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

(Incorporated in Hong Kong with limited liability)

(Stock Code : 00257)

ANNOUNCEMENT
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

HIGHLIGHTS

Profits from environmental protection projects continue to grow steadily
Sufficient financial resources support rapid business development

- Turnover from continuing operations increased by 78% to HK$2,466,736,000 (2012: HK$1,387,552,000)
- EBITDA on recurring basis increased by 58% to HK$1,077,957,000 (2012: HK$681,728,000)
- Profit before taxation increased by 78% to HK$884,354,000 (2012: HK$495,966,000)
- Profit attributable to equity shareholders increased by 7% to HK$650,204,000 (2012: HK$605,148,000)
- Interim dividend increase by 17% to HK3.5 cents per share (2012: HK3.0 cents)

INTERIM RESULTS

The board of directors (“the Board”) of China Everbright International Limited (“the Company”) announces the unaudited results of the Company and its subsidiaries (collectively “the Group”) for the six months ended 30 June 2013. The interim financial results are unaudited, but have been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), whose independent review report is included in the interim report to be sent to shareholders. The interim financial results have also been reviewed by the Company’s Audit Committee.

Consolidated income statement
For the six months ended 30 June 2013 – unaudited

		Six months ended 30 June	
		2013	2012
	Note	***HK$'000***	*HK$'000*
Continuing operations			
Turnover	*3(a)*	**2,466,736**	1,387,552
Direct costs and operating expenses		**(1,321,017)**	(682,949)
		1,145,719	704,603
Other revenue		**71,947**	56,572
Other loss		**(53)**	(27)
Administrative expenses		**(183,661)**	(113,024)
Profit from operations		**1,033,952**	648,124
Finance costs	*4(a)*	**(149,598)**	(152,158)
Profit before taxation	*4*	**884,354**	495,966
Income tax	*5*	**(218,560)**	(120,516)
Profit from continuing operations		**665,794**	375,450
Discontinued operation			
Profit from discontinued operation (net of tax)	*6*	**-**	250,096
Profit for the period		**665,794**	625,546

Consolidated income statement
For the six months ended 30 June 2013 – unaudited (continued)

		Six months ended 30 June	
		2013	2012
	Note	***HK$'000***	*HK$'000*
Attributable to:			
Equity shareholders of the Company			
- Continuing operations		**650,204**	363,118
- Discontinued operation		**-**	242,030
		650,204	605,148
Non-controlling interests			
- Continuing operations		**15,590**	12,332
- Discontinued operation		**-**	8,066
		15,590	20,398
Profit for the period		**665,794**	625,546
Earnings per share	*7*		
Basic			
- Continuing operations		**HK16.08 cents**	HK9.88 cents
- Discontinued operation		**-**	HK6.58 cents
		HK16.08 cents	HK16.46 cents
Diluted			
- Continuing operations		**HK16.04 cents**	HK9.82 cents
- Discontinued operation		**-**	HK6.54 cents
		HK16.04 cents	HK16.36 cents

Consolidated statement of comprehensive income
For the six months ended 30 June 2013 – unaudited

		Six months ended 30 June	
		2013	2012
	Note	***HK$'000***	*HK$'000*
Profit for the period		**665,794**	625,546
Other comprehensive income for the period:			
Item that will not be reclassified to profit or loss:			
- Surplus on revaluation of land and buildings held for own use		**107,153**	-
- Tax effect relating to surplus on revaluation of land and buildings held for own use		**(16,641)**	-
Item that may be reclassified subsequently to profit or loss:			
- Exchange differences on translation of financial statements of subsidiaries		**114,827**	(76,108)
- Changes in fair value of available-for-sale securities		**(11,463)**	(2,495)
- Tax effect relating to changes in fair value of available-for-sale securities		**1,152**	590
- Exchange reserve realised on disposal of subsidiaries	*6*	**-**	(96,560)
		195,028	(174,573)
Total comprehensive income for the period		**860,822**	450,973
Attributable to:			
Equity shareholders of the Company		**840,175**	442,913
Non-controlling interests		**20,647**	8,060
Total comprehensive income for the period		**860,822**	450,973

Consolidated balance sheet
At 30 June 2013 – unaudited

	Note	**At 30 June 2013** *HK$'000*	**At 30 June 2013** *HK$'000*	At 31 December 2012 *HK$'000*	At 31 December 2012 *HK$'000*
Non-current assets					
Fixed assets	*8*				
- Investment properties			**175,019**		10,731
- Other property, plant and equipment			**1,358,515**		1,422,515
- Interest in leasehold land held for own use under operating leases			**35,696**		37,801
			1,569,230		1,471,047
Intangible assets			**612,749**		613,564
Goodwill			**20,793**		20,793
Interest in associate			**-**		-
Other financial assets			**187,763**		196,692
Other receivables and deposits	*9*		**2,758,916**		2,603,369
Gross amounts due from customers for contract work	*10*		**8,023,162**		6,889,550
Finance lease receivables			**21,441**		21,384
Deferred tax assets			**26,847**		27,508
			13,220,901		11,843,907
Current assets					
Inventories		**86,536**		65,317	
Debtors, other receivables, deposits and prepayments	*9*	**1,333,998**		1,207,000	
Gross amounts due from customers for contract work	*10*	**782,870**		643,800	
Tax recoverable		**29,433**		26,118	
Finance lease receivables		**484**		463	
Pledged bank deposits		**40,685**		46,289	
Deposits with bank		**100,110**		943,352	
Cash and cash equivalents	*11*	**2,705,218**		1,806,868	
		5,079,334		4,739,207	

Consolidated balance sheet
At 30 June 2013 – unaudited (continued)

	Note	**At 30 June 2013** *HK$'000*	*HK$'000*	At 31 December 2012 *HK$'000*	*HK$'000*
Current liabilities					
Bank loans					
- Secured		**744,037**		604,162	
- Unsecured		**899,645**		1,031,224	
		1,643,682		1,635,386	
Creditors, other payables and accrued expenses	*12*	**1,388,957**		1,190,736	
Current taxation		**43,751**		58,179	
		3,076,390		2,884,301	
Net current assets			**2,002,944**		1,854,906
Total assets less current liabilities			**15,223,845**		13,698,813
Non-current liabilities					
Bank loans					
- Secured		**3,277,193**		3,104,148	
- Unsecured		**1,659,323**		1,264,817	
		4,936,516		4,368,965	
Deferred tax liabilities		**835,039**		659,439	
			5,771,555		5,028,404
NET ASSETS			**9,452,290**		8,670,409

Consolidated balance sheet
At 30 June 2013 – unaudited (continued)

	At 30 June 2013		At 31 December 2012	
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
CAPITAL AND RESERVES				
Share capital		**405,371**		403,841
Reserves		**8,673,741**		7,945,918
Total equity attributable to equity shareholders of the Company		**9,079,112**		8,349,759
Non-controlling interests		**373,178**		320,650
TOTAL EQUITY		**9,452,290**		8,670,409

Notes :

1. Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the HKICPA.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available at the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 February 2013.

