition of the entire issued share capital of Success Take Limited by the Company, details of which were stated on the announcement of the Company dated 11 April 2011
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"m^3"	cubic meter
"%"	Percentage

* *for identification purposes only*

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese version prevail.

中國基建投資有限公司
China Infrastructure Investment Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 600)

Executive Directors:
Mr. LAW Kar Po *(Chairman)*
Mr. YANG Tian Ju *(Vice Chairman)*
Ms. SHI Feng Ling *(Chief Executive Officer)*
Mr. MAN Wai Ping
Ms. LAW Wing Yee, Wendy
Ms. LEE Siu Yuk, Eliza

Independent non-executive Directors:
Mr. KWOK Hong Yee, Jesse
Mr. KEUNG Kwok Hung
Mr. YUEN Hon Ming, Edwin

Registered office in Hong Kong:
Room 2007, 20th Floor
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Registered office in the Cayman Islands:
The R&H Trust Co. Ltd.
Windward 1
Regatta Office Park
Grand Cayman
Cayman Islands

17 June 2011

To the Shareholders, for information only,
the holders of the convertible securities

Dear Sir or Madam,

(1) ENTERING INTO THE AMENDED OPTION AGREEMENT; AND (2) MAJOR TRANSACTION – EXERCISE OF FIRST TRANCHE OPTION AND INVESTMENT IN 49% OF THE EQUITY INTEREST IN THE INTERMEDIATE HOLDING COMPANY

INTRODUCTION

Reference is made to the Company's announcement dated 28 April 2011, in which the Directors announced that, on 28 April 2011, the Company and the Vendors entered into the Amended Option Agreement to amend certain terms of the Option Agreement.

On 28 April 2011, the Company exercised the First Tranche Option whereby the Company conditionally agreed to (i) nominate the WOFE, an indirect wholly-owned subsidiary of the Company, to invest in 49% of the equity interest in the Intermediate Holding Company by capital contribution in the amount of RMB960,784; and (ii) pay the balance of HK$300 million (net of the HK$ equivalent of RMB960,784) to the Vendors (hence, the aggregate consideration of the Changdongshun Acquisition for approximately 49% effective interest of the Target Company is HK$300 million).

The purpose of this circular is to provide you with, among other things, (i) further details of the Amended Option Agreement and the Changdongshun Acquisition; (ii) the financial information relating to the Group and the Holding Group and the unaudited pro forma financial information on the Enlarged Group; and (iii) the notice convening the EGM.

THE AMENDED OPTION AGREEMENT

Date

28 April 2011

Parties

1. the Company; and

2. the Vendors.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors are Independent Third Parties.

The terms of the Changdongshun Acquisition are amended as follows:

a. The option to acquire interests in the Holding Group from the Vendors

The option to acquire interests in the Holding Group which was granted by the Vendors to the Company pursuant to the Option Agreement will be replaced by the following options:

(a) the First Tranche Option, to acquire 49% interest in the Intermediate Holding Company and the related shareholder's loan, if any, at a total consideration of HK$300 million, exercisable during the period 5 November 2010 to 20 May 2011.

(b) the Second Tranche Option, exercisable at the discretion of the Company, to acquire the remaining 51% interest in the Intermediate Holding Company and interest in gas projects temporary spun-off to the Designated Vehicle, exercisable in multiple times during the period 21 May 2011 to 20 May 2017, which period may be extended at the option of the Company to 20 May 2018 provided that the audited net profits of the Target Company and its existing subsidiaries exceed the Guaranteed Profit (as defined below) of the relevant financial year immediately prior to the exercise. The consideration payable for the interests acquired shall be equal to 15 times of the latest audited net profits of the relevant company at the time of exercising the Second Tranche Option, adjusted to the interest acquired. In the event that the holding companies of these subsidiaries are acquired, the consideration payable shall be determined with reference to the proportionate interests in the relevant companies involving in gas projects.

b. The option to dispose of Central Bingo to the Vendors

The option to require the Vendors to acquire interests in Central Bingo is cancelled. The Company may negotiate with such other parties (including but not limited to the joint venture partner of Pan-China (Shenyang) and its related parties) in respect of the disposal of Central Bingo at its sole discretion.

Central Bingo is indirectly interested in 70% of Pan-China (Shenyang). Based on the articles of association of Pan-China (Shenyang), 泛華建設集團有限公司 (Pan-China Construction Group Corporation Limited*) ("Pan-China Construction"), the 30% shareholder of Pan-China (Shenyang), has the first right of refusal to purchase the Group's interest in Pan-China (Shenyang) if such interest is to be disposed of.

In March 2011, Pan-China Construction indicated that it would nominate Ms. Shi Feng Ling ("Ms. Shi"), an executive Director and the Chief Executive Officer of the Company, an executive vice president of Pan-China Construction, a director and Vice Chairman of Pan-China (Shenyang), to take up the interest in Pan-China (Shenyang) when it exercises the first right of refusal under the articles of association of Pan-China (Shenyang) and Ms. Shi indicated her interest in acquiring Central Bingo.

As at the Latest Practicable Date, the Company was in discussion with Ms. Shi in relation to the disposal of Central Bingo (the "Proposed Disposal"). Should the Proposed Disposal materialises, it would involve the disposal of a very substantial portion of the Company's operations and the Company would cease to hold any investments in property development and property investment in the PRC (as contemplated) and would concentrate its resource in property investments in Hong Kong as well as other infrastructure projects (which the Company has begun to explore since 2008). Given Central Bingo's contribution to the Group's revenue and net profit for the year ended 31 December 2010, the Proposed Disposal would constitute a very substantial disposal and connected transaction of the Company. As at the Latest Practicable Date, no definitive and legally binding agreements or contracts were signed by the Group in respect of the Proposed Disposal and the aforesaid Proposed Disposal may or may not proceed.

c. Option premium

The Company has paid an option premium of HK$15 million for the original option to acquire interests in the Target Company and its subsidiaries from the Vendors and the option to dispose of Central Bingo to the Vendors pursuant to the Option Agreement on 5 November 2010. Such option premium has been redefined as the option premium payable for the First Tranche Option and the Second Tranche Option.

d. Payment of consideration

The total consideration for the Changdongshun Acquisition of HK$300 million under the First Tranche Option, which is payable in cash, shall be satisfied in accordance with the following schedule:

1. by way of capital contribution to the capital of the Intermediate Holding Company in the amount of RMB960,784 to acquire 49% equity interest of the Intermediate Holding Company at Completion (where a capital contribution agreement will be entered into);

2. the remaining balance of HK$300 million (net of the HK$ equivalent of RMB960,784) to be payable to the Vendors within five Business Days after the provision of all the necessary documents evidencing the completion of the capital contribution of the Intermediate Holding Company and the same amount of increase in the capital of the Target Company and the appointment of such person(s) as may be nominated by the Company's nominee to be board members and financial controller of the Intermediate Holding Company, the Target Company and its subsidiaries.

The revised consideration for the Changdongshun Acquisition was made after arm's length negotiation between the Company and the Vendors with reference to (i) the net profit of the Target Company and its subsidiaries for the year ended 31 December 2010; (ii) the revised profit guarantee provided by the Vendors; (iii) the price/earnings ratio of listed companies in Hong Kong that are engaged in similar businesses as mentioned below; and (iv) the prospects of the Holding Group.

The listed companies in Hong Kong that are engaged in similar businesses and their respective financial information as at 27 April 2011 (the date prior to the date of the Amended Option Agreement) are as follows:

Company name	Stock code	Principal activities	Price to earnings ratio as at 27 April 2011
ENN Energy Holdings Ltd.	2688	Investment in, and the operation and management of, gas pipeline infrastructure and the sale and distribution of piped and bottled gas in the PRC.	23.5
China Resources Gas Group Ltd.	1193	City gas distribution (including natural and petroleum gas) in the PRC.	28.2
China Gas Holdings Ltd.	384	Sales of piped gas, gas connection, sales of liquefied petroleum gas and sales of coke and gas appliances.	16.0
Towngas China Co. Ltd.	1083	Sales of piped gas and gas related household appliances, and construction of gas pipeline networks under gas connection contracts.	23.1
China Oil And Gas Group Ltd.	603	Investments in natural gas and energy related businesses.	25.3
Zhengzhou Gas Co. Ltd.	3928	Sales of natural gas, pressure control equipments and gas appliances to customers and construction of gas pipelines and the provision of renovation services of gas pipelines to local customers.	7.4
Zhongyu Gas Holdings Ltd.	8070	Development, construction and operation of natural gas and coalbed gas projects.	84.1

Company name	Stock code	Principal activities	Price to earnings ratio as at 27 April 2011
China Tian Lun Gas Holdings Ltd.	1600	Gas pipeline connections operation and the transportation and sales of pipelined gas operation in Henan Province, the PRC.	21.0
Tianjin Tianlian Public Utilities Co. Ltd.	8290	Operation and management of gas pipeline infrastructure and the sale and distribution of piped gas.	32.1
Average			**29.0**
Target Company and its subsidiaries			24.8 *(note)*

Note: The price to earnings ratio of the Target Company and its subsidiaries is calculated as the consideration for the Changdongshun Acquisition divided by the net profits attributable to owners of the Intermediate Holding Company for the year ended 31 December 2010 adjusted by the 49% interest in Intermediate Holding Company to be obtained (i.e. HK$300,000,000/(RMB21,361,000 * 1.157 * 49%)).

Payment of the consideration under the Second Tranche Option shall be satisfied as follows:

1. by way of capital contribution to the relevant company (where a capital contribution agreement will be entered into) so that relevant percentage interests of the enlarged share capital of the target company will be held by the Company or its nominee; and

2. the remaining balance of the consideration so determined with reference to 15 times the latest audited net profits of the relevant company available at the time of exercising the Second Tranche Option, adjusted to the interest acquired, (less related outstanding shareholder's loans, if any) to be payable to the Vendors within five Business Days after the provision of all the necessary documents evidencing the completion of the capital contribution and the appointment of such person(s) as may be nominated by the Company's nominee to be board members and financial controller of the relevant company.

Should the Company decide to exercise the Second Tranche Option, further announcement will be made as and when appropriate in compliance with the Listing Rules.

e. Profit guarantee

The Vendors undertake to the Company that the net profits of the current operations of the Target Company and its existing subsidiaries that operate in natural gas related projects ("Guaranteed Profit") as shown in their audited accounts, under Hong Kong/International Financial Reporting Standards, for each of the six years ending 31 December 2016 (together the "Guaranteed Period") shall not be less than:

(i) HK$50 million for the year ending 31 December 2011;

(ii) HK$70 million for the year ending 31 December 2012;

(iii) HK$75 million for the year ending 31 December 2013;

(iv) HK$85 million for the year ending 31 December 2014;

(v) HK$95 million for the year ending 31 December 2015; and

(vi) HK$105 million for the year ending 31 December 2016.

The Guaranteed Profit only refers to the Target Company and its existing subsidiaries that operate in natural gas related projects as at the date of the Amended Option Agreement. The performance of any new subsidiaries incorporated after the date of the Amended Option Agreement for the purpose of carrying out any individual projects will not be taken into account towards the calculation of the Guaranteed Profit.

If the actual net profit of the Target Company and its existing subsidiaries as shown in their audited accounts for any relevant Guaranteed Period is less than the relevant Guaranteed Profit (the "Shortfall"), the Vendors shall jointly and severally compensate the Target Company or its relevant existing subsidiary as determined by the Company, the Shortfall, on a dollar-for-dollar basis in cash, failing which the Company has the option to acquire all the remaining effective interest (including shareholder's loan, if any) in the Holding Company, all the remaining effective interest in the Intermediate Holding Company held by the Holding Company and the remaining interest in the subsidiaries of the Target Company at the consideration of HK$1.00. Valuation on the remaining effective interest will be performed and if the valuation of such interests is less than the Shortfall, the Vendors will be required to remain liable for any such difference. A share charge will be entered into by the Vendors in favour of WOFE at Completion.

The profit guarantee refers to the 100% profits of the Holding Group. In the event that the Holding Group generates less than the Guaranteed Profit, the Vendors have to top-up the Shortfall and make payment to members of the Holding Group to bring the profit to the guaranteed level.

f. Joint investment arrangements

The joint investment arrangements under the Option Agreement remained unchanged. There were companies within the Holding Group which are not engaged in natural gas related projects. These companies were excluded from the Holding Group and were transferred to the Designated Vehicle by the Target Company in November 2010.

Under the Amended Option Agreement, during the two-year period after Completion, the Company shall have the right to jointly invest with the Vendors in the proportion of 90% by the Company and 10% by the Vendors in certain or all other new natural gas related projects of the Vendors or their affiliates.

Unless the Company forgoes such right or such right expires without being exercised, neither the Vendors nor the Designated Vehicle may co-invest in these projects with any third parties. In the event the Company exercises such right, the Company shall comply with the applicable Listing Rules.

EXERCISE OF FIRST TRANCHE OPTION

On 28 April 2011, the Company exercised the First Tranche Option whereby the Company conditionally agreed to (i) nominate WOFE, an indirect wholly-owned subsidiary of the Company, to invest in 49% of the equity interest in the Intermediate Holding Company by capital contribution in the amount of RMB960,784; and (ii) pay the balance of the consideration of HK$300 million (net of the HK$ equivalent of RMB960,784) to the Vendors (hence, the aggregate consideration of the Changdongshun Acquisition for approximately 49% effective interest of the Target Company is HK$300 million).

Total consideration

Pursuant to the Amended Option Agreement, the total consideration for the Changdongshun Acquisition is HK$300 million, payable in cash.

The consideration of the Changdongshun Acquisition shall be satisfied by internal resources of the Company. The Company is also considering financing for the Changdongshun Acquisition. The Directors consider that the consideration under the Changdongshun Acquisition is fair and reasonable.

The Company announced the acquisition of Steady Foundation Limited on 29 April 2011. The consideration for the acquisition of Steady Foundation Limited will be funded by the Company's internal resources and/or bank financing. The Group is exploring mortgage of higher loan amount compared to the existing mortgage for the re-financing of the properties owned by Steady Foundation Limited.

