北控水務集團有限公司
BEIJING ENTERPRISES WATER GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 371)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

HIGHLIGHTS

- The Group reported revenue of HK$2,763.7 million, representing an increase of 97% as compared with that of HK$1,401.5 million in last period.
- Profit attributable to shareholders of the Company was HK$514.3 million, representing an increase of 33% as compared with that of HK$386.6 million in last period.
- Equity-settled share option expense amounted to HK$25.9 million. Profit attributable to shareholders of the Company before the equity-settled share option expense was HK$540.2 million, representing an increase of 40% as compared with that of HK$386.6 million in last period.
- EBITDA amounted to HK$1,069.4 million, representing an increase of 47% as compared with that of HK$725.4 million in last period.
- Basic earnings per share for the period was HK6.89 cents.
- Interim cash distribution of HK2.5 cents per share are declared for the six months ended 30 June 2013. Dividend payout ratio is 36%.
- As at 30 June 2013, total daily design capacity for water projects on hand was 12,626,150 tons, representing a net increase of 2,131,700 tons during the period. (On 28 June 2013, the Company signed an equity transfer agreement with 北京建工集團有限責任公司 (Beijing Construction Engineering Group Co., Ltd^) which includes 26 sewage treatment plants under operation with daily treatment capacity of 937,500 tons. Such water plants have been under the Group's management. As the relevant legal procedure is still in progress, the daily treatment capacity of 937,500 tons has not been included in the Group's total daily design capacity as at 30 June 2013.)
- Trade and bills receivables of HK$726.1 million (equivalent to RMB573.6 million) for construction of comprehensive renovation projects in Kunming were received during the period. As at 30 June 2013, the accumulated receipts from these projects was HK$4,021.3 million (equivalent to RMB3,217.0 million). As at 30 June 2013, the trade and bills receivables for these projects were HK$1,004.3 million (equivalent to RMB803.4 million).

^ *For identification purposes only*

RESULTS

The board (the "Board") of directors (the "Directors") of Beijing Enterprises Water Group Limited (the "Company") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 and the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2013 with comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

		For the six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**2,763,692**	1,401,506
Cost of sales		**(1,659,209)**	(755,490)
Gross profit		**1,104,483**	646,016
Interest income		**172,001**	179,055
Other income and gains, net		**77,054**	15,659
Administrative expenses		**(269,735)**	(148,762)
Other operating expenses, net		**(49,139)**	(28,321)
PROFIT FROM OPERATING ACTIVITIES	*4*	**1,034,664**	663,647
Finance costs	*5*	**(342,407)**	(227,065)
Share of profits and losses of:			
Joint ventures		**(2,853)**	29,695
Associates		**(2,244)**	–
PROFIT BEFORE TAX		**687,160**	466,277
Income tax	*6*	**(156,829)**	(69,274)
PROFIT FOR THE PERIOD		**530,331**	397,003
ATTRIBUTABLE TO:			
Shareholders of the Company		**514,300**	386,593
Non-controlling interests		**16,031**	10,410
		530,331	397,003
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*8*		
– Basic and diluted		**HK6.89 cents**	HK5.60 cents

Details of the cash distributions declared and proposed for the period are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**530,331**	397,003
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items to be reclassified to the consolidated income statement in subsequent periods:		
– Exchange differences on translation of foreign operations	**155,330**	(148,452)
Items not to be reclassified to the consolidated income statement in subsequent periods:		
– Share of other comprehensive income/(loss) of a joint venture	**3,376**	(3,776)
– Fair value gain on revaluation of a portion of a building upon transfer to investment properties, net of deferred tax of HK$5,397,000	**16,191**	–
	19,567	(3,776)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX	**174,897**	(152,228)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**705,228**	244,775
ATTRIBUTABLE TO:		
Shareholders of the Company	**650,927**	262,517
Non-controlling interests	**54,301**	(17,742)
	705,228	244,775