2. Changes in accounting policies

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

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*
- Amendments to HKFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

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

Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, *Consolidated financial statements*

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

2. Changes in accounting policies (continued)

HKFRS 12, *Disclosure of interests in other entities*

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in the interim financial report as a result of adopting HKFRS 12.

HKFRS 13, *Fair value measurement*

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker ("CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and segment liabilities in note 3.

Amendments to HKFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation,* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

3. Turnover and segment reporting

(a) Turnover

Continuing operations

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

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

(a) ***Turnover*** *(continued)*

Continuing operations *(continued)*

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Revenue from environmental energy project construction services	**1,249,261**	300,294
Revenue from environmental water project construction services	**199,702**	218,144
Revenue from alternative energy project construction services	**-**	5,279
Revenue from environmental energy project operation services	**300,341**	214,509
Revenue from environmental water project operation services	**239,991**	240,871
Revenue from alternative energy project operation services	**128,698**	122,729
Finance income	**348,488**	285,500
Gross rentals from investment properties	**255**	226
	2,466,736	1,387,552

For the six months ended 30 June 2013, the Group has transactions with three People's Republic of China ("PRC") local governmental authorities which individually exceeded 10% of the Group's revenues. The revenue from these three PRC local government authorities during the six months ended 30 June 2013 amounted to HK$576,053,000 (six months ended 30 June 2012: Nil), HK$503,191,000 (six months ended 30 June 2012: HK$384,349,000) and HK$274,673,000 (six months ended 30 June 2012: Nil) respectively.

The aggregated revenues from environmental energy project construction and operation services, environmental water project construction and operation services, alternative energy project construction and operation services and finance income derived from the local governmental authorities in the PRC amounted to HK$2,380,491,000 (six months ended 30 June 2012: HK$1,289,538,000) for the six months ended 30 June 2013. The revenues are included in "Environmental energy project construction and operation", "Environmental water project construction and operation" and "Alternative energy project construction and operation" segments as disclosed in note 3(b) to this announcement.

(b) ***Segment reporting***

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

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

(b) Segment reporting *(continued)*

(i) Information about profit or loss, assets and liabilities

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

	Continuing operations												**Discontinued operation**			
	Environmental energy project construction and operation		**Environmental water project construction and operation**		**Alternative energy project construction and operation**		**Environmental technology and construction management**		**Property investment**		**Sub-total**		**Infrastructure construction and operation**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
For the six months ended 30 June																
Revenue from external customers	**1,763,852**	683,226	**571,479**	573,859	**131,150**	130,241	**-**	-	**255**	226	**2,466,736**	1,387,552	**-**	73,564	**2,466,736**	1,461,116
Inter-segment revenue	**-**	-	**-**	-	**-**	-	**258,472**	54,137	**-**	-	**258,472**	54,137	**-**	-	**258,472**	54,137
Reportable segment revenue	**1,763,852**	683,226	**571,479**	573,859	**131,150**	130,241	**258,472**	54,137	**255**	226	**2,725,208**	1,441,689	**-**	73,564	**2,725,208**	1,515,253
Reportable segment profit (EBITDA)	**788,808**	445,257	**281,402**	200,960	**59,554**	56,910	**132,246**	29,870	**(10)**	218	**1,262,000**	733,215	**-**	69,012	**1,262,000**	802,227
Additions to fixed assets and intangible assets during the period	**4,658**	1,731	**3,898**	43,330	**1,744**	21,489	**23,759**	484,769	**-**	-	**34,059**	551,319	**-**	7	**34,059**	551,326
Additions to non-current portion of other receivables and deposits and gross amounts due from customers for contract work during the period	**1,463,511**	468,717	**331,488**	332,988	**2,452**	1,581	**-**	-	**-**	-	**1,797,451**	803,286	**-**	-	**1,797,451**	803,286
As at 30 June 2013/ 31 December 2012																
Reportable segment assets	**9,236,331**	7,929,219	**4,729,945**	4,455,279	**1,621,415**	1,624,461	**1,124,365**	1,077,356	**120,633**	110,087	**16,832,689**	15,196,402	**-**	-	**16,832,689**	15,196,402
Reportable segment liabilities	**3,193,569**	2,722,138	**1,366,775**	1,492,508	**465,473**	566,215	**830,055**	854,870	**7,737**	3,083	**5,863,609**	5,638,814	**-**	-	**5,863,609**	5,638,814

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

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

(b) ***Segment reporting*** *(continued)*

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

	Six months ended 30 June					
	2013			2012		
	Continuing operations HK$'000	**Discontinued operation HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000
Revenue						
Reportable segment revenue	**2,725,208**	-	**2,725,208**	1,441,689	73,564	1,515,253
Elimination of inter-segment revenue	**(258,472)**	-	**(258,472)**	(54,137)	-	(54,137)
Consolidated turnover	**2,466,736**	-	**2,466,736**	1,387,552	73,564	1,461,116
Profit						
Reportable segment profit	**1,262,000**	-	**1,262,000**	733,215	69,012	802,227
Elimination of inter-segment profits	**(184,734)**	-	**(184,734)**	(38,480)	-	(38,480)
Reportable segment profit derived from the Group's external customers	**1,077,266**	-	**1,077,266**	694,735	69,012	763,747
Depreciation and amortisation	**(44,005)**	-	**(44,005)**	(33,604)	(10,889)	(44,493)
Finance costs	**(149,598)**	-	**(149,598)**	(152,158)	(2,302)	(154,460)
Gain on disposal of subsidiaries	**-**	-	**-**	-	234,768	234,768
Unallocated head office and corporate income	**5,764**	-	**5,764**	6,981	-	6,981
Unallocated head office and corporate expenses	**(5,073)**	-	**(5,073)**	(19,988)	(1,895)	(21,883)
Consolidated profit before taxation	**884,354**	-	**884,354**	495,966	288,694	784,660

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

(b) ***Segment reporting*** *(continued)*

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

	At 30 June 2013	At 31 December 2012
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**16,832,689**	15,196,402
Non-current other financial assets	**187,763**	196,692
Goodwill	**20,793**	20,793
Unallocated head office and corporate assets	**1,258,990**	1,169,227
Consolidated total assets	**18,300,235**	16,583,114
Liabilities		
Reportable segment liabilities	**5,863,609**	5,638,814
Unallocated head office and corporate liabilities	**2,984,336**	2,273,891
Consolidated total liabilities	**8,847,945**	7,912,705

4. Profit before taxation

Continuing operations

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on bank advances wholly repayable within five years	**82,507**	71,159
Interest on other bank advances and other loans	**67,091**	80,999
	149,598	152,158
(b) Other items:		
Amortisation		
- interest in leasehold land held for own use under operating leases	**581**	414
- intangible assets	**9,437**	10,032
Depreciation	**33,987**	23,158
Dividends and interest income	**(17,060)**	(19,992)
Value-added tax refund*	**(47,369)**	(26,741)

* Value-added tax refund of HK$47,369,000 (six months ended 30 June 2012: HK$26,741,000) was received during the six months ended 30 June 2013 in relation to environmental energy project operations and alternative energy project operations of the Group in the PRC. The entitlement of the value-added tax refund was unconditional and under the discretion of the relevant authorities.