In the absence of the above financing, there may potentially be a shortfall of cash for the payment of the acquisition of Steady Foundation Limited or the Changdongshun Acquisition. In this regard, the Group may also consider possible disposal of assets and as a last resort, a substantial Shareholder of the Company has confirmed that he will provide financial support to the Company in the event of any shortfall of cash for the Group's announced acquisitions. Accordingly, the Company is of the view that it will be able to satisfy the cash consideration of the acquisition of Steady Foundation Limited and the Changdongshun Acquisition.

Conditions precedent of the Changdongshun Acquisition

Pursuant to the Amended Option Agreement, the conditions precedent of the Changdongshun Acquisition are as follows:

(a) the Company having obtained the approval by the Shareholders at the EGM to approve the Changdongshun Acquisition and the transactions contemplated thereunder;

(b) the transactions contemplated under the Changdongshun Acquisition will not constitute a "reverse takeover" by the Stock Exchange under the Listing Rules or if the Company is deemed as a new listing applicant under the Listing Rules for the transactions contemplated thereunder, the Company having obtained the approval of new listing of the Shares on the Stock Exchange;

(c) as part of the reorganisation of the Holding Group before Completion, (i) the due establishment of the Designated Vehicle, the Holding Company and the Intermediate Holding Company; (ii) at Completion, the Holding Company will have the similar shareholding structure as the Target Company as at the date of the Amended Option Agreement; (iii) the Intermediate Holding Company will be 100% owned by the Holding Company; and (iv) the Intermediate Holding Company will hold 100% equity interest in the Target Company and indirectly hold 90% to 100% equity interest in the Target Company's subsidiaries that operate in natural gas related projects;

(d) the Company having conducted a due diligence investigation in respect of the Holding Group, including but not limited to its business, operations, assets, financial performance, group structure, financial and legal positions and the Company being satisfied with the results of the due diligence investigation;

(e) the Company having obtained a PRC legal opinion (in the form and substance which are satisfactory to the Company) from a firm of PRC legal advisors reasonably acceptable by the Company in relation to the Holding Group, including but not limited to:

  (i) the due establishment and subsistence of the Holding Group;

  (ii) the Holding Group having obtained all the requisite approvals, consents, licenses or permits for the operation of its business;

  (iii) the legality of the operations, business and assets of the Holding Group;

  (iv) all the relevant approvals having been obtained from the PRC Government authorities for the ownership of the Holding Company by the Vendors, the ownership in the Intermediate Holding Company by the Holding Company, the Intermediate Holding Company's ownership of the Target Company and the relevant filings having been made;

  (v) the contents of the new articles of association and joint venture contract to be entered into (a) between the Company's nominated subsidiary and the Holding Company in respect of the Intermediate Holding Company and (b) in respect of the Target Company and its subsidiaries are in compliance with the PRC law and other applicable laws hereunder, and are legally binding to the Holding Group;

  (vi) the acquisition of 49% of the equity interest in the Intermediate Holding Company by the Company complies with the PRC law and regulations and is legally binding to the Vendors and the Holding Company; and

(vii) that all the requisite approvals by the relevant PRC Government authorities and/or third parties having been obtained in relation to the Changdongshun Acquisition, all the requisite approvals having been obtained in relation to the investment in the Intermediate Holding Company, and that the nominated subsidiary of the Company will have no legal impediments to become the beneficial owner of the Intermediate Holding Company;

(f) there is no material adverse change relating to the financial position, business, assets, financial performance or prospects of the Holding Group since the date of the Amended Option Agreement;

(g) if applicable, all the requisite approvals by the relevant PRC Government authorities having been obtained in relation to the capital contribution in the Intermediate Holding Company and the relevant filings duly made;

(h) the signing of the new articles of association of the Holding Group and joint venture contract by the nominated subsidiary of the Company and the relevant shareholders (including the appointment of not less than half of the composition of the board by the nominated subsidiary of the Company, and the right to appoint financial controller of the Holding Group by the nominated subsidiary of the Company);

(i) the Target Company having entered into the concession agreement with the relevant government authorities in relation to the exclusive operations of natural gas pipeline; and

(j) the pledgee having released the pledge in respect of the Target Company's shares.

Except for conditions (a) and (b) above, the Company may waive the conditions precedent at its absolute discretion by written notice.

As at the Latest Practicable Date, none of the conditions has been fulfilled.

Completion

Completion shall take place on the fifth Business Day after all conditions precedent to the Changdongshun Acquisition are fulfilled (or waived as appropriate).

The long stop date for fulfillment of the conditions precedent is 20 August 2011 (or such other date as the Company and the Vendors may agree in writing).

Upon completion of Changdongshun Acquisition, the Company will hold 49% of the equity interests of the Intermediate Holding Company. Given WOFE will hold less than 50% of the equity interest in the Intermediate Holding Company, WOFE will not appoint more than half of the composition of the board of directors of the Intermediate Holding Company. The Holding Group will not become a subsidiary of the Company nor will it be consolidated into the Company's accounts. It will be accounted for as an indirect associated company of the Company and the Group's share of the Holding Group's earnings, assets and liabilities will be accounted for using equity accounting.

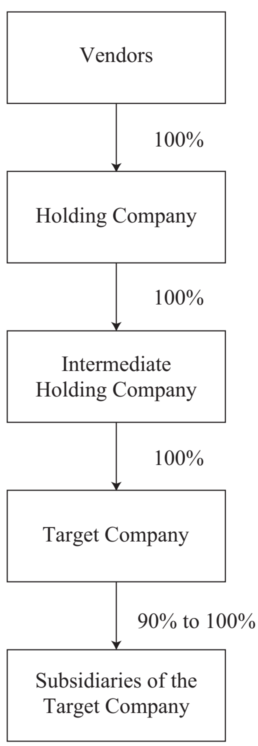
INFORMATION ON THE HOLDING GROUP

The Holding Group includes the Intermediate Holding Company, the Target Company and its subsidiaries. As at the Latest Practicable Date, the Intermediate Holding Company and the Target Company were both owned as to 18.18% by Mr. Wang and 81.82% by Mr. Zhou Jian Hong.

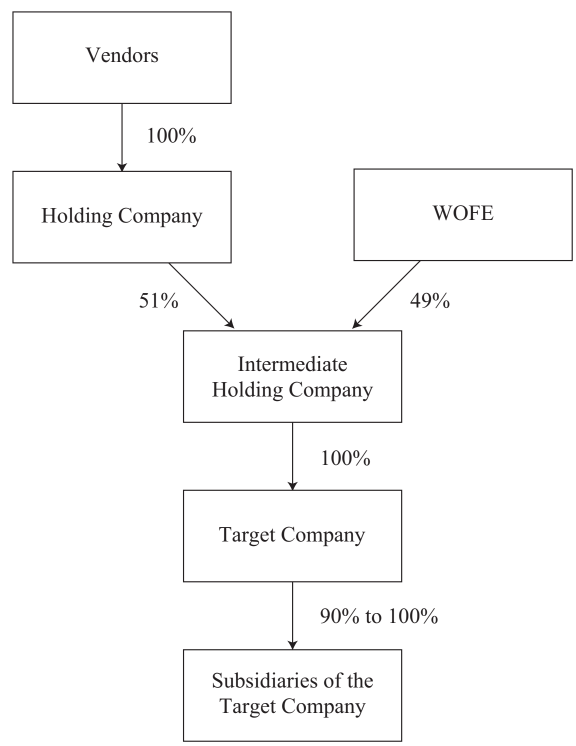
The Intermediate Holding Company was established in the PRC on 14 January 2011. Upon Completion, the Intermediate Holding Company will have no operations other than the ownership in the Target Company.

The diagrams below illustrate the corporate structure of the Holding Group prior to Completion and upon Completion.

Prior to Completion



Upon Completion



The Target Company is currently operating, constructing and managing natural gas pipeline in Beiqijia area in Beijing, the PRC. Beiqijia area is located at Changping district which is one of the eleven satellite cities of Beijing. As at 31 December 2010, the Target Company supplied pipelined natural gas to approximately 15,000 households and 30 business and public services entities in the Beiqijia area and is expected to cover more households and businesses in the future. As at the Latest Practicable Date, the Target Company has yet to obtain the exclusive right to supply natural gas in Beiqijia area. However, it is one of the conditions precedent of the Changdongshun Acquisition for the Target Company to enter into such concession agreement with the relevant government authority. The Holding Group is expanding to other cities/towns within Heilongjiang, Henan and Jilin Provinces in the PRC. The Target Company's subsidiaries in three other cities/towns within Heilongjiang and Jilin Provinces in the PRC have entered into concession agreements and obtained the Concessions whereby they have the exclusive right to operate, construct and manage natural gas pipeline in the Concession Operating Areas. The other subsidiaries are in preliminary development stage of their respective project and subject to fulfillment of certain conditions, will be eligible to the Concession rights.

Set out below are the principal terms of the Concessions:

Operating Areas	Term of the Concession	Concession grantor	Concession grantee
Area managed by Baishishan Forestry Bureau, Jilin Province	30 years starting from 20 November 2009	白石山林業局 (Baishishan Forestry Bureau*)	Jiaohe Zhongsen Gas Co., Ltd.
Jiaohe City, Jilin Province	30 years starting from 15 December 2009	吉林省蛟河市人民政府 (People's Government of Jiaohe City, Jilin Province*)	Jiaohe Zhongjing Gas Co., Ltd.
Lanxi County, Heilongjiang Province	30 years starting from 20 December 2009	黑龍江省蘭西縣人民政府 (People's Government of Lanxi County, Heilongjiang Province)	Lanxi Zhongjing Gas Co. Ltd.

The financial highlights and operating results of the Target Company and its subsidiaries for the two years ended 31 December 2009 and 2010 are as follows:

	For the year ended 31 December	
	2010	**2009**
	RMB'000	*RMB'000*
	(audited)	(audited)
Turnover	65,306	53,722
Net profit before tax	30,311	35,751
Net profit after tax	22,066	26,739

	As at 31 December	
	2010	**2009**
	RMB'000	*RMB'000*
	(audited)	(audited)
Total assets	230,553	172,863
Total liabilities	121,757	115,433
Equity attributable to equity holders	102,172	55,811

The Holding Group's customers include property developers and property management companies for gas pipeline connections. Property developers, industrial, commercial, public services users generally engage the Holding Group to provide gas pipeline connection through which the Holding Group sells and distributes pipelined natural gas to them. Residential users apply for the connection of the household gas pipelines which have been installed at their residences under the bulk pipeline connection contracts entered into by the property developers and the Holding Group.

Depending on the location and type of users, the Holding Group may charge different fee for gas pipeline connections in the Concession Operating Areas. In respect of the supply of pipelined natural gas, ceilings of pipelined gas tariffs are determined firstly by under the Concession and any adjustment is subject to approval by the Commodity Price Bureau of each of the Concession Operating Areas. As at the Latest Practicable Date, the approved retail price of natural gas for residential users, including value added tax, is RMB2.05 per m^3 for Beiqijia area in Beijing.

The key suppliers of the Holding Group mainly consist of suppliers of natural gas, sub-contractors as well as the suppliers of pipe materials and gas equipment. In respect of suppliers of natural gas, the Holding Group entered into natural gas supply contracts or obtained verbal confirmation from suppliers to ensure the natural gas supply is not interrupted.

For the prospects of the Holding Group, please refer to the "Management Discussion and Analysis on the Holding Group" section in Appendix III of this circular.

EFFECTS OF THE TRANSACTION ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY

Based on the audited consolidated financial statements of the Group as at 31 December 2010, the Group recorded an audited profit attributable to Shareholders of approximately HK$12.1 million for the year ended 31 December 2010. Based on the accountants' report on the Holding Group as shown in Appendix II, the Holding Group recorded an audited net profit of approximately RMB22.1 million for the year ended 31 December 2010.

Based on the unaudited pro forma financial information of the Enlarged Group as shown in Appendix IV, assuming the Changdongshun Acquisition had been completed at 31 December 2010, the Enlarged Group would have unaudited total assets and total liabilities of approximately HK$2,034.2 million and HK$774.9 million respectively as at 31 December 2010.

The Intermediate Holding Company, and the Holding Group, will neither become a subsidiary of the Company nor be consolidated into the Company's financial statements upon completion of Changdongshun Acquisition as the Company will acquire only 49% of the equity interests of the Intermediate Holding Company, and the Company will not appoint more than half of the composition of the board of directors of the Intermediate Holding Company under the Changdongshun Acquisition. The Holding Group will be treated as associates of the Company and the Group's share of the Holding Group's earnings, assets and liabilities will be accounted for using equity accounting.

REASONS AND BENEFITS OF THE AMENDED OPTION AGREEMENT AND THE CHANGDONGSHUN ACQUISITION

The Company is an investment holding company and its subsidiaries are principally engaged in investment holding, property development and real estate investment.

The Amended Option Agreement

The Vendors and the Company entered into the Amended Option Agreement after arm's length negotiation amending certain terms and conditions of the Option Agreement.

Under the Option Agreement, the disposal option to dispose of Central Bingo to the Vendors was part of the transaction to satisfy part of the consideration in respect of the acquisition of a controlling interest in the Intermediate Holding Company.

Under the Amended Option Agreement, the Company may acquire interests in the Intermediate Holding Company and certain specified natural gas projects, exercisable in multiple times. This provides flexibility as to the percentage interest in the Intermediate Holding Company (up to 100%) to be acquired so that the Company can have more time to structure the acquisition at each stage in compliance with the relevant regulations as detailed below.

In February and March 2011, the PRC government announced provisional policies on acquisition of control of, among other industries, natural gas companies by foreign enterprises. Any such acquisition has to be approved by the relevant government authorities based on safety investigations (商務部實施外國投資者併購境內企業安全審查制度的暫行規定). Acquisitions of control of the companies in the relevant industries would be subject to the safety investigations. As the safety investigations were newly announced, the Company was uncertain about the implication of the Provisional Policies on acquiring a controlling stake in the Intermediate Holding Company and the time schedule for completion of the original option at the relevant moment.