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

	Notes	**30 June 2013 (Unaudited)** ***HK$'000***	31 December 2012 (Audited) *HK$'000*
ASSETS			
Non-current assets:			
Property, plant and equipment		**282,978**	527,549
Investment properties		**49,853**	–
Goodwill		**2,428,783**	1,762,151
Operating concessions		**1,873,810**	973,357
Other intangible assets		**17,518**	17,295
Investments in joint ventures		**2,665,057**	2,317,740
Investments in associates		**97,673**	100,867
Available-for-sale investments		**3,001**	7,094
Amounts due from contract customers		**4,380,804**	2,761,981
Receivables under service concession arrangements	*9*	**9,284,940**	6,469,498
Trade and bills receivables	*10*	**97,176**	97,225
Prepayments, deposits and other receivables	*11*	**2,549,311**	2,547,230
Deferred tax assets		**31,898**	28,690
Total non-current assets		**23,762,802**	17,610,677
Current assets:			
Land held for sale		**1,090,871**	1,077,403
Inventories		**52,030**	30,453
Amounts due from contract customers		**49,398**	31,637
Receivables under service concession arrangements	*9*	**969,853**	382,464
Trade and bills receivables	*10*	**1,613,562**	2,385,500
Prepayments, deposits and other receivables	*11*	**5,488,988**	5,395,988
Restricted cash and pledged deposits		**95,778**	84,892
Cash and cash equivalents		**4,878,016**	4,290,866
Total current assets		**14,238,496**	13,679,203
TOTAL ASSETS		**38,001,298**	31,289,880

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2013

	Notes	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital		**768,598**	690,917
Reserves		**9,694,153**	7,776,207
		10,462,751	8,467,124
Non-controlling interests		**2,308,538**	2,264,369
TOTAL EQUITY		**12,771,289**	10,731,493
Non-current liabilities:			
Other payables and accruals	*12*	**234,699**	233,217
Bank and other borrowings		**7,680,266**	6,593,424
Corporate bonds		**6,283,519**	2,394,530
Note payable		**1,495,274**	1,476,567
Finance lease payable		**9,497**	12,928
Provision for major overhauls		**268,779**	221,643
Deferred income		**25,477**	80,785
Deferred tax liabilities		**322,510**	287,010
Total non-current liabilities		**16,320,021**	11,300,104
Current liabilities:			
Trade and bills payables	*13*	**2,462,097**	1,919,238
Other payables and accruals	*12*	**4,253,108**	4,269,166
Income tax payables		**265,194**	252,802
Bank and other borrowings		**1,922,518**	2,810,313
Finance lease payable		**7,071**	6,764
Total current liabilities		**8,909,988**	9,258,283
TOTAL LIABILITIES		**25,230,009**	20,558,387
TOTAL EQUITY AND LIABILITIES		**38,001,298**	31,289,880

NOTES:

1.1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda. During the six months ended 30 June 2013, the Group was involved in the following principal activities:

- construction of sewage and reclaimed water treatment and seawater desalination plants, and provision of construction services for comprehensive renovation projects in the People's Republic of China (the "PRC") and Malaysia
- provision of sewage and reclaimed water treatment services in Mainland China and Portugal
- distribution and sale of piped water in Mainland China and Portugal
- provision of technical and consultancy services that are related to sewage treatment and construction of comprehensive renovation projects in Mainland China
- licensing of technical know-how that is related to sewage treatment in Mainland China

1.2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The accounting policies and basis of preparation adopted in the preparation of these unaudited interim financial statements are the same as those adopted in the annual financial statements for the year ended 31 December 2012 except for the changes in accounting policies made thereafter in adopting the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which became effective for the first time for the current period's financial statements, as further detailed in note 1.3 below.

These interim condensed consolidated financial statements have not been audited, but have been reviewed by the Company's audit committee.

1.3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

The adoption of the revised HKFRSs has had no significant financial effect on these condensed consolidated financial statements except for the following:

– presentation of the consolidated statement of comprehensive income has been modified to meet the requirements of HKAS 1 (Amendments) *Presentation of Items of Other Comprehensive Income*; and

– "jointly-controlled entities" has been superseded by "joint ventures" following the adoption of HKFRS 11 *Joint Arrangements*.