5. Income tax

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the period	**-**	-
Current tax – PRC income tax		
Provision for the period	**63,835**	76,534
Under/(over)-provision in respect of prior periods	**761**	(4,761)
	64,596	71,773
Deferred tax		
Origination and reversal of temporary differences	**153,964**	87,341
	218,560	159,114
Representing:		
Income tax expense from continuing operations	**218,560**	120,516
Income tax expense from discontinued operation	**-**	38,598
	218,560	159,114

No provision for Hong Kong Profits Tax has been made in the interim financial report as the Group's operations in Hong Kong sustained a loss for Hong Kong Profits Tax purpose during the six months ended 30 June 2013 and 30 June 2012.

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

6. Discontinued operation

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

Accordingly, the consolidated operating results of Greenway and its subsidiaries for the period ended 31 May 2012 are presented as discontinued operation in the interim financial report.

7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$650,204,000 (six months ended 30 June 2012: HK$605,148,000) and the weighted average number of 4,044,598,000 ordinary shares (six months ended 30 June 2012: 3,675,586,000 ordinary shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$650,204,000 (six months ended 30 June 2012: HK$605,148,000) and the weighted average number of 4,052,535,000 ordinary shares (six months ended 30 June 2012: 3,698,398,000 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme.

8. Fixed assets

During the six months ended 30 June 2013, the Group acquired items of other property, plant and equipment with a cost of HK$36,646,000 (six months ended 30 June 2012: HK$539,363,000), among which HK$18,390,000 (six months ended 30 June 2012: HK$445,196,000) related to additions to office building. Items of other property, plant and equipment with a net book value of HK$2,135,000 were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: HK$1,542,000). A loss on disposal of HK$53,000 was recognised during the six months ended 30 June 2013 (six months ended 30 June 2012: HK$27,000).

During the six months ended 30 June 2013, certain properties previously occupied by the Group as owner-occupied property were transferred to investment properties and a revaluation surplus of HK$107,153,000 (six months ended 30 June 2012: Nil) was credited to property revaluation reserve to account for the difference between the carrying amounts and the fair values of the properties at the date of change in use, based on an open market value basis calculated by reference to net rental income allowing for reversionary income potential determined by independent firms of surveyors.

9. Debtors, other receivables, deposits and prepayments

	At 30 June 2013	At 31 December 2012
	HK$'000	*HK$'000*
Debtors	**421,827**	532,410
Loan receivable	**50,448**	49,744
Other receivables, deposits and prepayments	**3,620,639**	3,228,215
	4,092,914	3,810,369
Less: Non-current portion		
- other receivables and deposits	**(2,758,916)**	(2,553,625)
- loan receivable	**-**	(49,744)
	(2,758,916)	(2,603,369)
Current portion	**1,333,998**	1,207,000

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

	At 30 June 2013	At 31 December 2012
	HK$'000	*HK$'000*
Current	**285,100**	187,164
Within 1 month past due	**43,528**	73,360
More than 1 month but within 3 months past due	**28,155**	61,843
More than 3 months but within 6 months past due	**13,848**	93,709
More than 6 months but within 12 months past due	**51,196**	116,334
Amounts past due	**136,727**	345,246
	421,827	532,410

9. Debtors, other receivables, deposits and prepayments (continued)

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

Included in "Debtors, other receivables, deposits and prepayments" of the Group are debtors of HK$421,827,000 (31 December 2012: HK$532,410,000) of which HK$30,290,000 (31 December 2012: HK$29,599,000) and HK$10,634,000 (31 December 2012: HK$10,551,000) are due from a non-controlling shareholder and a related company respectively. Debtors represent revenue from environmental energy project, environmental water project and alternative energy project operation services. There was no recent history of default in respect of the Group's debtors. Since most of the debtors are local governmental authorities in the PRC and based on past experience, management believes that no impairment allowance is necessary in respect of the past due balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. No impairment loss was recognised by the Group at 30 June 2013 (31 December 2012: Nil).

"Debtors, other receivables, deposits and prepayments" include balances totalling HK$3,022,879,000 (31 December 2012: HK$2,784,034,000) which bear interest at rates ranging from 5.94% to 7.83% (31 December 2012: 5.94% to 7.83%) per annum and represent the considerations paid for the acquisition of waste-water treatment plants under TOT ("Transfer-Operate-Transfer") arrangements, among which HK$201,385,000 (31 December 2012: HK$194,094,000) and HK$502,723,000 (31 December 2012: HK$491,517,000) are due from a non-controlling shareholder and a related company respectively. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the TOT arrangements. No impairment loss was recognised by the Group at 30 June 2013 (31 December 2012: Nil).

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

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

10. Gross amounts due from customers for contract work

	At 30 June 2013	At 31 December 2012
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less anticipated losses	**10,979,911**	9,387,755
Less: Progress billings	**(2,173,879)**	(1,854,405)
Net contract work	**8,806,032**	7,533,350
Representing:		
Gross amounts due from customers for contract work		
- Non-current	**8,023,162**	6,889,550
- Current	**782,870**	643,800
	8,806,032	7,533,350

Included in "Gross amounts due from customers for contract work" are amounts of HK$219,834,000 (31 December 2012: HK$227,471,000) and HK$207,000,000 (31 December 2012: HK$213,243,000) which are due from a non-controlling shareholder and a related company respectively.

10. Gross amounts due from customers for contract work (continued)

"Gross amounts due from customers for contract work" represent revenue from construction under BOT ("Build-Operate-Transfer") and BT ("Build-Transfer") arrangements or upgrade services under TOT arrangements and bear interest at rates ranging from 5.94% to 7.83% (31 December 2012: 5.94% to 7.83%) per annum. Among the total of HK$8,806,032,000 (31 December 2012: HK$7,533,350,000), HK$7,121,806,000 (31 December 2012: HK$5,920,961,000) relates to BOT and TOT arrangements with operation commenced. The amounts for BOT and TOT arrangements are not yet due for payment and will be settled by revenue to be generated during the operating periods of the arrangements. The amount for BT arrangements will be settled according to respective repayment schedules as stated in the agreements.

11. Cash and cash equivalents

	At 30 June 2013	At 31 December 2012
	HK$'000	*HK$'000*
Deposits with banks	**533,900**	337,283
Cash at bank and in hand	**2,171,318**	1,469,585
	2,705,218	1,806,868

Included in "Cash and cash equivalents" are deposits of HK$301,638,000 (31 December 2012: HK$503,328,000) which are placed with a related party bank.