With the approach of the deadline to exercise the original option under the Option Agreement, the Company negotiated with the Vendors to split the acquisition part of the option into two parts and amended the structure with the immediate exercise of option for 49% interests in the Intermediate Holding Company and a right to acquire the remaining 51% interests.

As the transaction structure has been so amended and the Company no longer acquires a controlling interest in the Intermediate Holding Company, the Company is not required to dispose of Central Bingo to serve as part of the consideration. As a result of the above, the disposal option was cancelled.

The PRC legal advisor of the Company confirms that the acquisition of the 49% interest in the Intermediate Holding Company by WOFE will comply with the current PRC legal requirements. As to the exercise of the option to acquire the remaining 51% interest, the Group will be required to comply with the relevant requirements from time to time.

The Company is of the view that the revised option under the Amended Option Agreement provides the Company further opportunities to review the performance of the Intermediate Holding Company before exercising the option to acquire the remaining 51% interest, flexibility as to the percentage acquired and right to acquire specified natural gas projects based on performance during the option period.

The Changdongshun Acquisition

The Changdongshun Acquisition would allow the Company to acquire 49% effective interest of the Target Company. The Target Company and its subsidiaries that operate in natural gas related projects will ultimately become subsidiaries of the Intermediate Holding Company. The Target Company is operating pipelined natural gas services in Beiqijia area in Beijing, the PRC and its subsidiaries in three other cities/towns within Heilongjiang and Jilin Provinces in the PRC have obtained the Concessions whereby they have the exclusive right to operate, construct and manage natural gas pipeline in the Concession Operating Areas. The other subsidiaries are in preliminary development stage of these projects and subject to fulfillment of certain conditions, will be eligible to the Concession rights.

Natural gas is regarded as a low-emission source of energy and the development of pipelined natural gas networks is encouraged by the PRC Government as a means to improve energy efficiency and reduce pollution. The PRC Government has placed emphasis on the development of rural villages with an aim to improve the livelihood of the rural households, including improving the infrastructure of rural villages and the modernisation of rural villages to be in line with urban cities. Whilst the Target Company's principal project is located in Beiqijia area in Beijing, members of the Holding Group are expanding to other cities/towns within Heilongjiang, Henan and Jilin Provinces in the PRC. As at the Latest Practicable Date, the Target Company's subsidiaries have obtained three Concessions in the Concession Operating Areas in the PRC.

The Directors believe that the Changdongshun Acquisition will provide an opportunity to the Group to participate in the natural gas industry with promising prospects as well as to benefit from the rural development policy of the PRC Government. The Directors consider the terms of the Amended Option Agreement and the Changdongshun Acquisition to be fair and reasonable.

Under the agreement for the acquisition of Success Take Limited as announced by the Company on 11 April 2011, the obtaining of the concession rights to operate natural gas business is a condition precedent. Success Take Limited holds an indirect interest in 新安中京燃氣有限公司 (Xinan Zhongjing Gas Company Limited*) ("Xinan Zhongjing"), which has been registered as a foreign-controlled company in the PRC. As advised by the PRC legal advisor of the Company, Xinan Zhongjing has to comply with the relevant safety investigation requirements on its expansion of business scope with the grant of concession rights, which alteration of articles of association (in terms of business scope) is subject to the approval from the relevant PRC authorities, including but not limited to subordinate of the Ministry of Commerce. After which, when Success Take Limited is to be acquired, it is no longer necessary to go through the safety investigation requirements again.

The Company has no intention to change the existing Board composition, in particular, previous acquisition agreements entered into by the Company have no provision to allow the target companies or the vendors to nominate/appoint any directors onto the Board.

The Company intended to carry on property investment in Hong Kong and the operation of natural gas businesses in the PRC. Taking into account the current conditions of the PRC property market and banking policies, the Company does not intend to return to the PRC property industry in the near future. The Company also intended to recruit individuals who have relevant experience in the natural gas business in the PRC and has identified potential candidates but not yet confirmed employment with any of the candidates as at the Latest Practicable Date.

LISTING RULES IMPLICATIONS

On 11 April 2011, the Company announced the acquisition of the entire issued share capital of Success Take Limited, which has a 90% effective interest in Xinan Zhongjing. Mr. Wang, one of the Vendors, was interested in 10% of Xinan Zhongjing, one of the companies under the Xinan Zhongjing Acquisition. Prior to the Xinan Zhongjing Acquisition, Mr. Wang had transferred the 10% equity interest in Xinan Zhongjing to Sun On Chung King (Hong Kong) Limited, which is solely held by Success Take Limited. On a prudent basis, the Company considers that the Changdongshun Acquisition should be aggregated with the Xinan Zhongjing Acquisition for the purpose of calculating the percentage ratios as defined under the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) of the Changdongshun Acquisition and the Xinan Zhongjing Acquisition exceed 25% but less than 100%, the Changdongshun Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the Changdongshun Acquisition is subject to approval by the Shareholders at the EGM. As no Shareholder has a material interest in the Changdongshun Acquisition, no Shareholder is required to abstain from voting at the EGM.

Mr. Wang Zi Yan, son of Mr. Wang, is the beneficial owner of the company interested in 10% of the issued share capital of Xinan Zhongjing. Given that the Xinan Zhongjing Acquisition has yet to take place, Mr. Wang is not a connected person of the Company as at the date of exercise of the First Tranche Option. As such, the Changdongshun Acquisition is not a connected transaction under the Listing Rules.

As the completion of the Changdongshun Acquisition is subject to, among other conditions, approval from the Shareholders, the Changdongshun Acquisition may or may not materialise. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

EGM

The notice convening the EGM to be held at MJC Members' Clubhouse, 1st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong at 2:30 p.m., on Wednesday, 6 July 2011 at which ordinary resolution by poll will be proposed to approve the Changdongshun Acquisition and the transactions contemplated therein as set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's branch share registrars in Hong Kong, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so wish.

RECOMMENDATION

The Directors believe that the terms of the Changdongshun Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution approving the Changdongshun Acquisition and the transactions contemplated thereunder at the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
China Infrastructure Investment Limited
Lee Siu Yuk Eliza
Executive Director

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for the year ended 31 December 2010 has been set out from page 37 in the Annual Report 2010 of the Company which was published on 10 March 2011. The Annual Report 2010 has also been posted on the Company's website http://www.china-infrastructure.com. Please also see below quick link to the Annual Report 2010:

http://www.hkexnews.hk/listedco/listconews/sehk/20110310/LTN20110310219.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2009 has been set out from page 35 in the Annual Report 2009 of the Company which was published on 28 April 2010. The Annual Report 2009 has also been posted on the Company's website http://www.china-infrastructure.com. Please also see below quick link to the Annual Report 2009:

http://www.hkexnews.hk/listedco/listconews/sehk/20100428/LTN20100428641.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2008 has been set out from page 33 in the Annual Report 2008 of the Company which was published on 23 April 2009. The Annual Report 2008 has also been posted on the Company's website http://www.china-infrastructure.com. Please also see below quick link to the Annual Report 2008:

http://www.hkexnews.hk/listedco/listconews/sehk/20090423/LTN20090423124.pdf

FINANCIAL AND TRADING PROSPECTS

The management will continue to look for investment opportunities in relation to the city infrastructure projects in the PRC so as to expand the development portfolio of the Group in the future. In this regard, investment opportunities which offer satisfactory returns to the Shareholders within the acceptable risk profile of the Group and expected return will be considered.

INDEBTEDNESS OF THE ENLARGED GROUP

Borrowings

As at the close of business on 30 April 2011, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Enlarged Group (including any company which will become subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2010, being the date to which the latest audited consolidated financial statements of the Company have been made up) had outstanding borrowings of approximately HK$315,431,000 which comprised (i) bank mortgages loans of approximately HK$100,981,000 secured by its investment properties with carrying amount of approximately HK$127,800,000; (ii) the liability component of the convertible notes of approximately HK$62,802,000 with an aggregate principal amount of approximately HK$65,000,000; (iii) loan note of approximately HK$1,648,000, which was unsecured, interest-bearing at 2.5% per annum; and (iv) minority shareholder's loans of approximately HK$150,000,000 which were unsecured and bearing interest at 8% per annum.

Contingent liabilities

Pan-China (Shenyang), which is a subsidiary of the Company, has entered into agreements with certain banks with respect to mortgage loans provided to buyers of Pan-China (Shenyang)'s property units and has given guarantees on mortgage loans provided to the buyers by these banks under the agreements. Pursuant to the terms of guarantees, upon default in payments of mortgage instalments by these buyers, Pan-China (Shenyang) is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and Pan-China (Shenyang) is entitled to take over the legal title and possession of the related properties. At 30 April 2011, the total outstanding guarantees given by Pan-China (Shenyang) to the banks amounted to approximately HK$158,000,000.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have, at 30 April 2011, any loan capital issued and outstanding or agreed to be issued, any loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptances credits or hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 30 April 2011. The Directors confirmed that there had been no material change in the indebtedness of the Enlarged Group since 30 April 2011.

WORKING CAPITAL

The Directors are of the opinion that, taking into account (i) the internal resources available to the Enlarged Group; (ii) the payment of the consideration in connection with the Changdongshun Acquisition; and (iii) the presently available banking and other facilities, and in the absence of unforeseeable circumstances, the Enlarged Group will have sufficient working capital for its present requirement for at least twelve months from the date of this circular.

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, being the date of the latest published audited financial statements of the Company.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong. As described in the section headed "Documents available for inspection" in Appendix V, a copy of the following report is available for inspection.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

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

17 June 2011

The Directors

China Infrastructure Investment Limited

Room 2007, 20th Floor
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of 北京中港綠能投資諮詢有限公司 (Beijing Zhonggang Green Energy Investment Consulting Co., Ltd.*) (the "Intermediate Holding Company") and its potential subsidiary namely 北京昌東順燃氣有限公司 (Beijing Changdongshun Gas Limited*) (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Holding Group") set out in Section I and II below, for inclusion in the circular of China Infrastructure Investment Limited (the "Company") dated 17 June 2011 (the "Circular") in connection with the proposed acquisition of a 49% equity interests of the Intermediate Holding Company (the "Transaction"). The Financial Information comprises the consolidated statement of financial position of the Holding Group at 31 December 2008, 2009 and 2010 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Holding Group for each of the financial years ended 31 December 2008, 2009 and 2010 (the "Relevant Years") and a summary of significant accounting policies and other explanatory notes.

The Intermediate Holding Company was incorporated in the People's Republic of China (the "PRC") on 14 January 2011 as a limited liability company under the Company Law of the PRC and is engaged in investment holding. At the date of this report, the Intermediate Holding Company is in the progress of acquiring the entire equity interests of the Target Company for the purpose of the Transaction (the "Restructuring"). The Intermediate Holding Company, on completion of the Restructuring, will be the holding company of the Target Company.

At the date of this report, the Intermediate Holding Company would have direct and indirect interests in subsidiaries, assuming the completion of the Restructuring had been carried out, as set out in note 33 of section I below. The Intermediate Holding Company and its potential subsidiaries have adopted 31 December as their financial year end date. No audited financial statements of the Intermediate Holding Company have been prepared as it is newly incorporated and has no operations since its date of incorporation other than the ownership of the equity interests in the Target Company upon completion of the Restructuring.

The Target Company was incorporated in the PRC on 20 July 2001 as a limited liability company under the Company Law of the PRC and is engaged in the transportation and sales of pipelined gas operation and the gas pipeline connections operation in certain cities of the PRC. No audited financial statements of the Target Company and its subsidiaries have been prepared since its date of incorporation up to the date of this report because there is no statutory requirement to do so.

The consolidated financial statements of the Target Company for each of the financial years ended 31 December 2008, 2009 and 2010 which were prepared in accordance with the Accounting Standards for Business Enterprises (the "ASBE") issued by the Ministry of Finance of the PRC, were not audited by any auditor.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

For the purpose of the preparation of this report, the directors of the Intermediate Holding Company are responsible for the preparation and the fair presentation for the Relevant Years, on the basis set out in note 3 below, of the consolidated financial statements of the Holding Group in accordance with the ASBE and after making such adjustment as appropriate, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements") for which the directors of the Intermediate Holding Company are solely responsible.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. The directors of the Company are responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We have carried out independent audit procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

OPINION

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Holding Group at 31 December 2008, 2009 and 2010 and of the Holding Group's results and cash flows for the Relevant Years then ended.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December		
		2008	2009	2010
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	5	12,474	53,722	65,306
Cost of sales		(4,573)	(13,342)	(25,010)
Gross profit		7,901	40,380	40,296
Bank interest income		21	10	32
Selling and distribution costs		(1,001)	(1,944)	(2,421)
Administrative expenses		(2,296)	(2,443)	(5,063)
Other (losses)/gains, net		(29)	72	(133)
Profit from operations		4,596	36,075	32,711
Finance costs	6	–	(324)	(2,400)
Profit before tax	7	4,596	35,751	30,311
Income tax expense	8	(879)	(9,012)	(8,245)
Profit for the year		3,717	26,739	22,066
Other comprehensive income for the year		–	–	–
Total comprehensive income for the year		3,717	26,739	22,066
Total comprehensive income attributable to:				
Owners of the Intermediate Holding Company		3,717	26,720	21,361
Non-controlling interests		–	19	705
		3,717	26,739	22,066
Earnings per share for profit attributable to owners of the Intermediate Holding Company				
– Basic and diluted	9	N/A	N/A	N/A
Dividends	10	–	–	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December		
		2008	**2009**	**2010**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*12*	31,278	72,258	110,527
Prepayments and other receivables	*13*	–	8,000	8,000
		31,278	80,258	118,527
Current assets				
Inventories	*14*	1,531	4,002	13,276
Trade receivables	*15*	1,967	5,094	16,731
Prepayments and other receivables	*13*	1,048	52,204	64,101
Amounts due from related parties	*16*	6,969	14,462	15,353
Cash and cash equivalents	*17*	2,603	16,843	2,565
		14,118	92,605	112,026
Current liabilities				
Trade payables	*18*	5,307	16,749	21,131
Accruals and other payables	*19*	3,328	1,632	1,978
Amount due to a related party	*16*	–	–	135
Receipts in advance	*20*	6,485	5,478	8,856
Interest-bearing bank borrowings	*21*	–	10,000	40,000
Tax payables		1,185	11,574	19,657
		16,305	45,433	91,757
Net current (liabilities)/assets		(2,187)	47,172	20,269
Total assets less current liabilities		29,091	127,430	138,796
Non-current liabilities				
Interest-bearing bank borrowings	*21*	–	70,000	30,000
Net assets		29,091	57,430	108,796
Capital and reserves				
Paid up capital	*22*	30,000	30,000	55,000
Reserves		(909)	25,811	47,172
Equity attributable to owners of the Intermediate Holding Company		29,091	55,811	102,172
Non-controlling interests		–	1,619	6,624
Total equity		29,091	57,430	108,796