2. OPERATING SEGMENT INFORMATION

For management purpose, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit for the period attributable to shareholders of the Company, which is a measure of adjusted profit for the period attributable to shareholders of the Company. The adjusted profit for the period attributable to shareholders of the Company is measured consistently with the Group's profit attributable to shareholders of the Company except that interest income on loans to joint ventures and related companies, interest income from non-controlling equity holders of subsidiaries, gain on bargain purchase of a joint venture, gains on disposal of subsidiaries and a joint venture, fair value gain on investment properties, finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

For the six months ended 30 June 2013

	Sewage and reclaimed water treatment and construction services (Unaudited) *HK$'000*	Water distribution services (Unaudited) *HK$'000*	Technical and consultancy services (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue	**2,588,164**	**118,152**	**57,376**	**2,763,692**
Cost of sales	**(1,622,090)**	**(29,086)**	**(8,033)**	**(1,659,209)**
Gross profit	**966,074**	**89,066**	**49,343**	**1,104,483**
Segment results				
The Group	**1,022,093**	**80,469**	**40,386**	**1,142,948**
Share of profits and losses of:				
– Joint ventures	**2,080**	**(4,933)**	**–**	**(2,853)**
– Associates	**(2,244)**	**–**	**–**	**(2,244)**
	1,021,929	**75,536**	**40,386**	**1,137,851**
Corporate and other unallocated income and expenses, net				**(108,284)**
Finance costs				**(342,407)**
Profit before tax				**687,160**
Income tax				**(156,829)**
Profit for the period				**530,331**
Profit/(loss) for the period attributable to shareholders of the Company:				
– Operating segments	**837,505**	**71,424**	**39,569**	**948,498**
– Corporate and other unallocated items				**(434,198)**
				514,300

For the six months ended 30 June 2012

	Sewage and reclaimed water treatment and construction services (Unaudited) *HK$'000*	Water distribution services (Unaudited) *HK$'000*	Technical and consultancy services (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue	1,160,933	53,539	187,034	1,401,506
Cost of sales	(698,781)	(30,257)	(26,452)	(755,490)
Gross profit	462,152	23,282	160,582	646,016
Segment results				
The Group	495,627	11,823	153,539	660,989
Share of profits and losses of joint ventures	31,810	(2,115)	–	29,695
	527,437	9,708	153,539	690,684
Corporate and other unallocated income and expenses, net				2,658
Finance costs				(227,065)
Profit before tax				466,277
Income tax				(69,274)
Profit for the period				397,003
Profit/(loss) for the period attributable to shareholders of the Company:				
– Operating segments	477,278	8,777	128,552	614,607
– Corporate and other unallocated items				(228,014)
				386,593

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the assets of the Group are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of these financial statements.

Information about major customers

During the period ended 30 June 2013, the Group had a transaction with one (Six months ended 30 June 2012: Nil) external customer of the sewage and reclaimed water treatment and construction services segment which contributed over 10% of the Group's total revenue for the period. A summary of revenue from the major external customer is set out below:

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer 1	**1,039,563**	N/A*

* *The corresponding revenue of this customer is not disclosed as it did not contribute over 10% of the Group's total gross revenue for the last period.*

3. REVENUE

Revenue, which is also the Group's turnover, represents: (1) an appropriate proportion of contract revenue of construction contracts and service contracts relating to sewage and reclaimed water treatment, net of value-added tax and government surcharges; (2) an appropriate proportion of contract revenue of other construction contracts, net of business tax and government surcharges; (3) the aggregate of the invoiced value of water sold and the estimated value of unbilled water distributed based on the consumption recorded by water meter readings, net of value-added tax and government surcharges; (4) an appropriate proportion of contract revenue of technical and consultancy services contract, net of business tax and government surcharges; and (5) the imputed interest income on service concession arrangements.