12. Creditors, other payables and accrued expenses

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

	At 30 June 2013	At 31 December 2012
	HK$'000	*HK$'000*
Due within 1 month or on demand	**73,730**	78,611
Due after 1 month but within 3 months	**19,170**	12,212
Due after 3 months but within 6 months	**16,636**	15,697
Due after 6 months	**921,132**	686,687
Total creditors	**1,030,668**	793,207
Other payables and accrued expenses	**358,289**	397,529
	1,388,957	1,190,736

12. Creditors, other payables and accrued expenses (continued)

Included in "Creditors, other payables and accrued expenses" of the Group is an amount of HK$14,518,000 (31 December 2012: HK$14,161,000) which is payable to an associate. The balance is due within one month and represents service fee for operation of waste-water treatment plants.

Apart from the above, balances totalling HK$992,943,000 (31 December 2012: HK$774,155,000) represent construction payables for the Group's BT, BOT and certain BOO ("Build-Operate-Own") arrangements, among which HK$631,000 (31 December 2012: HK$10,241,000) is due to a non-controlling shareholder. The construction payables are not yet due for payment. Included in "Other payables and accrued expenses" of the Group as at 30 June 2013 is an amount of HK$6,306,000 (31 December 2012: HK$6,218,000) which is payable to a non-controlling shareholder. The amounts due to non-controlling shareholders are unsecured, interest free and expected to be settled within one year.

13. Dividends

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Interim dividend declared after the interim period of HK3.5 cents per ordinary share (2012: HK3.0 cents per ordinary share)	**141,880**	120,834

The interim dividend has not been recognised as a liability at the balance sheet date.

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK3.0 cents per ordinary share (six months ended 30 June 2012: HK2.5 cents per ordinary share)	**121,611**	91,892

Business Review and Prospects

Operating Results

With China's sustained economic growth as well as demand for economic restructuring, environmental investment, as a proportion of Gross Domestic Product (GDP), continues to increase. Since 2012, the State has ranked energy conservation and environmental protection the first among the seven "Strategic Emerging Industries" under its "Twelfth Five-Year Plan". China's energy conservation and environmental protection industry has grown rapidly in the past year, and the exposure draft of "Air Pollution Control Action Program 2013-2017" announced by the Ministry of Environmental Protection of the PRC after the National People's Congress of the People's Republic of China (NPC) and the National Committee of the Chinese People's Consultative Conference (CPPCC) this year, further demonstrated the new government's determination and long-term plan for environmental protection.

During the period under review, benefiting from continuous favourable national policy and fast growth momentum in the industry, the Group adhered to the core principles of "development, openness and creativity", continued to advance the steady development of the environmental protection business, and at the same time, integrated the processes of project construction, operation management, technology development and equipment manufacturing after the establishment of the mainland management centre. The Group aims to centralise the management of its environmental protection business, accommodate itself to market changes, capture new opportunities with an open mind and promote new development with innovative concepts. With its expanding business presence, the Group further enhanced its management standard and constructed its projects as pioneer projects in the industry to ensure that each project "operates stably and meets emissions standards", which laid a solid foundation for the Group's rapid business development and enabled it to maintain its leading position in the industry.

In the first half of 2013, the Group continued to achieve growth in scale and effectiveness. It has recorded a steady growth in its profit on a recurring basis and outstanding performance in market expansion as well as steady advance of the development of its projects under construction and in the preparatory stage. In addition, the Group has strengthened its co-operation with international renowned environmental protection companies, and expanded its financing channels to ensure its sustainable development.

During the period under review, in addition to the re-launched Hanshan Biomass Power Generation Project in Anhui ("Hanshan Project"), the Group has successfully secured 5 projects in Jiangsu, Zhejiang and Shandong which commanded a total investment of approximately RMB1.356 billion, further consolidating the Group's leading position in these markets. The new projects include 2 waste-to-energy projects in Rizhao of Shandong Province and Ninghai of Zhejiang Province, a waste water treatment project in Zhangqiu of Shandong Province, and 2 hazardous waste treatment projects in Binhai of Jiangsu Province and Zibo of Shandong Province. The project in Zibo is the first integrated hazardous waste treatment project in the PRC to encompass incineration, physicochemical treatment and landfill of hazardous solid waste.

During the period under review, the Group has separately received financing support of RMB10 billion from China Development Bank and USD70 million from International Finance Corporation, a member of the World Bank Group, which will be invested in the Group's environmental protection and alternative energy projects. The cooperation highlights the joint synergy between quality banks and a premier enterprise, which not only brings more opportunities for development for all parties but also drives the rapid growth of the environmental protection industry in the PRC.

In order to enhance its competitive advantages, the Group has signed an agreement with MARTIN GmbH für Umwelt - und Energietechnik ("MARTIN GmbH"), a European industry leader in waste incineration technology, on utilising its grate furnace technology. By introducing the technology of German-based MARTIN GmbH, the Group will hold both self-developed and introduced advanced technology in waste incineration grate furnaces, which will effectively reduce engineering, construction and operation costs. In addition, the Group has signed a cooperation framework agreement with Suez Environnement Group, the world famous environmental protection enterprise, to work together in the areas of environmental management and technology research and development. The cooperation with world-renowned environmental protection companies will further enhance the Group's technological advantages as well as strengthen the market competitiveness in the waste-to-energy industry for the Group.

The Group's strong business development and dedicated efforts have been widely acknowledged by the capital market and the community. The Group was included as a constituent stock of the MSCI China Index in May 2013, demonstrating its excellent performance and long-term development potential. Furthermore, leveraging its distinguished performance and market leadership in the environmental protection industry in the PRC, the Group won the "Outstanding Brand Awards 2013" in the "Environmental Protection and Alternative Energy" category. As a company with a strong sense of social responsibility, the Group has established a charitable fund to improve the quality of life for people in the community and raise public awareness of environmental protection.

In the first half of 2013, the Group's construction projects were implemented smoothly, which drove substantial growth of the construction service revenue. Following the kick-off of the construction of new projects, the construction service revenue is expected to continue to be one of the major revenue contributors. As for operating projects, the Group is committed to reducing costs and exploring internal potential to enhance operational efficiency and achieve excellent results. Following the completion of trial runs and gradual operation at full load capacity, the new operating projects will also contribute to the steady growth of the operation service revenue. During the period under review, the Group's consolidated turnover from continuing operations amounted to HK$2,466,736,000, increased by 78% from HK$1,387,552,000 as compared to the same period last year. During the period, the EBITDA on recurring basis amounted to HK$1,077,957,000, an increase of 58% from HK$681,728,000 in the first half of 2012. Profit attributable to equity shareholders during the period was HK$650,204,000, a growth of 7% as compared to the same period last year. The increase in profit on a recurring basis has completely offset the profit from discontinued operation due to the disposal of Fuzhou Qingzhou Bridge Project last year. Basic earnings per share for the first half of 2013 was HK16.08 cents, HK0.38 cent less than HK16.46 cents in the same period last year.