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Intermediate Holding Company				
	Paid up capital	**Reserves** *(Note 23)*	**Sub-Total**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	10,000	(4,626)	5,374	–	5,374
Capital injection	20,000	–	20,000	–	20,000
Total comprehensive income for the year	–	3,717	3,717	–	3,717
At 31 December 2008 and 1 January 2009	30,000	(909)	29,091	–	29,091
Capital injection to subsidiaries by non-controlling interests	–	–	–	1,600	1,600
Total comprehensive income for the year	–	26,720	26,720	19	26,739
At 31 December 2009 and 1 January 2010	30,000	25,811	55,811	1,619	57,430
Capital injection	25,000	–	25,000	–	25,000
Capital injection to subsidiaries by non-controlling interests	–	–	–	4,500	4,500
Disposal of a subsidiary	–	–	–	(200)	(200)
Total comprehensive income for the year	–	21,361	21,361	705	22,066
At 31 December 2010	55,000	47,172	102,172	6,624	108,796

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit before tax:	4,596	35,751	30,311
Adjustments for:			
Interest income	(21)	(10)	(32)
Depreciation of property, plant and equipment	485	1,350	2,826
Loss on disposal of property, plant and equipment	25	–	–
Non-cash natural gas pipeline connection income	(3,282)	(23,198)	(16,449)
Finance costs	–	324	2,400
Operating cash flow before movements in working capital	1,803	14,217	19,056
Decrease/(increase) in inventories	291	(2,471)	(9,274)
Increase in trade receivables	(1,740)	(3,127)	(11,637)
Decrease/(increase) in prepayments and other receivables	10,160	(59,156)	(11,897)
Increase in amounts due from related parties	(6,969)	(7,493)	(891)
Increase in trade payables	461	11,442	4,382
(Decrease)/increase in accruals and other payables	(19,817)	(1,696)	346
Increase in amount due to a related party	–	–	135
Increase/(decrease) in receipts in advance	5,485	(1,007)	3,378
Cash used in operations	(10,326)	(49,291)	(6,402)
Tax paid	(393)	(603)	(788)
NET CASH USED IN OPERATING ACTIVITIES	(10,719)	(49,894)	(7,190)

	Note	For the year ended 31 December 2008 RMB'000	2009 RMB'000	2010 RMB'000
INVESTING ACTIVITIES				
Interest received		21	10	32
Payment for the purchase of property, plant and equipment		(7,165)	(16,683)	(23,390)
Increase in capital injection to subsidiaries by non-controlling interests		–	1,600	4,500
Decrease in capital injection to subsidiaries by non-controlling interests		–	–	(200)
Net cash inflow on disposal of subsidiaries		–	–	1,908
NET CASH USED IN INVESTING ACTIVITIES		(7,144)	(15,073)	(17,150)
FINANCING ACTIVITIES				
Interest paid		–	(793)	(4,938)
New bank borrowings raised		–	80,000	–
Repayment of bank borrowings		–	–	(10,000)
Capital injection		20,000	–	25,000
NET CASH GENERATED FROM FINANCING ACTIVITIES		20,000	79,207	10,062
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,137	14,240	(14,278)
Cash and cash equivalents at beginning of year		466	2,603	16,843
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,603	16,843	2,565
ANALYSIS OF THE CASH AND CASH EQUIVALENTS				
Cash and bank balances	*17*	2,603	16,843	2,565

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

北京中港綠能投資諮詢有限公司 (Beijing Zhonggang Green Energy Investment Consulting Co., Ltd.*) (the "Intermediate Holding Company") was incorporated in the PRC on 14 January 2011 as a limited liability company under the Company Law of the PRC and is engaged in investment holding. The address of its registered office is 北京市順義區南法信鎮順暢大道1號B-038室.

北京昌東順燃氣有限公司 (Beijing Changdongshun Gas Limited*) (the "Target Company") was incorporated on 20 July 2001 as a limited liability company in the PRC. The address of its registered office is 北京市昌平區北七家鎮宏翔鴻科技孵化基地10號. The Target Company and its subsidiaries are principally engaged in the transportation and sales of pipelined gas operation and the gas pipeline connections operation in certain cities of the PRC.

The Intermediate Holding Company, on completion of the Restructuring, will be the holding company of the Target Company and its subsidiaries in the PRC (hereinafter collectively referred to as the "Holding Group").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Relevant Years, the Holding Group has applied the HKFRSs, amendments and interpretations issued by the HKICPA that are effective for the Holding Group's annual period beginning on or before 1 January 2010 consistently for the Relevant Years. At the date of this report, the Holding Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective for the Relevant Years:

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[4]
HKFRS 9	*Financial Instruments*[5]
HKAS 24 (as revised in 2009)	*Related Party Disclosures*[3]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
HK (IFRIC)-Int 14 Amendments	*Prepayments of a Minimum Funding Requirement*[3]
HK (IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2013

The Holding Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Holding Group anticipates that these new and revised Standards, Amendments or Interpretations will have no material impact on Financial Information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information of the Holding Group is set out below. These policies have been consistently applied to the Relevant Years presented, unless otherwise stated.

Basis of preparation

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

The measurement basis used in the preparation of Financial Information is the historical cost convention.

The Financial Information is presented in Renminbi ("RMB") which is also the functional currency of the Holding Group.

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future accounting periods.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 4.

The Intermediate Holding Company is in the progress of acquiring the entire equity interests of the Target Company (the "Restructuring").

The Financial Information has been prepared on the assumption of the completion of the Restructuring as if the existing group structure had been in existence throughout the Relevant Years.

Basis of consolidation

Subsidiaries are all entities over which the Holding Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Holding Group controls another entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances and unrealised gains on transactions are eliminated in full on consolidation. Unrealised losses are also eliminated.

Non-controlling interest in the net assets of consolidated subsidiaries are presented separately from the Holding Group's equity therein. Non-controlling interest in the net assets consist of the amount of those interests at the date of the original business combination and the Non-controlling interest share of changes in equity since the date of the combination.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Holding Group.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Holding Group's activities. Revenue is shown net of value-added tax, return, rebates and discounts and after eliminating sales within the Holding Group.

(a) Connection of natural gas pipelines

Revenue in respect of the connection and construction of gas pipelines is recognised upon the completion of construction of pipelines for users and connection of the pipelines to the Holding Group's existing gas pipeline network that the gas pipeline built is functioning properly and is acceptable to users. The average time required for the Holding Group to complete a gas pipeline construction project is approximately 2 to 6 months. For exchanged or swapped for goods or services, the revenue is measured at the fair value of the goods or serviced received.

(b) Sale of natural gases

Revenue from the sale of natural gases is recognised when the natural gas is delivered to customers and is based on the gas consumption derived from meter readings.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Holding Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated statement of comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. The rentals payable under the operating leases are charged to the consolidated statement of comprehensive income on the straight-line basis over the lease terms.

Foreign currencies

In preparing the financial statements of the Holding Group, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in consolidated statement of comprehensive income in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Intermediate Holding Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income in the Financial Information and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in consolidated statement of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are recognised directly in other comprehensive income.

For the purposes of presenting the Financial Information, the assets and liabilities of the Holding Group's foreign operations are translated into the presentation currency which is also the functional currency of the Holding Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in consolidated statement of comprehensive income in the period in which they are incurred.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Employee benefits – Pension obligations and other benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Holding Group participate in various defined contribution retirement benefit, housing fund, medical insurance and unemployment fund plans organised by the relevant municipal and provincial governments in the PRC under which the Holding Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The Holding Group has no further payment obligations once the contributions have been paid. The contributions are recognised in consolidated statement of comprehensive income as employee benefit expense when they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Holding Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Holding Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Holding Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in consolidated statement of comprehensive income, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which cases the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent impairment losses, if any, except that when an item of property, plant and equipment is classified as held for sale, it is not depreciated and is measured at the lower of carrying amount and fair value less costs to sell. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Plant and machinery	10 years
Natural gas pipelines	25 – 30 years
Office equipment and motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the asset.

Construction-in-progress

Construction-in-progress represents plant and machinery under construction or pending installation and is stated at cost less subsequent impairment loss, if any. Cost includes the costs of plant and machinery. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in property, plant and equipment and depreciation.

Impairment of tangible and intangible assets

At the end of the reporting period, the Holding Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises materials for gas pipelines, direct labor, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Provisions

Provisions are recognised when the Holding Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Holding Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

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

Financial assets

The Holding Group's financial assets represent loans and receivables.

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amount due from related parties and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

Impairment loss of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period.

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– breach of contract, such as a default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis (see accounting policy on trade receivables).

For financial assets carried at amortised cost, an impairment loss is recognised in consolidated statement of comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for similar financial assets. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in consolidated statement of comprehensive income. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to consolidated statement of comprehensive income.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through consolidated statement of comprehensive income to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

Financial liabilities issued by the Holding Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

The Holding Group's financial liabilities generally classified into other financial liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade payables (see accounting policy on trade payables), accruals and other payables, amount due to a related party and interest-bearing bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Holding Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised consolidated statement of comprehensive income.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated statement of comprehensive income.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, demand deposits with banks and other financial institutions, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Related parties

A party is considered to be related to the Holding Group if:

(a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Holding Group; (ii) has an interest in the Holding Group that gives it significant influence over the Holding Group; or (iii) has joint control over the Holding Group;

(b) the party is an associate;

(c) the party is a jointly controlled entity;

(d) the party is a member of the key management personnel of the Intermediate Holding Company of the Holding Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Holding Group, or of any entity that is a related party of the Holding Group.

Segment

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Holding Group that make strategic decisions.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Holding Group assesses at the end of each reporting period whether there is objective evidence that trade receivables are impaired. Trade receivables are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the trade receivables that can be reliably estimated.

The criteria that the Holding Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Holding Group, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider; and
- It becomes probable that the debtor will enter bankruptcy or other financial re-organisation.

The Holding Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income within "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in consolidated statement of comprehensive income.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at their fair value and subsequently measured at amortized cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Holding Group assesses annually the residual value and the useful life of property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and in the future period.

(b) Impairment of trade receivables

The Holding Group's management determines impairment of trade receivables on a regular basis. The estimate is based on the credit history of its customers and current market conditions. The management of the Holding Group reassesses the impairment of trade receivables at the reporting date.

(c) Current income taxes

The Holding Group's subsidiaries that operate in the PRC are subject to Enterprise Income Tax in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Holding Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax in the period in which such determination is made.

5. SEGMENT INFORMATION

HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Holding Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and to assessing their performance.

The chief operating decision-maker has been identified as the directors of the Holding Group. The directors of the Holding Group reviews the Holding Group's internal reporting in order to assess performance and allocate resources. The directors of the Holding Group has determined the operating segments based on these reports.

The directors of the Holding Group consider the business from product perspective only as geographically all products are provided in the PRC, which is considered as one geographic location with similar risks and returns. From a product perspective, directors of the Holding Group assess the performance of transportation and sales of natural pipelined gases, and natural gas pipeline connections.

The accounting policies of the operating segments are the same as the Holding Group's accounting policies. Segment performance is evaluated based on operating segment results, which is a measure of segment results. The segment results is measured consistently with the Holding Group's profit/(loss) except that bank interest income, selling and distribution cost, administrative expenses including depreciate expenses under in cost of sales, other (loss)/gain and income tax expenses are excluded from such measurement. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Other information provided to the directors of the Holding Group, except as noted below, is measured in a manner consistent with that in the Financial Information.

The Holding Group does not allocate assets and liabilities to its segments, as the directors of the Holding Group do not use this information to allocate resources to or evaluate the performance of the operating segments. Therefore, the Holding Group does not report a measure of segment assets and liabilities for each reportable segment.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the directors of the Holding Group is measured in a manner consistent with that in the consolidated statement of comprehensive income.

The segment results provided to the directors of the Holding Group for the reportable segments for the Relevant Years are as follows:

For the year ended 31 December 2008

Segment revenue and results

	Sales of natural pipelined gas *RMB'000*	Natural gas pipeline connections *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customer	2,729	9,745	12,474
Segment results	186	8,029	8,215
Unallocated bank interest income			21
Unallocated selling and distribution cost			(1,001)
Unallocated administrative expenses			(2,610)
Unallocated other loss			(29)
Profit before tax			4,596
Income tax expense			(879)
Profit for the year			3,717

Included in the amount of RMB9,745,000 of natural gas pipeline connections income, approximately RMB3,282,000 was arising from exchanges of goods or services.

For the year ended 31 December 2009

Segment revenue and results

	Sales of natural pipelined gas *RMB'000*	Natural gas pipeline connections *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customer	7,625	46,097	53,722
Segment results	757	40,855	41,612
Unallocated bank interest income			10
Unallocated selling and distribution cost			(1,944)
Unallocated administrative expenses			(3,675)
Unallocated other gain			72
Profit from operations			36,075
Unallocated finance costs			(324)
Profit before tax			35,751
Income tax expense			(9,012)
Profit for the year			26,739

Included in the amount of RMB46,097,000 of natural gas pipeline connections income, approximately RMB23,198,000 was arising from exchanges of goods or services.