An analysis of the Group's revenue is as follows:

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Sewage and reclaimed water treatment services*	**849,628**	624,245
Construction services*	**1,738,536**	536,688
Water distribution services	**118,152**	53,539
Technical and consultancy services	**57,376**	187,034
	2,763,692	1,401,506

* *Imputed interest income under service concession arrangements amounting to HK$308,785,000 (Six months ended 30 June 2012: HK$205,195,000) are included in the revenue derived from "Sewage and reclaimed water treatment services" and "Construction services" above.*

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of sewage and reclaimed water treatment services rendered	**291,301**	215,587
Cost of construction services	**1,313,303**	471,023
Cost of water distribution services	**21,135**	21,272
Cost of technical and consultancy services rendered	**8,033**	26,452
Depreciation	**13,616**	10,420
Amortisation of operating concessions*	**25,437**	21,156
Amortisation of other intangible assets*	**827**	524

* *The amortisations of operating concessions and other intangible assets for the period are included in "Cost of sales" and "Administrative expenses" on the face of the condensed consolidated income statement, respectively.*

5. FINANCE COSTS

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and other loans wholly repayable within five years	**215,478**	177,274
Interest on other loans	**6,178**	1,744
Interest on corporate bonds	**80,286**	51,943
Interest on a note payable	**46,046**	–
Interest on a finance lease	**595**	–
Total interest expenses	**348,583**	230,961
Increase in discounted amounts of provision for major overhauls arising from the passage of time	**3,485**	2,502
Total finance costs	**352,068**	233,463
Less: Interest included in cost of construction contracts	**(9,661)**	(6,398)
	342,407	227,065

6. INCOME TAX

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2013 as the Group did not generate any assessable profits arising in Hong Kong during the period (Six months ended 30 June 2012: Nil).

The income tax provisions in respect of operations in Mainland China and Malaysia are calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of the PRC, certain of the Company's subsidiaries enjoy income tax exemptions and reductions, by reason that these companies are engaged in the operations of sewage and reclaimed water treatment.

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – PRC:		
Hong Kong	**–**	–
Mainland China	**121,488**	66,028
Under/(over)-provision in prior periods	**6,248**	(8,332)
Current – Malaysia	**–**	(213)
Deferred	**29,093**	11,791
Total tax expense for the period	**156,829**	69,274

7. INTERIM DISTRIBUTION

On 29 August 2013, the Board declared interim cash distribution of HK2.5 cents per share (Six months ended 30 June 2012: HK2.0 cents) totalling HK$192,150,000 (Six months ended 30 June 2012: HK$138,183,000).

8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amount for the six months ended 30 June 2013 is based on the profit for the period attributable to shareholders of the Company, and the weighted average number of 7,465,090,092 (Six months ended 30 June 2012: 6,909,170,486) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for these periods in respect of a dilution as the impact of the share options outstanding during the six months ended 30 June 2013 had an anti-dilutive effect on the basic earnings per share amount presented; and the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2012.

9. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

In respect of the Group's receivables under service concession arrangements, the various group companies have different credit policies, depending on the requirements of the locations in which they operate. Aged analysis of receivables under service concession arrangements are closely monitored in order to minimise any credit risk associated with the receivables.

An aged analysis of the Group's receivables under service concession arrangements as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	30 June 2013 (Unaudited)	31 December 2012 (Audited)
	HK$'000	*HK$'000*
Billed:		
Within 3 months	**610,658**	205,531
4 to 6 months	**213,736**	52,362
7 to 12 months	**56,668**	43,436
Over 1 year	**88,791**	81,135
	969,853	382,464
Unbilled	**9,284,940**	6,469,498
	10,254,793	6,851,962
Portion classified as current assets	**(969,853)**	(382,464)
Non-current portion	**9,284,940**	6,469,498

10. TRADE AND BILLS RECEIVABLES

The Group's trade and bills receivables arise from the provision of construction services for comprehensive renovation projects, technical and consultancy services and sewage treatment equipment trading. The Group's trading terms with its customers are mainly on credit and each customer has a maximum credit limit. The various group companies have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. The credit period granted to customers is generally one month to three months, except for customers of the construction services for comprehensive renovation projects, which would settle the amounts owed to the Group in a number of specified instalments covering periods ranging from 1 year to 25 years. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Apart from the trade and bills receivables of certain construction services for comprehensive renovation projects which bear interest at rates ranging from 5.85% to 8.65%, trade and bills receivables are non-interest-bearing.