To reward shareholders of the Company ("the Shareholders") for their support and in consideration of the need of the Group to achieve long term development, the Board declared an interim dividend of HK3.5 cents per share (2012: HK3.0 cents per share).

Environmental Protection and Alternative Energy Businesses

During the period under review, the Group actively explored business opportunities in order to keep up with the rapid development of the environmental protection and alternative energy industries, and achieved remarkable results. As at 30 June 2013, the Group has secured 73 environmental protection projects with a total investment of approximately RMB17.848 billion. Of these projects, those with completed construction accounted for a total investment of approximately RMB9.414 billion, while those currently under construction accounted for a total investment of about RMB3.199 billion. The estimated total investment of projects still in the preparatory stage was approximately RMB5.235 billion, (this amounted to RMB3.934 billion after excluding the investment of the biomass power generation projects of which construction has been postponed).

During the period under review, the turnover from environmental protection and alternative energy business sectors amounted to HK$2,466,481,000 (construction service revenue: 59%, operation service revenue: 27% and finance income: 14%), increased by 78% as compared to the same period of 2012.

Major financial data of the environmental protection and alternative energy businesses in the first half of 2013 is summarised in the table below:

	2013 For the six months ended 30 June				2012 For the six months ended 30 June			
	Environmental Energy Projects	**Environmental Water Projects**	**Alternative Energy Projects**	**Total**	Environmental Energy Projects	Environmental Water Projects	Alternative Energy Projects	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover								
- Construction services	**1,249,261**	**199,702**	**-**	**1,448,963**	300,294	218,144	5,279	523,717
- Operation services	**300,341**	**239,991**	**128,698**	**669,030**	214,509	240,871	122,729	578,109
- Finance income	**214,250**	**131,786**	**2,452**	**348,488**	168,423	114,844	2,233	285,500
	1,763,852	**571,479**	**131,150**	**2,466,481**	683,226	573,859	130,241	1,387,326
EBITDA	**788,808**	**281,402**	**59,554**	**1,129,764**	445,257	200,960	56,910	703,127

In its energy conservation and emission reduction operations, the Group processed household waste of 2,175,000 tonnes and industrial and hazardous waste of 35,000 m^3, agricultural waste of 187,000 tonnes and generated green electricity of 744,157,000 kWh during the period under review. This output can support the annual electricity consumption of 620,000 households and is equivalent to saving consumption of standard coal of 298,000 tonnes and reducing carbon dioxide (CO_2) emissions by 911,000 tonnes. Meanwhile, the Group treated waste water of 241,776,000 m^3 and leachate of 450,000 m^3 from waste-to-energy plants and reduced COD emissions by 111,000 tonnes. Since the Group's first environmental protection project commenced operation in 2005, the Group has processed an accumulated household waste of 13,620,000 tonnes and industrial and hazardous waste of 211,000 m^3, agricultural waste of 703,000 tonnes and generated green electricity of 4,369,437,000 kWh, which can fulfill the annual electricity consumption of 3,641,000 households and save the equivalent of standard coal of 1,748,000 tonnes, reducing CO_2 emissions by 4,143,000 tonnes and preventing the cutting down of 568,563,000 trees. The Group has treated an accumulated waste water of 2,894,885,000 m^3 and leachate of 2,170,000 m^3 from waste-to-energy power plants and reduced COD emissions by 1,141,000 tonnes.

I. Environmental Energy

1. Environmental Energy

As at 30 June 2013, the Group had 22 waste-to-energy projects and 5 industrial and hazardous waste landfill projects and a hazardous waste treatment project that commanded a total investment of approximately RMB11.256 billion. The facilities are designed with an annual processing capacity of household waste of approximately 7,282,000 tonnes, which can in turn generate on-grid electricity of approximately 2.14 billion kWh annually. The annual industrial and hazardous waste treatment capacity is approximately 215,000 m^3.

The Group is constantly learning from experience, has an insight into the market, adapts well to market changes, and concentrates resources on developing the environmental energy sector. In the first half of 2013, the Group secured new projects including 2 waste-to-energy projects in Rizhao of Shandong Province and Ninghai of Zhejiang Province, a hazardous waste treatment project in Zibo of Shandong Province and a hazardous waste landfill project in Binhai of Jiangsu Province.

The investment in the integrated hazardous waste treatment project in Zibo of Shandong Province marks a new milestone for the Group in the development of the hazardous waste treatment sector in Shandong. The total investment of the project is approximately RMB400 million. It is designed to have an annual incineration processing capacity of 40,000 tonnes and an annual physicochemical processing capacity of

50,000 tonnes. The project will be developed in phases under a single planning process. The hazardous waste landfill project in Jiangsu Binhai will be the Group's fourth industrial and hazardous waste landfill project in the Jiangsu Province following the Suzhou Industrial Solid Waste Landfill Project, Suqian Hazardous Solid Waste Landfill Project and Lianyungang Guanyun Hazardous Solid Waste Landfill Project. It is also the largest waste landfill project plan developed by the Group. The total investment of the project is approximately RMB186 million with a total landfill capacity of 600,000 m^3 and an annual hazardous waste processing capacity of 30,000 m^3.

Apart from the hazardous waste treatment project, the Group has actively developed waste-to-energy projects. During the period under review, the Group successfully secured a waste-to-energy project in Rizhao of Shandong Province ("Rizhao Project"). It is designed with a daily household waste processing capacity of 900 tonnes. Phase I of Rizhao Project is expected to have a designed daily waste processing capacity of 600 tonnes, commanding a total investment of RMB350 million.

In addition, the Group secured a waste-to-energy project in Ninghai of Zhejiang Province ("Ninghai Project"). The Ninghai Project is designed with a daily household waste processing capacity of 1,050 tonnes. Phase I of the Ninghai Project is designed with a daily waste processing capacity of 700 tonnes, commanding a total investment of RMB360 million. Ninghai Project is the second waste-to-energy project in Zhejiang Province. It lays a solid foundation for a comprehensive development of the Group in Zhejiang Province.

During the period under review, Suzhou Waste-to-energy Project Phase III and Suqian Hazardous Waste Landfill Project Phase I in Jiangsu Province have commenced operations. Suzhou Waste-to-energy Project Phase I, II and III are designed with a total daily waste processing capacity of 3,550 tonnes. It is to date the largest completed waste-to-energy project with the highest operation standards in the PRC, opening a new era for processing household waste to achieve the objective of "Complete Incineration and No Landfills" in Suzhou. Suqian Hazardous Solid Waste Landfill Project Phase I is designed with total storage capacity of 340,000 m^3 and an annual hazardous waste landfill processing capacity of approximately 22,700 m^3.