For the year ended 31 December 2010

Segment revenue and results

	Sales of natural pipelined gas	Natural gas pipeline connections	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue			
Sales to external customer	16,339	48,967	65,306
Segment results	1,504	41,307	42,811
Unallocated bank interest income			32
Unallocated selling and distribution cost			(2,421)
Unallocated administrative expenses			(7,578)
Unallocated other loss			(133)
Profit from operations			32,711
Unallocated finance costs			(2,400)
Profit before tax			30,311
Income tax expense			(8,245)
Profit for the year			22,066

Included in the amount of RMB48,967,000 of natural gas pipeline connections income, approximately RMB16,449,000 was arising from exchanges of goods or services.

The principal subsidiaries of the Intermediate Holding Company are domiciled in the PRC. All their revenue from external customers are derived from the PRC, and all the non-current assets are located in the PRC.

For the Relevant Years 2008, 2009 and 2010, revenue of approximately RMB8,251,000, RMB13,590,000 and RMB34,470,000 derived from sales made to a single external customers amounted to 10% or more of the Holding Group's total revenue.

6. FINANCE COSTS

	For the year ended 31 December		
	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans wholly repayable within five years	–	793	4,938
Less: borrowing costs capitalised into construction-in-progress *(Note)*	–	(469)	(2,538)
	–	324	2,400

Note: The borrowing costs have been capitalised at rates 5.94% per annum for the years ended 31 December 2009 and 2010.

7. PROFIT BEFORE TAX

Profit before tax is arrived after charging:

	For the year ended 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Auditors' remuneration	–	–	–
Cost of inventories sold	3,194	10,735	20,509
Depreciation of property, plant and equipment	485	1,350	2,826
Loss on disposal of property, plant and equipment	25	–	–
Staff costs (including directors' remuneration)			
– Salaries and allowances including discretionary bonuses	1,298	1,813	3,199
– Retirement benefits scheme contributions	223	449	1,312

8. INCOME TAX EXPENSE

During the Relevant Years, there was no Hong Kong profits tax applicable to the Holding Group as the Holding Group had no profit derived from Hong Kong except PRC Enterprise Income Tax. Taxes on profit assessable elsewhere in the PRC have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Holding Group operates, based on existing legislation, interpretations and practices in respect thereof during the Relevant Years.

	For the year ended 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
PRC Enterprise Income Tax	879	9,012	8,245

The Holding Group is subject to the PRC Enterprise Income Tax at 25% for the Relevant Years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	For the year ended 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	4,596	35,751	30,311
Tax at the statutory tax rate	1,149	8,938	7,578
Tax effect of expenses not deductible for tax purpose	197	74	667
Tax effect of tax losses not recognised	(467)	–	–
Income tax expense for the year	879	9,012	8,245

9. Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

10. DIVIDENDS

The directors of the Intermediate Holding Company do not recommend the payment of any dividends for the Relevant Years.

11. DIRECTOR'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

The emoluments of a director, on a named basis for the Relevant Years is set out below:

For the year ended 31 December 2008:

	Fees	**Salaries and allowances**	**Retirement benefits scheme contribution**	**Dis-cretionary bonuses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director					
Mr. Wang Fa Hui *(Note 1)*	–	–	–	–	–

For the year ended 31 December 2009:

	Fees	**Salaries and allowances**	**Retirement benefits scheme contribution**	**Dis-cretionary bonuses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director					
Mr. Wang Fa Hui	–	–	–	–	–

For the year ended 31 December 2010:

	Fees	**Salaries and allowances**	**Retirement benefits scheme contribution**	**Dis-cretionary bonuses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director					
Mr. Wang Fa Hui	–	–	–	–	–

Note:

1. Mr. Wang Fa Hui was appointed as an executive director on 6 June 2007.

Of the five highest paid individuals, none of them were directors of the Intermediate Holding Company for the Relevant Years.

Details of the emoluments of the remaining 5 non-director, highest paid employees of the Holding Group for the Relevant Years are as follow:

	For the year ended 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries, allowances	265	307	429
Discretionary bonuses	–	27	–
Retirement benefits scheme contributions	19	36	15
	284	370	444

The number of non-director, highest paid individuals whose remuneration as following:

	For the year ended 31 December		
	2008	**2009**	**2010**
Nil to RMB1,000,000	5	5	5

During the Relevant Years, no emoluments were paid by the Holding Group to a director or the five highest paid individuals as an inducement to join or upon joining the Holding Group or as compensation for loss of office.

12. PROPERTY, PLANT AND EQUIPMENT

	Construction-in-progress RMB'000	Natural gas pipelines RMB'000	Plant & machinery RMB'000	Office equipment & motor vehicles RMB'000	Total RMB'000
Cost:					
At 1 January 2008	20,973	–	163	594	21,730
Additions	6,447	3,157	376	490	10,470
Transfer	(21,817)	21,817	–	–	–
Disposals	–	–	–	(215)	(215)
At 31 December 2008 and 1 January 2009	5,603	24,974	539	869	31,985
Additions	16,318	23,439	1,630	944	42,331
Transfer	(11,797)	11,797	–	–	–
Disposals	–	–	–	(14)	(14)
At 31 December 2009 and 1 January 2010	10,124	60,210	2,169	1,799	74,302
Addition	21,755	16,655	2,288	404	41,102
Transfer	(12,057)	12,057	–	–	–
Disposals	–	–	–	(112)	(112)
At 31 December 2010	19,822	88,922	4,457	2,091	115,292
Accumulated depreciation and impairment:					
At 1 January 2008	–	–	44	356	400
Charge for the year	–	308	6	171	485
Disposals	–	–	–	(178)	(178)
At 31 December 2008 and 1 January 2009	–	308	50	349	707
Charge for the year	–	1,172	60	118	1,350
Disposals	–	–	–	(13)	(13)
At 31 December 2009 and 1 January 2010	–	1,480	110	454	2,044
Charge for the year	–	2,302	213	311	2,826
Disposals	–	–	–	(105)	(105)
At 31 December 2010	–	3,782	323	660	4,765
Net book value:					
At 31 December 2010	19,822	85,140	4,134	1,431	110,527
At 31 December 2009	10,124	58,730	2,059	1,345	72,258
At 31 December 2008	5,603	24,666	489	520	31,278

At 31 December 2009 and 2010, accumulated interest capitalised into construction-in-progress amounted to approximately RMB469,000 and approximately RMB3,007,000 respectively.

13. PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	363	51,566	52,332
Other receivables	685	8,638	19,769
	1,048	60,204	72,101
Less: non-current portion, deposit receivable	–	(8,000)	(8,000)
Current portion	1,048	52,204	64,101

The amount of the deposit receivable was arising from the bank borrowings guarantee paid to 中保誠投資擔保有限公司 (Zhongbaocheng Investment Guarantee Company Limited*), interest free and mature on 28 October 2012. The Holding Group does not hold any collateral as security.

14. INVENTORIES

	At 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Materials for gas pipelines	1,013	4,002	13,276
Finished pipelined network	518	–	–
	1,531	4,002	13,276

Inventories were carried at net realisable value for the Relevant Years.

15. TRADE RECEIVABLES

An aged analysis of the Holding Group's trade receivables at the reporting dates is as follows:

	At 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
0 – 90 days	–	681	14,158
91 – 180 days	–	370	241
181 – 365 days	1,967	4,043	–
Over 365 days	–	–	2,332
	1,967	5,094	16,731
Impairment loss recognised	–	–	–
	1,967	5,094	16,731

Notes:

i. All of the trade receivables at reporting dates are related to the connection of gas pipelines, the credit terms granted to the Holding Group's customers vary and are generally the results of negotiations between the Holding Group and individual customers. The trade receivables are generally within a year which are unsecured and interest free. The Holding Group has no significant concentrations of credit risk, with exposure spreads over a large number of customers.

ii. Included in the trade receivables balances are debtors with an aggregate carrying amount of approximately RMBnil, RMBnil and RMB2,332,000 at 31 December 2008, 2009 and 2010 respectively and which are past due at the reporting date for which the Holding Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered fully recoverable.

iii. The Holding Group does not hold any collateral as security.

16. AMOUNTS DUE FROM/(TO) RELATED PARTIES/ PARTY

(a) Amount due from a director

Name of borrower	Wang Fa Hui
Position	Director
Terms of amount due from a director	
– duration and repayment terms	Repayable on demand
– interest rate	Interest-free
– security	None

Movement of the balance of amount due from a director

	RMB'000
– at 1 January 2008	–
– at 31 December 2008 and 1 January 2009	6,969
– at 31 December 2009 and 1 January 2010	14,462
– at 31 December 2010	12,664

Maximum balance outstanding

	RMB
– during 2008	33,734,077
– during 2009	14,463,252
– during 2010	38,402,754

There were no amounts due but uncollected, nor impairment made against the amounts due from director for the Relevant Years.

(b) Amounts due from related companies

	At 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
北京中發油氣投資有限公司 (Beijing Zhongfa Oil Gas Investment Co., Ltd.*)	–	–	1,689
北京中源綠能貿易有限公司 (Beijing Zhongyuan Green Energy Trading Co., Ltd.*)	–	–	1,000
	–	–	2,689

(c) Amount due to a related company

	At 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
蘭西中蘭新能科技開發有限公司 (Lanxi Zhonglan New Energy Science and Technology Development Co., Ltd.*)	–	–	135

For the Relevant Years, amounts due from/to related parties/party are non-trade natures, unsecured, interest-free and have no fixed terms of repayment or receivables. 北京中源綠能貿易有限公司 (Beijing Zhongyuan Green Energy Trading Co., Ltd.*) and 蘭西中蘭新能科技開發有限公司 (Lanxi Zhonglan New Energy Science and Technology Development Co., Ltd.*) are controlled by 北京中發油氣投資有限公司 (Beijing Zhongfa Oil Gas Investment Co., Ltd.*) which is controlled by a close family member of the Holding Group, a related party of the Holding Group's director and shareholder.

The detail of the transactions with related parties is disclosed in note 24.

17. CASH AND CASH EQUIVALENTS

	At 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Cash on hand	49	116	148
Cash at banks	2,554	16,727	2,417
	2,603	16,843	2,565

Notes:

i. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the foreign exchange control imposed by the PRC government.

ii. Cash at banks earn interests at floating rates, and are placed with creditworthy banks with no recent history of default.

18. TRADE PAYABLES

An aged analysis of the Holding Group's trade payables at the reporting dates is as follows:

	At 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
0 – 90 days	1,985	5,506	11,107
91 – 180 days	141	–	198
181 – 365 days	295	8,000	–
Over 365 days	2,886	3,243	9,826
	5,307	16,749	21,131

For the Relevant Years, all such trade payables of the Holding Group were non-interest bearing.

19. ACCRUALS AND OTHER PAYABLES

	At 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Accruals	534	1,047	1,606
Other payables	2,794	585	372
	3,328	1,632	1,978

20. RECEIPTS IN ADVANCE

	At 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Sales of natural pipelines gas	5,149	1,824	167
Natural gas pipelines connection	1,336	3,654	8,689
	6,485	5,478	8,856

Receipts in advance represent payments received from customers for connection of gas pipelines and sales of natural pipelines gas.

21. INTEREST-BEARING BANK BORROWINGS

	At 31 December 2009		
	Effective interest rate (%) per annum	**Mature in**	*RMB'000*
Current			
Bank loans	5.94	2010	10,000
Non-current			
Bank loans	5.94	2011 – 2012	70,000

	At 31 December 2010		
	Effective interest rate (%) per annum	**Mature in**	*RMB'000*
Current			
Bank loans	5.94	2011	40,000
Non-current			
Bank loans	5.94	2012	30,000

		At 31 December	
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Bank loans repayable:			
Within one year or on demand	–	10,000	40,000
In the second year	–	40,000	30,000
In the third to fifth years, inclusive	–	30,000	–
	–	80,000	70,000

(i) At 31 December 2009 and 2010, such bank borrowings were guaranteed by 中保誠投資擔保有限公司 (Zhongbaocheng Investment Guarantee Co., Ltd.*) which is an independent third party of the Intermediate Holding Company including its subsidiary. A 100% equity interests of the Target Company and amount of RMB8,000,000 have been provided and pledged to 中保誠投資擔保有限公司 (Zhongbaocheng Investment Guarantee Co., Ltd.*) for the purpose of guaranteed the bank borrowings.

22. PAID UP CAPITAL

	At 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	10,000	30,000	30,000
Capital injection	20,000	–	25,000
At 31 December	30,000	30,000	55,000

Capital injection of RMB20,000,000 and RMB25,000,000 have been carried out to increase the paid up capital on 9 September 2008 and 17 March 2010 respectively.

A 100% equity interests of the Target Company have been pledged to 中保誠投資擔保有限公司 (Zhongbaocheng Investment Guarantee Co., Ltd.*), an independent third party, for the purpose of guaranteed the bank borrowings since 29 October 2009.

23. RESERVES

A summary of the movements of the reserves is as follows:

	Retained earnings net of statutory reserves	**Statutory reserves**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2008	(4,626)	–	(4,626)
Profit for the year	3,717	–	3,717
At 31 December 2008 and 1 January 2009	(909)	–	(909)
Profit for the year	26,720	–	26,720
Appropriation for the year	(2,581)	2,581	–
At 31 December 2009 and 1 January 2010	23,230	2,581	25,811
Profit for the year	21,361	–	21,361
Appropriation for the year	(2,136)	2,136	–
At 31 December 2010	42,455	4,717	47,172

Note:

Statutory reserves

In accordance with the relevant laws and regulations in the PRC, it is required to appropriate 10% of the annual statutory net profits, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the share capital of the Intermediate Holding Company and its subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory surplus reserve fund after such issue is not less than 25% of share capital.