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

	30 June 2013 (Unaudited) ***HK$'000***	31 December 2012 (Audited) *HK$'000*
Billed:		
Within 3 months	**217,956**	1,935,375
4 to 6 months	**–**	–
7 to 12 months	**1,048,959**	62,829
Over 1 year	**204,537**	255,915
Balance with extended credit period	**228,130**	217,768
	1,699,582	2,471,887
Unbilled*	**11,156**	10,838
	1,710,738	2,482,725
Portion classified as current assets	**(1,613,562)**	(2,385,500)
Non-current portion	**97,176**	97,225

* *The unbilled balance was attributable to certain construction services rendered under contracts for comprehensive renovation projects which will be billed upon the completion of final inspection jointly by the Group, the contract customers and the independent surveyors.*

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2013 (Unaudited) ***HK$'000***	31 December 2012 (Audited) *HK$'000*
Prepayments	**60,229**	28,790
Deposits and other debtors	**3,510,333**	3,405,113
Advances to subcontractors and suppliers	**2,931,785**	2,504,828
Due from joint ventures	**88,977**	554,032
Due from associates	**27**	–
Due from related parties	**1,455,224**	1,458,335
	8,046,575	7,951,098
Impairment	**(8,276)**	(7,880)
	8,038,299	7,943,218
Portion classified as current assets	**(5,488,988)**	(5,395,988)
Non-current portion	**2,549,311**	2,547,230

12. OTHER PAYABLES AND ACCRUALS

	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
Accruals	**193,109**	241,557
Other liabilities	**793,883**	795,335
Receipt in advance	**811,664**	813,790
Due to subcontractors	**2,222,771**	2,166,809
Due to joint ventures	**239,349**	296,863
Due to an associate	**–**	49,995
Due to related parties	**164,223**	82,840
Other taxes payables	**62,808**	55,194
	4,487,807	4,502,383
Portion classified as current liabilities	**(4,253,108)**	(4,269,166)
Non-current portion	**234,699**	233,217

13. TRADE AND BILLS PAYABLES

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

	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
Within 3 months	**697,231**	610,163
4 to 6 months	**471,192**	271,075
7 months to 1 year	**430,494**	72,105
1 to 2 years	**68,247**	105,980
2 to 3 years	**114,578**	148,764
Over 3 years	**134,882**	88,415
Balance with extended credit period	**545,473**	622,736
	2,462,097	1,919,238

Apart from certain trade and bills payables relating to certain construction for comprehensive renovation projects which would become due for payments upon settlements of progress billings by relevant contract customers, the trade and bills payables are non-interest-bearing and are normally settled on 60-day terms.

14. EVENT AFTER THE REPORTING PERIOD

On 17 July 2013, the Company entered into a memorandum of understanding (the "MOU") with Standard Water Ltd. (the "Vendor") in relation to the proposed acquisition (the "Proposed Acquisition") of 100% issued share capital of two wholly-owned subsidiaries of the Vendor in order to acquire 36 water projects in Mainland China. The consideration for the Proposed Acquisition is RMB1,350,000,000 (equivalent to approximately HK$1,697,760,000) (the "Consideration"). A range from 40% to 60% of the Consideration will be settled by way of issue of consideration shares ("Consideration Shares") and the price of Consideration Shares shall be fixed at HK$2.82 per share. As at the date of this announcement, no sales and purchase agreement has been signed in respect of the Proposed Acquisition.

Further details of the Proposed Acquisition are set out in the Company's announcement dated 17 July 2013.

15. OTHER FINANCIAL INFORMATION

The net current assets and total assets less current liabilities of the Group as at 30 June 2013 amounted to HK$5,328,508,000 (unaudited) (31 December 2012: HK$4,420,920,000) and HK$29,091,310,000 (unaudited) (31 December 2012: HK$22,031,597,000), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group maintained a steady growth in the first half of year 2013. Profit for the period attributable to shareholders of the Company increased by 33% to HK$514.3 million. Revenue increased by 97% to HK$2,763.7 million as a result of increase in revenue contribution from water treatment services and construction services for the water environmental renovation.