During the period under review, the Group's construction projects achieved steady progress. The waste-to-energy projects in Nanjing of Jiangsu Province ("Nanjing Projet"), Ningbo of Zhejiang Province ("Ningbo Project") and Pizhou of Jiangsu Province ("Pizhou Project") were very efficient in their construction which contributed to the significant increase in the construction service revenue. The construction of Shouguang Waste-to-energy Project in Shandong Province ("Shouguang Project") and Sanya Waste-to-energy Project in Hainan Province ("Sanya Project") started in June 2013. Other projects still in the preparatory stage have been progressing as scheduled and will begin construction upon government approval. In addition, the Group is committed to increasing operation efficiency by increasing the electricity generated by each tonne of waste and reducing the electricity consumed by factories. It has achieved good results with continuous growth in operation service revenue.

During the period under review, the environmental energy projects of the Group contributed an EBITDA of HK$788,808,000, an increase of 77% over the corresponding period of last year. The growth in profit was mainly attributable to the recognition of construction service revenue and cost savings, and also the increase in the operation service revenue due to continued growth in the processing volume of operating projects during the period.

Major operating and financial data of the environmental energy sector in the first half of 2013 is summarised below:

	2013	2012
Waste-to-energy projects		
Waste processing volume (tonne)	**2,175,000**	1,754,000
On-grid electricity (MWh)	**502,215**	387,239
EBITDA (HK$'000)	**749,494**	415,117
Industrial and hazardous waste landfill treatment projects		
Waste processing volume (m^3)	**35,000**	23,000
EBITDA (HK$'000)	**39,314**	30,140

2. Environmental Protection Industrial Parks

The Group continues to promote environmental protection. Under the principle of "Implementing projects with one success followed by another", the Group works closely with the relevant local government authorities to design and build environmental protection industrial parks, and plans the full utilisation of local resources within the park, the sharing of infrastructure and optimising available land resources. The objective of this exercise is to achieve the integration of solid waste and enhance efficiency of energy conservation, making it easier for the government and the public to implement centralised management and ultimately achieve "nil discharge". The parks will be established as modern environmental protection industrial parks and an educational base for environmental protection.

The Group currently has 7 environmental protection industrial parks, including the industrial parks in Suzhou, Changzhou, Suqian, Zhenjiang, Yixing and Nanjing of Jiangsu Province and Weifang city of Shandong Province.

II. Environmental Water

As at 30 June 2013, the Group had a total of 20 waste water treatment projects and 4 reusable water projects with a total investment of RMB3.2 billion. The projects are designed with an annual waste water treatment capacity of approximately 667,950,000 m^3, as well as to provide reusable water of 22,334,000 m^3 annually. There are 2 water BT projects that have completed construction, commanding a total investment of RMB447 million.

The Group has continued to further consolidate its environmental water sector, stabilise operations and strictly comply with the discharge standards. By saving power consumption and paying close attention to water quality changes and making adjustments accordingly, the Group has effectively lowered its operating costs.

During the period under review, the Group continues to expand the environmental water sector. It has secured a waste water treatment project in Zhangqiu of Shandong Province ("Zhangqiu Project"). The Zhangqiu Project is designed with a daily waste water treatment capacity of 30,000 m^3, commanding a total investment of approximately RMB60.7 million. Its water discharge will comply with the National Grade 1A standard.

Jiangyin Reusable Water Project Phase I commenced commercial operation in January 2013. Phase I is designed to provide 10,000 m^3 of reusable water per day and involves a total investment of approximately RMB73 million. The project's inauguration of commercial operation signifies the Group's successful extension of its industry chain in the field of waste water treatment in Jiangyin. It also marks the beginning of the utilisation of reusable water in the municipal infrastructure development for the Jiangyin National Hi-Tech Industrial Development Zone, and is another great example of recycling and reutilisation of waste water by the Group.

During the period under review, environmental water projects contributed an EBITDA of HK$281,402,000, 40% more than in the previous year. The increase in profit was mainly due to the commencement of construction of Shandong Jinan Licheng Waste Water Treatment Project (Plant 3) ("Licheng Project") Phase II, which contributed to the construction service revenue, as well as cost savings recognised on completed projects.

Major operating and financial data of the environmental water business in the first half of 2013 is summarised below:

	2013	2012
Environmental water projects		
Waste water treatment volume (m^3)	**241,776,000**	253,788,000
EBITDA (HK$'000)	**281,402**	200,960

III. Alternative Energy

In recent years, energy consumption has been growing with the continuous development of the global economy and the consumption of fossil fuels such as coal, oil and natural gas. To better position itself against international competition, the Group has focused strategically on environmental protection and alternative energy businesses.

As at 30 June 2013, the Group had 18 alternative energy projects, including 8 photovoltaic energy projects, 6 biomass power generation projects, 2 methane-to-energy projects and 2 waste water source heat pump projects. These projects commanded a total investment of approximately RMB2.855 billion, were designed with a total annual agricultural waste processing capacity of approximately 1,643,000 tonnes, and have an annual capacity to generate 1,167,000,000 kWh of on-grid electricity.

During the period under review, the Group reduced auxiliary power consumption of its photovoltaic energy projects, thereby improving their operation efficiency. By improving fuel quality and equipment utilisation rate and reducing auxiliary power consumption, the operational efficiency of the Anhui Dangshan Biomass Power Generation Project ("Dangshan Project") has been enhanced. The Group reactivated the Hanshan Project after receiving the approval from the National Energy Administration Bureau in January 2013 and construction of Hanshan Project started in June 2013. The total investment of Hanshan Project Phase I was RMB320 million and the designed annual processing capacity is approximately 300,000 tonnes of various types of agricultural waste. The Hanshan Project will be classified as part of a nationally approved plan and is able to benefit from the unified national biomass feed-in tariff at RMB0.75/kWh. This is the first green light for the biomass power generation industry since the government tightened the management of biomass power generation project construction in 2010.

During the period under review, the Group's alternative energy projects contributed an EBITDA of HK$59,554,000, an increase of 5% as compared with last year. The increase of profit was mainly due to the successive increase of profit of Dangshan Project and the photovoltaic energy projects.

Major operating and financial data of the alternative energy business in the first half of 2013 is summarised below:

	2013	2012
Alternative energy projects		
On grid electricity (MWh)	**128,578**	128,128
EBITDA (HK$'000)	**59,554**	56,910

Environmental Protection Engineering

Through establishing a standardised engineering management system, utilising accumulated management experience, and capitalising on its strong innovation capabilities and core competencies, the Group was able to standardise the management of engineering projects to provide top engineering construction services and enhance the overall efficiency of construction.

The Group has actively developed the environmental protection engineering business in the first half of 2013. During the period under review, the construction of Jiangsu Suqian Hazardous Solid Waste Landfill Project, Suzhou Waste-to-energy Project Phase III and Jiangyin Reusable Water Project were completed and the projects have also commenced commercial operation. Jiangsu Xinyi Surface Water Project was completed construction and transferred. In addition, the Shandong Dezhou Nanyunhe Waste Water Treatment Project Phase I completed its trial run. As at 30 June 2013, there were a total of 20 projects with a total investment of RMB7.133 billion under construction or in preparatory stage.