24. MATERIAL RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

Save as disclosed elsewhere in Financial Information, the Holding Group had the following material transactions with related parties during the Relevant Years:

(a) Amounts due from related parties were unsecured, interest-free and receivables on demand. The amount due from 北京中發油氣投資有限公司 (Beijing Zhongfa Oil Gas Investment Co., Ltd.*) was arising from disposal of subsidiaries set out in note 28. The amount due from 北京中源綠能貿易有限公司 (Beijing Zhongyuan Green Energy Trading Co., Ltd.*) was arising from non-trade nature and was a loan.

(b) Amount due to a related party was unsecured, interest-free and payable on demand. The amount of 蘭西中蘭新能科技開發有限公司 (Lanxi Zhonglan New Energy Science and Technology Development Co., Ltd.*) was arising from non-trade nature and was a loan.

(c) Compensation of key management personnel

	For the year ended 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries, allowances	265	307	429
Discretionary bonuses	–	27	–
Retirement benefits scheme contributions	19	36	15
	284	370	444

(d) For the year ended 31 December 2010, the Target Company entered into sale & purchase agreements with 北京中發油氣投資有限公司 (Beijing Zhongfa Oil Gas Investment Co., Ltd.*) to dispose of 北京中源綠能貿易有限公司 (Beijing Zhongyuan Green Energy Trading Co., Ltd.*) and 蘭西中蘭新能科技開發有限公司 (Lanxi Zhonglan New Energy Science and Technology Development Co., Ltd.*), details of which are set out in note 28.

北京中發油氣投資有限公司 (Beijing Zhongfa Oil Gas Investment Co., Ltd.*) is considered as a related party as it is controlled by a close family member of the Holding Group, a related party of the Holding Group's director and shareholder.

25. OPERATING LEASE ARRANGEMENT

At the balance sheet dates, the Holding Group had future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	310	461	642
In the second to fifth years, inclusive	555	245	342
	865	706	984

The Holding Group leases certain office premises and warehouse under operating lease arrangement ranging from 1 year to 5 years.

26. COMMITMENTS

In addition to the operating lease arrangement detailed in note 25 above, the Holding Group had the following commitments at the balance sheet date:

(a) Capital commitments

Capital expenditure contracted for at the end of each reporting period, but not yet incurred is as follows:

	At 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Construction-in-progress	2,877	5,287	44,297

27. CONTINGENT LIABILITIES

Save as disclosed elsewhere in the Financial Information, the directors of the Intermediate Holding Company consider that the Holding Group did not have significant contingent liabilities at 31 December 2008, 2009 and 2010.

28. DISPOSALS OF SUBSIDIARIES

(i) 蘭西中蘭新能科技開發有限公司 (Lanxi Zhonglan New Energy Science and Technology Development Co., Ltd.*)

On 25 November 2010, the Target Company entered into a sale and purchase agreement to dispose of 蘭西中蘭新能科技開發有限公司 (Lanxi Zhonglan New Energy Science and Technology Development Co., Ltd.*), which carried out promotion of new energy development operation. The disposal was completed on 30 December 2010, on which date control of the promotion of new energy development operation passed to the acquirer. Details of the assets and liability disposed of, and the calculation of the profit or loss on disposal, are disclosed in below.

Consideration received

	For the year ended 31 December 2010
	RMB'000
Consideration received	1,800

Analysis of assets and liability over which control was lost

	30 December 2010
	RMB'000
Current assets	
Prepayments and other receivables	1,875
Cash and cash equivalents	1
Non-current asset	
Fixed assets	130
Current liability	
Other payables	6
Net assets	2,000
10% – non controlling interest	(200)
The Group's share of net assets	1,800

Gain on disposal of a subsidiary

	30 December 2010
	RMB'000
Consideration received	1,800
Net assets disposed of	(1,800)
Gain on disposal	–

Net cash inflow on disposal of a subsidiary

	30 December 2010
	RMB'000
Consideration received in cash and cash equivalents	1,800
Less: cash and cash equivalent balances disposed of	(1)
	1,799

(ii) 北京中源綠能貿易有限公司 (Beijing Zhongyuan Green Energy Trading Co., Ltd.*)

On 19 November 2010, the Target Company entered into a sale and purchase agreement to dispose of 北京中源綠能貿易有限公司 (Beijing Zhongyuan Green Energy Trading Co., Ltd.*), which carried out retailing operation. The disposal was completed on 29 November 2010, on which date control of the retailing operation passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in below.

Consideration receivable and received

	For the year ended 31 December 2010
	RMB'000
Consideration receivable and received	2,000

Analysis of assets and liabilities over which control was lost

	29 November 2010
	RMB'000
Current assets	
Prepayments and other receivables	10,879
Cash and cash equivalents	202
Non-current asset	
Fixed assets	24
Current liabilities	
Accruals and other payable	4,026
Receipts in advance	5,079
Net assets disposed of	2,000

Gain on disposal of a subsidiary

	29 November 2010
	RMB'000
Consideration receivable and received	2,000
Net assets disposed of	(2,000)
Gain on disposal	–

Net cash inflow on disposal of a subsidiary

	30 December 2010
	RMB'000
Consideration received in cash and cash equivalents	311
Less: cash and cash equivalent balances disposed of	(202)
	109

(iii) Major non-cash transactions

For the years ended 31 December 2008, 2009 and 2010, natural gas pipeline connections income, approximately RMB3,282,000, RMB23,198,000 and RMB16,449,000 respectively were arising from exchanges of goods or services.

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

		At 31 December	
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	12,224	45,037	54,418
Financial liabilities			
Amortised cost	8,635	98,381	93,244

(b) Fair values of financial instruments

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

- the fair value of financial assets and financial liabilities with standard terms and conditions.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments are limited and the policies on how to mitigate these risks are set out in note 30. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Holding Group has exposure to market risk (cash flow interest rate risk), credit risk and liquidity risk arises in the normal course of the Holding Group's business.

(a) Market risk

(i) Cash flow interest rate risk

The Holding Group's cash flow interest rate risk arises primarily from the Holding Group's banks loans. Borrowings at variable rates expose the Holding Group to cash flow interest rate risk. The Holding Group does not use financial derivatives to hedge against the interest rate risk.

The Holding Group's interest rate profile as monitored by management is set out as below.

	Effective interest rate	**2009**
	%	*RMB'000*
Variable rate borrowings:		
Bank loans	5.94	80,000

	Effective interest rate	**2010**
	%	*RMB'000*
Variable rate borrowings:		
Bank loans	5.94	70,000

(ii) Sensitivity analysis

At 31 December 2009 and 2010, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Holding Group's profit before tax by approximately RMB400,000 and RMB350,000 respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates.

(b) Credit risk

The Holding Group's credit risk is primarily attributable to trade receivables and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within a year. Debtors with balances that are more than a year past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Holding Group does not obtain collateral from its customers. Based on the expected recoverability and timing for collection of the outstanding balances, the Holding Group maintains a provision for impairment of receivables and actual losses incurred have been within management's expectation.

In respect of cash and cash equivalents, the Holding Group limits its exposure to credit risk by transacting with approved and reputable banks with high credit ratings. Bankruptcy or insolvency of these banks may cause the Holding Group's rights with respect to these assets held to be delayed or limited. The Holding Group monitors the credit ratings of these banks on an ongoing basis, and considers that the Holding Group's exposure to credit risk for the Relevant Years were minimal.

The Holding Group has no significant concentration of credit risk, with exposure spread over a number of customers.

(c) Liquidity risk

Liquidity risk is the risk that the Holding Group will not be able to meet its financial obligations as they fall due. The Holding Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Holding Group's reputation.

Individual operating entities within the Holding Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Holding Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the reporting date of the Holding Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Holding Group can be required to pay:

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2008						
Trade payables	5,307	5,307	5,307	–	–	–
Accruals and other payables	3,328	3,328	3,328	–	–	–
	8,635	8,635	8,635	–	–	–

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2009						
Trade payables	16,749	16,749	16,749	–	–	–
Accruals and other payables	1,632	1,632	1,632	–	–	–
Interest-bearing bank borrowings	80,000	84,752	10,594	42,376	31,782	–
	98,381	103,133	28,975	42,376	31,782	–

	Carrying amount *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*
At 31 December 2010						
Trade payables	21,131	21,131	21,131	–	–	–
Accruals and other payables	1,978	1,978	1,978	–	–	–
Amount due to a related party	135	135	135	–	–	–
Interest-bearing bank borrowings	70,000	74,158	42,376	31,782	–	–
	93,244	97,402	65,620	31,782	–	–

31. CAPITAL MANAGEMENT

The primary objective of the Holding Group's capital management is to safeguard the Holding Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Holding Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Holding Group may adjust return capital to shareholders, increase share capital or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the Relevant Years.

The Holding Group monitors capital using a gearing ratio, which is interest-bearing borrowings divided by the total of borrowings and equity.

	At 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings	–	80,000	70,000
Less: cash and cash equivalents	(2,603)	(16,843)	(2,565)
Net debt	(2,603)	63,157	67,435
Total equity	29,091	55,811	102,172
Total capital	26,488	118,968	169,607
Gearing ratio	N/A	0.53	0.40

32. EVENTS AFTER THE REPORTING PERIOD

The following events have occurred subsequent to 31 December 2010:

The share transfer agreement dated 18 May 2011 entered into between the Target Company and 北京華源綠能物資有限公司 (Beijing Huayuan Green Energy Materials Ltd.*) for the transfer of the Target Company's interest in 綏芬河中京燃氣有限公司 (Suifenhe Zhongjing Gas Co. Ltd.*).

33. PARTICULARS OF INTERESTS IN SUBSIDIARIES

The following table lists the subsidiaries of the Intermediate Holding Company which, in the opinion of the directors, principally affected the results or assets of the Holding Group.

Name	Place of incorporation	Issued and fully paid up capital *RMB'000*	Attributable equity interest held by the Intermediate Holding Company Directly	Indirectly	Principal activities
北京昌東順燃氣有限公司 (Beijing Changdongshun Gas Limited*)	PRC	10,000	100%	–	燃氣銷售及項目投資 (Sales of natural gas and project investment*)
洛寧中京燃氣有限公司 (Luoning Zhongjing Gas Co. Ltd.*)	PRC	10,000	–	100%	管道天然氣項目籌建 (Natural gas pipeline construction project*)
蘭西中京燃氣有限公司 (Lanxi Zhongjing Gas Co. Ltd.*)	PRC	2,000	–	90%	燃氣銷售及項目投資 (Sales of natural gas and project investment*)
綏棱中森燃氣有限公司 (Suilin Zhongsen Gas Co. Ltd.*)	PRC	5,000	–	90%	燃氣項目投資及經營 (Natural gas project investment and operation*)
撫松中森燃氣有限公司 (Fusong Zhongsen Gas Co. Ltd.*)	PRC	10,000	–	90%	天然氣項目籌建 (Natural gas construction projects*)
樺甸中京燃氣有限公司 (Huadian Zhongjing Gas Co. Ltd.*)	PRC	10,000	–	90%	天然氣項目籌建 (Natural gas construction projects*)
舒蘭中京燃氣有限公司 (Shulan Zhongjing Gas Co. Ltd.*)	PRC	10,000	–	90%	天然氣項目籌建 (Natural gas construction projects*)
蛟河中森燃氣有限公司 (Jiaohe Zhongsen Gas Co. Ltd.*)	PRC	10,000	–	90%	燃氣銷售及項目投資 (Sales of natural gas and project investment*)
蛟河中京燃氣有限公司 (Jiaohe Zhongjing Gas Co. Ltd.*)	PRC	2,200	–	90%	燃氣銷售及項目投資 (Sales of natural gas and project investment*)
綏芬河中京燃氣有限公司 (Suifenhe Zhongjing Gas Co. Ltd.*)	PRC	10,000	–	90%	燃氣項目投資及籌建 (Natural gas construction and project investment*)

* *for identification purposes only*

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Intermediate Holding Company or any of its subsidiary company in respect of any period subsequent to 31 December 2010 and up to the date of this report. In addition, no dividend or distribution has been declared, made or paid by the Intermediate Holding Company or any of its subsidiary company in respect of any period subsequent to 31 December 2010.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS ON THE HOLDING GROUP

The following is the management discussion and analysis of the business, financial results and position of the Holding Group, assuming the reorganisation of the Holding Group is completed, for the three years ended 31 December 2010:

Year ended 31 December 2010 compared with year ended 31 December 2009

Revenue

Total revenue increased by approximately 21.6% from approximately RMB53.7 million for the year ended 31 December 2009 to approximately RMB65.3 million for the year ended 31 December 2010. This increase was mainly attributable to the increase in turnover for the Holding Group's sales of natural gas segment from approximately RMB7.6 million in 2009 to approximately RMB16.3 million in 2010 as the volume of natural gas supplied increased from 4.2 million m^3 in 2009 to 9.1 million m^3 in 2010.

Cost of sales

Cost of sales increased by approximately 88.0% from approximately RMB13.3 million for the year ended 31 December 2009 to approximately RMB25.0 million for the year ended 31 December 2010. The increase was mainly due to the increase in the volume of natural gas supplied.

Selling and distribution costs

Selling and distribution costs increased by approximately 26.3% from approximately RMB1.9 million for the year ended 31 December 2009 to approximately RMB2.4 million for the year ended 31 December 2010. The increase was primarily due to increase in salaries and headcounts of the sales staff.

Administrative expenses

Administrative expenses increased by approximately 112.5% from approximately RMB2.4 million for the year ended 31 December 2009 to approximately RMB5.1 million for the year ended 31 December 2010. The increase was primarily due to increase in depreciation of property, plant and equipment and increase in salaries and headcounts of the administrative staff.

Finance costs

Finance costs increased by approximately seven fold from approximately RMB0.3 million for the year ended 31 December 2009 to approximately RMB2.4 million for the year ended 31 December 2010. The increase in finance costs was primarily due to the Holding Group obtained a bank loan in the amount of RMB80 million in October 2009, hence interest expense was only charged for a portion of 2009.