1. Financial highlights

The analysis of the Group's financial results during the period is set out in details below:

	Revenue		GP ratio	Profit attributable to shareholders of the Company	
	HK$'M	*%*	*%*	*HK$'M*	*%*
Water treatment services					
Sewage and reclaimed water treatment services					
– Subsidiaries	849.6	31%	64%	412.5	43%
– Joint ventures				1.2	1%
				413.7	44%
Water distribution services					
– Subsidiaries	118.2	4%	75%	76.4	8%
– Joint ventures				(4.9)	(1%)
				71.5	7%
Subtotal	967.8	35%		485.2	51%
Construction services for the water environmental renovation					
Construction services for comprehensive renovation projects					
– Project with completion rate under 10%	22.4	1%	–	–	–
– Project with completion rate more than 10% [§]	1,315.0	48%	28%	309.8	33%
– Interest income	–	–	–	82.9	9%
	1,337.4	49%	28%	392.7	42%
Construction of water plants under BOT contracts	401.1	14%	11%	31.0	3%
Subtotal	1,738.5	63%		423.7	45%
Technical services for the water environmental renovation	57.4	2%	86%	39.6	4%
Business results	2,763.7	100%		948.5	100%
Others[#]				(434.2)	
Total				514.3	

[#] *Others included head office and other corporate expenses, net, of HK$91.8 million and finance costs of HK$342.4 million.*

[§] *Profit attributable to shareholders of the Company included share of profits of joint ventures of HK$0.9 million.*

The analysis of the Group's financial results during the last period is set out in details below:

	Revenue HK$'M	%	GP ratio %	Profit attributable to shareholders of the Company HK$'M	%
Water treatment services					
Sewage and reclaimed water treatment services					
– Subsidiaries	624.2	44%	64%	312.3	50%
– Joint ventures				23.2	4%
				335.5	54%
Water distribution services					
– Subsidiaries	53.5	4%	43%	10.9	2%
– Joint ventures				(2.1)	(1%)
				8.8	1%
Subtotal	677.7	48%		344.3	55%
Construction services for the water environmental renovation					
Construction services for comprehensive renovation projects					
– Project with completion rate under 10%	14.3	1%	–	–	–
– Project with completion rate more than 10%[§]	282.3	20%	14%	72.2	12%
– Interest income	–	–	–	55.4	9%
	296.6	21%	14%	127.6	21%
Construction of water plants under BOT contracts[△]	240.1	17%	10%	14.1	3%
Subtotal	536.7	38%		141.7	24%
Technical services for the water environmental renovation	187.1	14%	86%	128.6	21%
Business results	1,401.5	100%		614.6	100%
Others[#]				(228.0)	
Total				386.6	

[#] *Others included head office and other corporate expenses, net, of HK$0.9 million and finance costs of HK$227.1 million.*

[§] *Profit attributable to shareholders of the Company included share of profits of joint ventures of HK$12.6 million.*

[△] *Profit attributable to shareholders of the Company included share of losses of joint ventures of HK$4.0 million.*

The comparison of the Group's financial results for the six months ended 30 June 2013 and 2012 is set out in details below:

	Revenue				Profit attributable to shareholders of the Company			
	For the six months ended 30 June				For the six months ended 30 June			
	2013	2012	Increase/(Decrease)		**2013**	2012	Increase/(Decrease)	
	HK$'M	*HK$'M*	*HK$'M*	*%*	***HK$'M***	*HK$'M*	*HK$'M*	*%*
Water treatment services								
Sewage and reclaimed water treatment services								
– Subsidiaries	**849.6**	624.2	225.4	36%	**412.5**	312.3	100.2	32%
– Joint ventures					**1.2**	23.2	(22.0)	(95%)
GP ratio	***64%***	*64%*		–	**413.7**	335.5	78.2	23%
Water distribution services								
– Subsidiaries	**118.2**	53.5	64.7	121%	**76.4**	10.9	65.5	601%
– Joint ventures					**(4.9)**	(2.1)	(2.8)	(133%)
GP ratio	***75%***	*43%*		*32%*	**71.5**	8.8	62.7	713%
Subtotal	**967.8**	677.7	290.1	43%	**485.2**	344.3	140.9	41%
Construction services for the water environmental renovation								
Construction services for comprehensive renovation projects								
– Project with completion rate under 10%	**22.4**	14.3	8.1	57%	**–**	–	–	–
– Project with completion rate more than 10%	**1,315.0**	282.3	1,032.7	366%	**309.8**	72.2	237.6	329%
– Interest income	**–**	–	–	–	**82.9**	55.4	27.5	50%
	1,337.4	296.6	1,040.8	351%	**392.7**	127.6	265.1	208%
GP ratio	***28%***	*14%*		*14%*				
Construction of water plants under BOT contracts	**401.1**	240.1	161.0	67%	**31.0**	14.1	16.9	120%
GP ratio	***11%***	*10%*		*1%*				
Subtotal	**1,738.5**	536.7	1,201.8	224%	**423.7**	141.7	282.0	199%
Technical services for the water environmental renovation	**57.4**	187.1	(129.7)	(69%)	**39.6**	128.6	(89.0)	(69%)
GP ratio	***86%***	*86%*		–				
Business results	**2,763.7**	1,401.5	1,362.2	97%	**948.5**	614.6	333.9	54%
Others					**(434.2)**	(228.0)	(206.2)	(90%)
Total					**514.3**	386.6	127.7	33%