The Group will experience an important year for project construction in 2013. During the period under review, there were a total of 5 projects that commenced construction in March, April and June 2013. These were the Pizhou Project Phase I, Licheng Project Phase II, Sanya Project Phase I, Shouguang Project Phase I and Hanshan Project. Together with the continued construction of the Nanjing Project, Ningbo Project Phase I and other new projects, the construction service revenue is expected to foster a new growth point for the Group.

The Group is committed to the principle of "First Class Quality, High Standard, Advanced Technology, Outstanding Efficiency" in regard to project construction. It strives to create benchmark projects in the country. During the period under review, the Group's Shandong Jinan Waste-to-energy Project received the highest award in the China Quality Project Construction 2012-2013, also known as the "Luban Prize" for projects of national quality. In addition, the Jiangsu Suzhou Waste-to-energy Project was categorised as the "National AAA Waste-to-Energy Power Plant" by the Ministry of Industry and Information Technology of the PRC.

Environmental Protection Technology

The rapid technological development is starting a new revolution as industries characterised by green development technologies begin to emerge. By upholding an operating philosophy of scientific planning, meticulous organization, bold innovation and actively executing plans in scientific work, the Group has consistently increased its R&D investment and capability to grasp the trends and changes of this technological development. The Group has currently established a set of R&D systems conducive to its healthy scientific development and introduced domestic and international first–class technology to improve its technological development capabilities and quality.

The Group's self-developed grate furnaces now operate in the waste-to-energy projects located in Jiangyin, Zhenjiang, Suqian, and Suzhou of Jiangsu Province and have achieved a satisfactory operational performance.

During the period under review, the Group established its commitment to 8 fields of R&D, with a budget of more than RMB20 million in total. The Group has filed funding applications for 9 national and local projects and received a subsidy of RMB1 million from the Shenzhen Strategic Emerging Industry Development Project Funds in support of the research of incinerator combustion control systems.

During the period under review, the Group authorised 4 invention patents. The Group will continue to strengthen its efforts in advancing R&D to develop its business, expand its business scope and lay a solid foundation for continuous development.

Environmental Protection Equipment Manufacturing

Environmental protection equipment manufacturing is a new business sector for the Group. The Group's production base for environmental protection equipment is located in Changzhou of Jiangsu Province and commenced production last year. Currently, it mainly manufactures grate furnaces, leachate treatment equipment and emission purification equipment for the Group's waste-to-energy projects. During the period under review, the Group completed the assembly commissioning of 6 sets of 500-tonne incinerators for Nanjing and Ningbo Projects. The Group also promoted the production plan for 6 incinerators for the projects in Weifang and Shouguang of Shandong Province and Boluo of Guangdong Province. In addition to internal projects, the Group has actively expanded into foreign markets, establishing cooperative relationships with various environmental protection enterprises. The Group secured a waste-to-energy project consultancy service contract in the first half of the year. Furthermore, the equipment manufacturing center received the "Changzhou High-tech Product Certificate" for its self-developed grate furnaces. The Group is aiming to reach out to Hi-tech Enterprise as its next step.

Business Prospects

As the implementation of the national policy "Twelfth Five-Year Plan on Energy Saving and Environmental Protection Industry" has made progress and various departments have launched environmental protection policies this year, the demand for local economic restructuring and environmental protection industry is increasing. In the first half of 2013, not only did the Group successfully operate and manage projects, it also secured a number of new projects. As project construction and effective management have entered into a new phase, the Group will continue to strengthen its strategic planning, whilst capturing the enormous development potential of the environmental protection and alternative energy businesses.

As a leading enterprise in the environmental protection industry in the PRC, the Group will build on its competitive advantages under the favourable national policy. The Group will continue to strive for excellence in project construction, operation and management. The Group will also continue to focus on three of its core business sectors: environmental energy, environmental water and alternative energy, and will ride on its core competitiveness and management capabilities to achieve synergies across these three sectors. The Group will further expand its environmental protection equipment manufacturing and environmental protection technology businesses, allowing it to extend its supply chain to develop a comprehensive business and make a greater contribution to China's environmental protection industry.

In addition, the Group will continue to expand into the environmental protection and alternative energy markets in the PRC and consolidate its market leadership in Jiangsu, Shandong and Zhejiang provinces. The Group will also strive to strengthen its investment presence in the Yangtze River Delta and Pearl River Delta region, and continue to expand its footprint in the country based on its development strategy. Meanwhile, the Group will actively seek opportunities to develop new environmental protection and alternative energy projects overseas.

Looking ahead, the Group is confident about its future as the environmental protection industry continues to benefit from the strong support of national policy as well as its parent company, China Everbright Holdings

Company Limited. As an industry leader, the Group is committed to upholding its development principle - "An enterprise is not only the creator of wealth, but also the safeguard of environmental and social responsibility". With a strong sense of social responsibility as part of its mission, the Group will help solve global and domestic environmental issues and improve environmental standards in cities, whilst generating better returns for its shareholders.

Management Discussion and Analysis

Financial Position

As at 30 June 2013, the Group had total assets amounted to HK$18,300,235,000, with HK$9,079,112,000 worth of net assets attributable to equity shareholders of the Company. Net asset value per share attributable to equity shareholders was HK$2.240 per share, representing an increase of 8% as compared to HK$2.068 per share as at the end of 2012. As at 30 June 2013, gearing ratio (total liabilities over total assets) of the Group was 48%, same as that at last year end.

Financial Resources

The Group adopts a prudent approach in cash and financial management to ensure proper risk control and low costs of funds. It finances its operations primarily with internally generated cash flow and loan facilities from banks. As at 30 June 2013, the Group had cash and bank balances of HK$2,846,013,000, representing an increase of HK$49,504,000 as compared to HK$2,796,509,000 at the end of 2012. Currently, most of the Group's cash is denominated in Hong Kong dollars and Renminbi, at a portion of about 81%.

Borrowings

The Group strives to increase its banking facilities to reserve sufficient funds for the development of its environmental protection business. During the period under review, the Group has strengthened its co-operation with the policy banks, which include a strategic cooperation agreement of RMB10 billion with China Development Bank and a loan agreement with International Finance Corporation of USD70 million. The cooperation with the two policy banks as well as the loan facilities from Asian Development Bank and other commercial banks will comprehensively enhance the Group's financial strength for its future business development.

As at 30 June 2013, the Group had outstanding borrowings of HK$6,580,198,000, representing an increase of HK$575,847,000 as compared to HK$6,004,351,000 at the end of 2012. The borrowings are mainly denominated in Renminbi, a portion of about 56%, and the remainder is denominated in US dollars and Hong Kong dollars. All the borrowings are at floating rates. As at 30 June 2013, the Group had banking facilities of HK$11,290,414,000, of which amounted to HK$4,710,216,000 have not been utilised. The banking facilities are of 1 to 10 years terms.