Income tax expense

Income tax expense decreased by approximately 8.9% from approximately RMB9.0 million for the year ended 31 December 2009 to RMB8.2 million for the year ended 31 December 2010, which was primarily due to the decreased taxable income for the year ended 31 December 2010.

Profit for the year

As a result of the foregoing factors, profit for the year decreased by approximately 17.2% from approximately RMB26.7 million for the year ended 31 December 2009 to RMB22.1 million for the year ended 31 December 2010.

Year ended 31 December 2009 compared with year ended 31 December 2008

Revenue

Total revenue increased by approximately 329.6% from approximately RMB12.5 million for the year ended 31 December 2008 to RMB53.7 million for the year ended 31 December 2009. This increase was mainly attributable to the increase in (i) number of new connections from 1,345 units in 2008 to 12,466 units in 2009; and (ii) sales volume of pipelined gas from approximately 1.0 million m^3 in 2008 to approximately 4.2 million m^3 in 2009.

Cost of sales

Cost of sales increased by 189.1% from RMB4.6 million for the year ended 31 December 2008 to RMB13.3 million for the year ended 31 December 2009. The increase was primarily due to the significant increase in number of new connections in 2009.

Selling and distribution costs

Selling and distribution cost increased by 90.0% from approximately RMB1.0 million for the year ended 31 December 2008 to RMB1.9 million for the year ended 31 December 2009, which was primarily due to increase in salaries and headcounts of the sales staff.

Administrative expenses

Administrative expenses increased slightly by approximately 4.3% from approximately RMB2.3 million for the year ended 31 December 2008 to RMB2.4 million for the year ended 31 December 2009. The increase was primarily due to increase in depreciation of property, plant and equipment and increase in salaries and headcounts of the administrative staff.

Finance costs

Finance costs increased from nil in 2008 to approximately RMB0.3 million in 2009 due to the Holding Group obtained a bank loan in the amount of RMB80 million in October 2009.

Income tax expense

Income tax expense increased significantly by approximately nine fold from approximately RMB0.9 million for the year ended 31 December 2008 to RMB9.0 million for the year ended 31 December 2009, which was primarily due to the significant increase in taxable income for the year ended 31 December 2009.

Profit for the year

As a result of the foregoing factors, profit for the year increased by approximately 621.6% from approximately RMB3.7 million for the year ended 31 December 2008 to RMB26.7 million for the year ended 31 December 2009.

Liquidity, financial resources and capital structure

The Holding Group's primary liquidity requirements are to use cash to invest in additional facilities and equipment, service its indebtedness, and fund working capital and normal recurring expenses. To date, the Holding Group financed its cash requirements through a combination of cash generated from operating activities, bank borrowings and proceeds of capital contributions from its shareholders. In the future, the Holding Group expects to continue relying principally on cash flows from operations and bank borrowings to fund its working capital needs.

The capital structure of the Holding Group consisted of debt (which included bank borrowings), cash and cash equivalents and equity attributable to owners of the Intermediate Holding Company, comprising issued share capital and reserves of the Holding Group.

At 31 December 2008, 2009 and 2010, the Holding Group's equity attributable to owners of the Intermediate Holding Company was approximately RMB29.1 million, RMB55.8 million and RMB102.2 million, respectively. The net current liabilities as at 31 December 2008 were approximately RMB2.2 million, while net current assets at 31 December 2009 and 2010 were approximately RMB47.2 million and RMB20.3 million, respectively, while cash and cash equivalents as at 31 December 2008, 2009 and 2010 were approximately RMB2.6 million, RMB16.8 million and RMB2.6 million, respectively.

The Holding Group had no bank borrowings as at 31 December 2008, while the bank borrowings as at 31 December 2009 and 2010 were RMB80.0 million and RMB70.0 million, respectively, which are floating rate borrowings. The current portion of these borrowings was RMB10 million and RMB40 million as at 31 December 2009 and 2010 respectively, while non-current portion of bank borrowings was RMB70.0 million and RMB30.0 million as at 31 December 2009 and 2010 respectively. The gearing ratio of the Holding Group was nil as at 31 December 2008, and approximately 143.4% and 68.5% as at 31 December 2009 and 2010 respectively, calculated by dividing the total bank borrowings by equity attributable to shareholders of the Intermediate Holding Company.

Contingent liabilities

At 31 December 2008, 2009 and 2010, the Holding Group had no significant contingent liabilities.

Human resources

As at 31 December 2008, 2009 and 2010, the Holding Group had a total of 48, 72 and 141 staffs in the PRC, respectively. The Holding Group remunerates employees based on their performance, experience and prevailing industry practices so as to retain the competent and talented employees. The Holding Group provides benefits such as training programme to staff in order to maintain the competitiveness of the staff and to enhance their senses of loyalty.

Charge on assets

At 31 December 2008, 2009 and 2010, save as the 100% equity interests of the Target Company and other receivables in the amount of RMB8,000,000 have been pledged to 中保誠投資擔保有限公司 (Zhongbaocheng Investment Guarantee Co., Ltd.*) (the "Guarantee Company"), an independent third party, to secure the bank borrowings since 29 October 2009, the Holding Group did not have any charges on assets.

As at the Latest Practicable Date, the Vendors are in discussion with the Guarantee Company in relation to the discharge of the above-mentioned pledge.

Foreign currencies

During the years ended 31 December 2008, 2009 and 2010, most of the business transactions, assets and liabilities of the Holding Group were denominated in RMB. The Holding Group had no material foreign exchange exposure risks during the years.

Segmental analysis

The Holding Group has two operating segments, namely (i) natural gas pipeline connections; and (ii) sales of natural pipelined gas.

During the years ended 31 December 2008, 2009 and 2010, the Holding Group generated revenue of approximately RMB9.7 million, RMB46.1 million and RMB49.0 million respectively from natural gas pipeline connections segment. Profits from the segment for the years ended 31 December 2008, 2009 and 2010 were approximately RMB8.0 million, RMB40.9 million and RMB41.3 million respectively. The improvement in the revenue and results of the segment was attributable to the increase in the number of natural gas connections performed by the Holding Group. The Holding Group performed 1,345, 12,466 and 14,571 new connections during the years ended 31 December 2008, 2009 and 2010, respectively.

During the years ended 31 December 2008, 2009 and 2010, the Holding Group generated revenue of approximately RMB2.7 million, RMB7.6 million and RMB16.3 million, respectively, from the sales of natural pipelined gas segment. Profits from the segment for the years ended 31 December 2008, 2009 and 2010 were approximately RMB0.2 million, RMB0.8 million and RMB1.5 million respectively. The improvement in the revenue and results of the segment was attributable to the increase in the volume of natural gas supplied to the customers. The Holding Group supplied approximately 1.0 million m^3, 4.2 million m^3 and 9.1 million m^3 of natural gas to its customers during the years ended 31 December 2008, 2009 and 2010, respectively.

Hedging

During the years ended 31 December 2008, 2009 and 2010, the Holding Group did not use any financial instruments for hedging purposes.

Significant investments held

During the years ended 31 December 2008, 2009 and 2010, save as the investments in the Target Company and its subsidiaries, the Holding Group did not hold any other significant investments.

Material acquisitions and disposals of subsidiaries and associated companies

During the years ended 31 December 2008, 2009 and 2010, save as the transfer of the Target Company's interest in 北京中源綠能貿易有限公司 (Beijing Zhongyuan Green Energy Trading Co., Ltd.*) and 蘭西中蘭新能科技開發有限公司 (Lanxi Zhonglan New Energy Science and Technology Development Co., Ltd.*) to the Designated Vehicle, the Holding Group did not have any material acquisitions and disposals.

Prospects of the Holding Group

In order to further enhance the Holding Group's competitive position, the Holding Group intends to pursue the following business strategies:

Increasing the customer base in the Concession Operating Areas

Following the Holding Group's development plans of the Concession Operating Areas, the Holding Group will proactively develop the residential, commercial, industrial and public services user base in the Concession Operating Areas so as to increase the sales volume of natural gas. The Holding Group's operations in Jilin Province is at a preliminary stage. The Holding Group intends to carry out pipeline network expansion plan so as to enhance the Holding Group's revenue from sales and distribution of pipelined gas operation and gas pipeline connection operation. The Holding Group expects to fund the expansion by internal resources and/or bank financing.

Expanding the market coverage to cities currently without gas pipeline networks in the PRC

The Holding Group intends to seek opportunities to expand its business operations in cities, other than the Concession Operating Areas, in the PRC, to fully capitalise on the competitive advantages that are already possessed by the Holding Group. The Directors believe that natural gas is becoming an increasingly popular source of energy primarily due to its environmentally-friendly nature. The Holding Group intends to grow and expand its market coverage firstly to those cities which do not currently have pipelined gas supply and secondly, to those cities with inadequate pipeline infrastructures. The Directors believe that the Holding Group's expertise in the natural gas sales and distribution industry in the PRC will assist the Holding Group in winning new concessions.

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

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

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

17 June 2011

The Directors

China Infrastructure Investment Limited

Room 2007, 20th Floor
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of China Infrastructure Investment Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), set out on pages IV-4 to IV-7 under the headings of "Unaudited Pro Forma Financial Information of the Enlarged Group" (the "Unaudited Pro Forma Financial Information") in Appendix IV of the Company's circular dated 17 June 2011 (the "Circular") in connection with the proposed acquisition of a 49% equity interest in 北京中港綠能投資諮詢有限公司 (Beijing Zhonggang Green Energy Investment Consulting Co., Ltd.*) ("Intermediate Holding Company") by the Company (the "Changdongshun Acquisition"). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Changdongshun Acquisition might have affected the relevant financial information presented, for inclusion in Appendix IV of the Circular. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page IV-4 of this Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29 (7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

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

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29 (1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

– the financial position of the Enlarged Group (the Group after the Changdongshun Acquisition) at 31 December 2010 or any future date; or

– the results and cash flows of the Enlarged Group for the year ended 31 December 2010 or any future periods.

Opinion

In our opinion:

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

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

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

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

The accompanying unaudited pro forma statements of assets and liabilities of the Enlarged Group (the "Statement") has been prepared to illustrate the effect of the Changdongshun Acquisition, assuming the Changdongshun Acquisition had been completed at 31 December 2010, might have affected the financial position of the Group.

The Statement is prepared based on the audited consolidated statement of financial position of the Group at 31 December 2010 as extracted from the annual report of the Company for the year ended 31 December 2010 and the audited consolidated statement of financial position of the Holding Group at 31 December 2010 as extracted from the Accountants' Report set out in Appendix II to this Circular after making certain pro forma adjustments resulting from the Changdongshun Acquisition.

The Statement is based on certain assumptions, estimates, uncertainties and other currently available financial information, and is provided for illustrative purposes only because of its hypothetical nature, it may not give a true picture of the actual financial position of the Enlarged Group that would have been attained had the Changdongshun Acquisition actually occurred on 31 December 2010. Further, the Statement does not purport to predict the Enlarged Group's future financial position.

The Statement should be read in conjunction with the financial information of the Group as extracted from the annual report of the Company for the year ended 31 December 2010, the financial information of the Holding Group as set out in Appendix II to this Circular and other financial information included elsewhere in this Circular.

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

	The Group at 31 December 2010	Pro forma adjustments	*Notes*	The Enlarged Group at 31 December 2010
	HK$'000	*HK$'000*		*HK$'000*
Non-current assets				
Investment properties	969,977			969,977
Property, plant and equipment	3,276			3,276
Properties under development	30,128			30,128
Interest in associates	-	300,000	*1 (ii)*	300,000
	1,003,381			1,303,381
Current assets				
Stock of properties	397,788			397,788
Trade and other receivables	269,786			269,786
Financial assets at fair value through profit or loss	6,200			6,200
Cash and bank balances	362,028	(305,000)	*1 (i)*	57,028
	1,035,802			730,802
Less: Current liabilities				
Trade and other payables	(480,716)			(480,716)
Convertible notes	(36,556)			(36,556)
Tax payable	(9,795)			(9,795)
	(527,067)			(527,067)
Net current assets	508,735			203,735
Total assets less current liabilities	1,512,116			1,507,116

	The Group at 31 December 2010	Pro forma adjustments	Notes	The Enlarged Group at 31 December 2010
	HK$'000	*HK$'000*		*HK$'000*
Less: Non-current liabilities				
Convertible notes	(61,441)			(61,441)
Interest bearing and secured borrowings	(100,047)			(100,047)
Deferred tax liabilities	(86,368)			(86,368)
	(247,856)			(247,856)
Net assets	1,264,260			1,259,260
Capital and reserves				
Share capital	201,186			201,186
Reserves	803,311	(5,000)	*1 (i)*	798,311
Total equity attributable to owners of the Company	1,004,497			999,497
Non-controlling interests	259,763			259,763
	1,264,260			1,259,260

Notes to Unaudited Pro Forma Financial Information of the Enlarged Group

1. Upon completion of the Changdongshun Acquisition, the Group had owned 49% equity interest in 北京中港綠能投資諮詢有限公司 (Beijing Zhonggang Green Energy Investment Consulting Co., Ltd.*) and it was accounted for as an associate in the unaudited pro forma consolidated statement of financial position of the Group at 31 December 2010. An interest in an associate is accounted for using the equity method from the date on which it becomes an associate. On acquisition of the investment, the Group is required to fair-value all identifiable assets and liabilities of 北京中港綠能投資諮詢有限公司 (Beijing Zhonggang Green Energy Investment Consulting Co., Ltd.*) upon the acquisition date in order to derive the proper amount of goodwill or the proper amount of excess of the net fair value of 北京中港綠能投資諮詢有限公司's (Beijing Zhonggang Green Energy Investment Consulting Co., Ltd.*) identifiable assets, and liabilities over the cost of the investment in accordance with HKAS 28 *Investments in Associates*.

   Related pro forma adjustments are as follows with the assumption that the Changdongshun Acquisition has been completed on 31 December 2010:

   (i) recognition of the consideration of HK$300,000,000 for the Changdongshun Acquisition which assumed comprising cash of HK$300,000,000 and estimated transaction cost directly attributable to the Changdongshun Acquisition of approximately HK$5,000,000. The cash payment for the purpose of the Changdongshun Acquisition is not expected to have any continuing effect on the Group. The directors of the Company consider that the direct cost related to the Changdongshun Acquisition is expense nature.