Foreign Exchange Risk

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

Pledge of Assets

As at 30 June 2013, certain banking facilities of the Group were secured by certain revenue and receivables in connection with the Group's service concession arrangements, bank deposits, mortgages on fixed assets and equity interests of certain subsidiaries of the Company. The aggregate net book value of assets and equity interests in subsidiaries pledged amounted to approximately HK$8,033,394,000.

Commitments

As at 30 June 2013, the Group had purchase commitments of HK$1,239,648,000 outstanding in connection with construction contracts.

Contingent Liabilities

As at 30 June 2013, the Company had issued financial guarantees to 8 wholly-owned subsidiaries and a non-wholly owned subsidiary. The directors do not consider it probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 30 June 2013 under the guarantees issued is the facilities drawn down by the subsidiaries of HK$2,425,308,000.

Internal Management

The Group adheres diligently to the management principle that focuses on "People-oriented, Pragmatism, Creativity and Systematic Management" and is committed to building a comprehensive risk management culture. Strengthening management and risk control have always been important duties of a corporation during its operations and development. With the efforts of the Risk Management Advisory Committee, the Engineering Technical Management Committee and the Budget Approval Management Committee, the Group formulated strict regulations on investment in, and construction and operating of environmental protection projects. During the period under review, the Group held a Management Committee meeting on a monthly basis to review all projects under construction and operation. The Group also continued to enforce the strict compliance of various management systems to improve internal management. The Internal Audit Department of the Company has conducted internal audits to review the effectiveness of the Group's internal control system. Also, in order to refine the rules and regulations, "the four unifications" including compensation and welfare, financial management, budget management and performance assessment were completed. The Group also prepared a "Guide on Applying for Investments and Special Subsidies from the Central Government Budget" to unify the reporting requirements and processes for securing special subsidies from the Central Government.

Human Resources

The Group highly values its human resources, and puts great emphasis on staff training. It believes that realising the full potential of its employees is crucial to its long term growth. During the period under review, the Group arranged training on computerised financial management in March and an overall financial training session in May. In addition, it arranged a variety of training courses including trainings on system of environmental and social responsibilities, prevention and solutions for waste incineration project failures, and office PC systems. To ensure employees' development are in line with the Group's sustainable development, the Group has completed a competitive selection of middle management for Everbright Water (Jinan) Limited and company-wide competitive selection for Everbright Environmental Protection, which motivates staff and helps them achieve greater success in their relevant positions.

As at 30 June 2013, the Group had approximately 1,750 employees in Hong Kong and China. Employees of the Group are remunerated according to their qualifications, experience, job nature, performance and with reference to market conditions. Apart from a discretionary performance bonus, the Group also provides other benefits such as medical insurance and the provident fund scheme to employees in Hong Kong.

According to the share option scheme approved by the Company's extraordinary general meeting on 26 May 2003 (the "Share Option Scheme"), at the discretion of the Board, share options may be granted as performance incentives to any employees (including the directors). During the period under review, no share option was granted to any employee (including the directors). The Share Option Scheme was expired on 26 May 2013 and accordingly, no further share option can be granted under the Share Option Scheme.

Corporate Governance

The Group strives to maintain a high standard of corporate governance as it believes good corporate governance practices are increasingly important for maintaining and promoting the confidence of the shareholders. It is crucial for the development of the Group's business and protection of the Shareholders' interests. The Group upholds the management principle of "People-oriented, pragmatism, creativity and systematic management", and through a set of rules and regulations, has continuously strengthened internal controls and risk management. Furthermore, by full and timely public disclosure of information, the Group has maintained transparency and accountability which has also enhanced its corporate values. The Board meets regularly and has set up Board committees, namely the Executive Committee, Audit Committee, Nomination Committee, Remuneration Committee, Disclosure Committee and Management Committee. For risk management, the Group has set up a Risk Management Advisory Committee to monitor and assess risk regularly, boost related management standards and evaluate investment projects. Regarding technological risk management, the Group has in place an Engineering Technical Management Committee responsible for assessing the technology used in different investment projects. For financial control, the Group insists on stringent budget management, and has set up a Budget Approval Management Committee that focuses on monitoring construction budgets. In addition, the Group has also set up an Internal Audit Department to perform internal audits to bolster the Group's management standard.

The Company has complied with the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the six months ended 30 June 2013 except that Mr. Tang Shuangning, the Chairman of the Company who was absent from Hong Kong was unable to attend the annual general meeting of the Company held on 26 April 2013. This constitutes a deviation from the code provision of E.1.2 of the CG Code which requires the chairman of the Board to attend the annual general meeting.

Executive Committee

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

Audit Committee

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

During the period under review, the Internal Audit Department of the Company conducted internal audit function. At the request of the Audit Committee, KPMG, the Company's auditors, carried out a review of the unaudited interim financial report in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the HKICPA. The independent review report from the auditors is included in the interim report of the

Company. The interim financial results have also been reviewed by the Company's Audit Committee.

Nomination Committee

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

Remuneration Committee

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

Disclosure Committee

The Disclosure Committee comprises Mr. Chen Xiaoping (Chairman), Mr. Wang Tianyi, Mr. Wong Kam Chung, Raymond as well as the Chief Legal Officer and the Company Secretary of the Company. The Board has delegated the day-to-day execution of its continuous disclosure obligations to the Disclosure Committee to ensure the compliance of the Company with its disclosure obligations. The terms of reference of the Disclosure Committee have been established in writing.

Management Committee

The Management Committee comprises Mr. Chen Xiaoping (Chairman), Mr. Wang Tianyi, Mr. Wong Kam Chung, Raymond as well as Mr. Cai Shuguang, Mr. Hu Yanguo and Mr. Chen Tao, 3 Deputy General Managers of the Company and the General Managers of the Investment Development Department and Investment Management Department and the responsible person of the Legal Compliance Department. The Management Committee is responsible for the daily business operation management work, formulates and implements annual tasks and medium term development plans of the Group. The Management Committee is the decision-making body for day-to-day business activities and makes collective decisions on major matters relating to the Group's daily business operation, management and personnel etc. The general mandate in relation to the Management Committee has been established in writing.

Model Code for Securities Transactions by Directors

The Group has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct in this regard. Having made specific enquiry with the directors, all directors confirmed that they had complied with the required standard of dealings as set out in the Model Code during the six months ended 30 June 2013.

Interim Dividend

The Board has declared payment of an interim dividend of HK3.5 cents per ordinary share for the six months ended 30 June 2013 (2012: HK3.0 cents per ordinary share) to shareholders whose names appear on the register of members of the Company on Friday, 6 September 2013. The interim dividend will be paid to shareholders on or about Monday, 30 September 2013.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 3 September 2013 to Friday, 6 September 2013 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 2 September 2013.

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

There was no purchase, sale or redemption of the listed securities of the Company by the Company or any of its subsidiaries during the six months ended 30 June 2013.

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

Hong Kong, 6 August 2013

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