   (ii) recognition of interest in an associate of HK$300,000,000 includes goodwill of approximately HK$7,829,000 and the fair value of 49% equity interest in the Holding Group of approximately HK$292,171,000, calculated by 49% of the fair value of 100% equity interest in the Holding Group of approximately RMB506,600,000 (equivalent to approximately HK$596,268,000), which is made with reference to a valuation report prepared by Norton Appraisals Limited, an independent professional valuer.

* *for identification purposes only*

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

(a) Authorised and issued share capital

As at the Latest Practicable Date, the authorised and issued share capital of the Company was as follows:

	HK$
Authorised share capital	
10,000,000,000 Shares	500,000,000
Issued and fully paid	
4,269,910,510 Shares	213,495,525.50

(b) Convertible bonds

As at the Latest Practicable Date, there were unlisted 2.5% fixed interest convertible redeemable bonds ("CBs") in the aggregate outstanding principal amount of HK$65,000,000 issued by the Company, entitling the holders thereof to convert 216,666,666 new Shares at an initial conversion price of HK$0.30 per Share (subject to adjustment) until 23 August 2012.

Save for the CBs, the Company had no other securities convertible into Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) to be entered in the register referred to therein; or (b) were required, pursuant to Section 352 of SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) Long position in the Shares

Name of Director	Number of Shares held: Personal Interests	Number of Shares held: Corporate Interests	Number of Shares held: Total	% to the issued share capital of the Company as at the Latest Practicable Date
Mr. Law Kar Po	713,120,000	–	713,120,000	16.70
Ms. Shi Feng Ling	170,000,000	1,019,290,512 *(Note)*	1,189,290,512	27.85

Note: These Shares were held by Amazing Glory Investments Limited, a company which was wholly-owned by Ms. Shi Feng Ling. Hence, she was deemed to have an interest in all these Shares.

(b) Long position in the underlying Shares

Long position in the unlisted 2.5% fixed interest convertible redeemable bonds (i.e. the CBs) of the Company

Name of Director	Capacity	Amount of CBs *HK$*	Number of underlying Shares	% to the issued share capital of the Company as at the Latest Practicable Date
Mr. Law Kar Po	Beneficial owner	65,000,000	216,666,666	5.07

Holders of the CBs are entitled to elect to convert the CBs into new Shares at an initial conversion price of HK$0.30 per Share (subject to adjustment) until 23 August 2012.

(c) Interests in other members of the Group

As at the Latest Practicable Date, each of Mr. Law Kar Po and Ms. Law Wing Yee, Wendy was interested in 10% of the issued share capital of Star Palace Enterprises Limited, a 70%-owned subsidiary of the Company.

Save as disclosed above, as at the Latest Practicable Date, no Director or chief executive officer of the Company had any other interest or short position in the Shares and underlying Shares which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he would be taken or deemed to have under such provisions of SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or would be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

4. DISCLOSURE OF INTEREST UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in the Shares

Name of Shareholder	Capacity	Number of Shares	% to the issued share capital of the Company as at the Latest Practicable Date
Amazing Glory Investments Limited	Beneficial owner	1,019,290,512	23.87

Note: Amazing Glory Investments Limited is wholly-owned by Ms. Shi Feng Ling, a Director of the Company.

Save as disclosed above, as at the Latest Practicable Date, no person (other than Directors or chief executive of the Company) had an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

5. SUBSTANTIAL SHAREHOLDER(S) OF OTHER MEMBERS OF THE GROUP

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, other than a director or chief executive of the Company, the following person(s) is/are, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of the members of the Group:

Name of subsidiary	Name of beneficial owner	Name of registered holder	Percentage of nominal value of issued capital/ registered capital held
Star Palace Enterprises Limited	Wu Wai Yan	King Empire Limited	10%
Pan-China (Shenyang) Real Estate Development Limited	Pan-China Construction Group Corporation Limited	Pan-China Construction Group Corporation Limited	30%

Save as disclosed above, as at the Latest Practicable Date, no person (other than Directors or chief executive of the Company) had an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or, so far as is known to the Directors or chief executive of the Company, who was, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group (including options in respect of such capital).

6. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which would not determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in businesses, which would be considered to compete or would likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

8. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS CONTRACTS

On 29 April 2011, a wholly-owned subsidiary of the Company and Mr. Law Kar Po entered into an agreement to acquire Steady Foundation Limited and the director's loan for a total consideration of HK$240 million less the mortgage loan, attached to the properties, owed by Steady Foundation Limited as at completion. Details of the agreement have been disclosed in the announcement of the Company dated 29 April 2011.

Save as aforesaid and disclosed in this circular, as at the Latest Practicable Date, none of the Directors of the Company had any interest in any assets which had been since 31 December 2010 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group. As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which would be significant in relation to the business of the Group.

9. LITIGATION

So far as the Directors are aware, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against any member of the Enlarged Group as at the Latest Practicable Date.

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date and which are, or may be, material to the Enlarged Group:

(a) the capital increase agreement dated 17 June 2009 entered into between China Infrastructure Limited and 泛華建設集團有限公司 (Pan-China Construction Group Corporation Limited) in relation to the increase in the registered capital of 泛華房地產開發(瀋陽)有限公司 (Pan-China (Shenyang) Real Estate Development Limited);

(b) the provisional agreement dated 21 August 2009 entered into between Continental Ocean Investment and Development Company Limited, a 55%-owned subsidiary of the Company, and Cheong On Real Estate and Investment Limited with regard to the disposal by Continental Ocean Investment and Development Company Limited of its entire interest in a piece of land known as Lote TN6 for a total consideration of HK$350 million, and the procurement of settlement of a portion of the final payment to Continental Ocean Investment and Development Company Limited;

(c) the provisional agreement and settlement agreement dated 25 September 2009 entered into between Cheong On Real Estate and Investment Limited and Jinlong Investment & Development Company Limited as purchasers and Fast Action Developments Limited, Mr. Chiang Kin Tong, Mr. Law Kar Po, Mr. Hoi Man Pak, Mr. Choy Wang Kong and Mr. Wu Ka I Miguel as vendors with regard to the disposal of (i) the entire issued quota of Continental Ocean Investment and Development Company Limited and (ii) the shareholders' loans owing by Continental Ocean Investment and Development Company Limited to Mr. Law Kar Po, Mr. Hoi Man Pak, Mr. Choy Wang Kong, Mr. Wu Ka I Miguel, Fast Action Developments Limited and Mr. Chiang Kin Tong for an aggregate consideration of HK$230 million;

(d) the settlement agreement dated 25 September 2009 entered into between Fast Action Developments Limited, Cheong On Real Estate and Investment Limited and Jinlong Investment & Development Company Limited for the procurement of settlement of a portion of the final payment to Fast Action Developments Limited under the disposal;

(e) the termination agreement dated 25 September 2009 entered into between Continental Ocean Investment and Development Company Limited and Cheong On Real Estate and Investment Limited to terminate the provisional agreement and the settlement agreement dated 21 August 2009 in respect of the disposal of a piece of land in Taipa, Macau;

(f) the loan agreement dated 12 October 2009 entered into between the Target Company and a commercial bank in relation to the borrowing of a loan in the amount of RMB80 million;

(g) the memorandum of understanding dated 2 November 2009 entered into between China Infrastructure Limited and 泛華建設集團有限公司 (Pan-China Construction Group Corporation Limited*) ("Pan-China Construction") in respect of Pan-China (Shenyang) and the shareholders' loan agreement of the same date entered into between Pan-China (Shenyang) and Pan-China Construction with respect to the shareholders' loan provided by Pan-China Construction to Pan-China (Shenyang) for an aggregate amount of up to RMB400 million (equivalent to approximately HK$453.2 million);

(h) the disposal agreement dated 28 November 2009 entered into between the Company and U Wa Hotel Management Limited in relation to the disposal of the entire interest of Pearl Oriental Macau Limited and shareholders' loans by the Company for a total consideration of HK$400 million;

(i) the provisional sale and purchase agreement dated 15 December 2009 entered into between the purchaser and Patient Holdings Limited, a wholly-owned subsidiary of the Company, in relation to the disposal of a property in Hong Kong for a consideration of HK$84,900,000;

(j) the termination agreement dated 22 December 2009 entered into between the Company and 紀紅斌女士 (Madam Ji Hong Bin*) in respect of the termination of the acquisition of the entire interest in Finest Gain Investments Limited;

(k) the Option Agreement;

(l) the share transfer agreement dated 19 November 2010 entered into between the Target Company and the Designated Vehicle for the transfer of the Target Company's interest in 北京中源綠能貿易有限公司 (Beijing Zhongyuan Green Energy Trading Co., Ltd.*) to the Designated Vehicle;

(m) the share transfer agreement dated 25 November 2010 entered into between the Target Company and the Designated Vehicle for the transfer of the Target Company's interest in 蘭西中蘭新能科技開發有限公司 (Lanxi Zhonglan New Energy Science and Technology Development Co., Ltd.*) to the Designated Vehicle;

(n) the agreement dated 11 April 2011 entered into between the Company and Xun Jia Limited in relation to the acquisition of Success Take Limited for a consideration of HK$140 million;

(o) the Amended Option Agreement;

(p) the agreement dated 29 April 2011 entered into between a wholly-owned subsidiary of the Company and Mr. Law Kar Po in relation to the acquisition of Steady Foundation Limited and director's loan for a total consideration of HK$240 million less the mortgage loan, attached to the properties, owed by Steady Foundation Limited as at completion; and

(q) the share transfer agreement dated 18 May 2011 entered into between the Target Company and 北京華源綠能物資有限公司 (Beijing Huayuan Green Energy Materials Ltd.*) for the transfer of the Target Company's interest in 綏芬河中京燃氣有限公司 (Suifenhe Zhongjing Gas Co. Ltd.*).

11. QUALIFICATIONS AND CONSENTS OF EXPERTS

The qualifications of the experts who have given opinion or advice contained in this circular are set out as follows:

Name	Qualification
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants
Norton Appraisals Limited	Independent Professional Valuer

As at the date of this circular, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report(s), letter(s) and reference(s) to its name(s) and opinion(s) in the form and context in which they appear in this circular.

As at the Latest Practicable Date, none of the above experts had any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any interest in any assets which have been since 31 December 2010 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

12. MISCELLANEOUS

(a) The registered office of the Company in Hong Kong is at Room 2007, 20th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The registered office of the Company in the Cayman Islands is located at The R&H Trust Co. Ltd., Windward 1, Regatta Office Park, Grand Cayman, Cayman Islands.

(b) The branch share registrar and transfer office of the Company is Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The secretary of the Company is Mr. Law Chun Choi, a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(d) The translation into Chinese language of this circular is for reference only. In the event of any inconsistency, the English text of this document shall prevail over the Chinese language text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Room 2007, 20th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong during normal business hours on any business day from the date of this circular until the date of the EGM:

(a) the Memorandum and Articles of Association of the Company;

(b) copies of the material contracts referred to under the paragraph headed "Material contracts" in this appendix;

(c) the accountants' report of the Holding Group, the text of which is set out in Appendix II to this circular;

(d) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(e) the valuation report prepared by Norton Appraisals Limited;

(f) the written consent from the experts referred to in paragraph headed "Qualifications and consents of experts" in this appendix;

(g) the annual reports of the Company for the two years ended 31 December 2009 and 31 December 2010; and

(h) all circulars issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which have been issued since 31 December 2010, the date to which the latest published audited consolidated financial statements of the Group have been made up.

中國基建投資有限公司
China Infrastructure Investment Limited
(incorporated in the Cayman Islands with limited liability)
(Stock code: 600)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting ("Meeting") of China Infrastructure Investment Limited (the "Company") will be held at MJC Members' Clubhouse, 1st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Wednesday, 6 July 2011 at 2:30 p.m. for the following resolution as ordinary resolution:

ORDINARY RESOLUTION

"**THAT**:

(a) the acquisition of 49% equity interest in 北京中港綠能投資諮詢有限公司 (Beijing Zhonggang Green Energy Investment Consulting Co., Ltd*) (the "Acquisition") at the total consideration of HK$300 million from the Vendors pursuant to the exercise of the first tranche option under the amended option agreement dated 28 April 2011 between (1) the Company and (2) Mr. Wang Fa Hui (王發輝) and Mr. Zhou Jian Hong (周建宏) (the "Vendors") (the "Amended Option Agreement", a copy of which has been produced to the meeting and marked "A" and signed by the chairman of the meeting for identification purposes) to amend the option agreement dated 5 November 2010 between the Company and the Vendors (the "Option Agreement", a copy of which has been produced to the meeting and marked "B" and signed by the chairman of the meeting for identification purposes) and all transactions contemplated thereunder be and are hereby approved; and

(b) the directors of the Company be and are hereby authorised to do all things and take all such actions as they may consider necessary, desirable or expedient to implement and/or give effect to any matters relating to or in connection with the Acquisition and any of the transactions contemplated thereunder."

By Order of the Board
China Infrastructure Investment Limited
Law Chun Choi
Company Secretary

Hong Kong, 17 June 2011

Notes:

1. Any shareholder of the Company entitled to attend and vote at the meeting of the Company is entitled to appoint one or more proxies to attend and, subject to the provisions of the Articles of Association of the Company, to vote on his behalf. A proxy need not be a shareholder of the Company but must be present in person at the meeting to represent the shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.

3. A form of proxy for use at the meeting is enclosed to the circular of the Company dated 17 June 2011. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, to the Company's branch share registrars in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder from attending in person and voting at the meeting or any adjournment thereof should he so wish.

4. In the case of joint holders of shares of the Company, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the branch register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

5. At the meeting, the chairman thereof will exercise his power under Article 69 of the Articles of Association of the Company to put the above ordinary resolution to the vote of the shareholders of the Company by way of poll.