2. Business review

The principal businesses of the Group includes operations in water treatment business, construction and technical services for the water environmental renovation. The coverage of the Group's water plants has extended to 20 provinces all across Mainland China.

2.1 Water treatment services

As at 30 June 2013, the Group enters into total of 204 water plants including 158 sewage treatment plants, 41 water distribution plants, 4 reclaimed water treatment plants and 1 seawater desalination plant. Total daily design capacity for new projects secured for this period was 2,356,700 tons including Build-Operate-Transfer ("BOT") projects of 162,500 tons, Transfer-Operate-Transfer ("TOT") projects of 140,000 tons, entrustment operation projects of 135,700 tons, and 1,918,500 tons* through mergers and acquisitions including water projects of 1,290,000 tons acquired from Beijing Enterprises Holdings Limited ("BEHL", a substantial shareholder of the Company).

During the period, the Group disposed the Inner Mongolia project with daily water supply capacity of 155,000 tons and daily sewage treatment capacity of 70,000 tons. The net increase in total daily design capacity for this period was 2,131,700 tons.

As at 30 June 2013, total daily design capacity was 12,626,150 tons, representing an increase of 20% as compared with last year.

Analysis of projects on hand is as follows:

	Sewage treatment	**Reclaimed water treatment**	**Water distribution**	**Seawater desalination**	**Total**
(Tons)					
In operation	5,246,750	387,000	2,495,000	–	8,128,750
Not yet start operation	2,459,700	112,500	1,875,200	50,000	4,497,400
Total	7,706,450	499,500	4,370,200	50,000	12,626,150
(Number of water plants)					
In operation	101	4	16	–	121
Not yet start operation	57	–	25	1	83
Total	158	4	41	1	204

* *On 28 June 2013, the Company signed an equity transfer agreement with 北京建工集團有限責任公司 (Beijing Construction Engineering Group Co., Ltd^) which includes 26 sewage treatment plants under operation with daily treatment capacity of 937,500 tons. Such water plants have been under the Group's management. As the relevant legal procedure is still in progress, the daily treatment capacity of 937,500 tons has not been included in the Group's total daily design capacity as at 30 June 2013.*

^ *For identification purposes only*

	Number of plants	Design capacity *(Tons/Day)*	Actual processing capacity during the period *(Tons (M))*	Revenue *HK$'(M)*	Profit attributable to shareholders of the Company *HK$'(M)*
Sewage and reclaimed water treatment services:					
– Southern	30	2,235,000	341.2	355.1	200.2
– Western	39	1,621,500	216.1	196.6	95.3
– Shandong	9	452,000	67.9	95.9	34.9
– Eastern	16	600,250	48.3	85.9	30.9
– Northern	11	725,000	65.7	116.1	52.4
	105	5,633,750	739.2	849.6	413.7
Water distribution services	16	2,495,000	169.8	118.2	71.5
Total	121	8,128,750	909.0	967.8	485.2

2.1.1 Sewage and reclaimed water treatment services

As at 30 June 2013, the Group had 101 sewage treatment plants and 4 reclaimed water plants in operation. Total daily design capacity in operation reached to 5,246,750 tons (31 December 2012: 4,777,250 tons) and 387,000 tons (31 December 2012: 387,000 tons) respectively. The average daily processing volume is 4,150,039 tons and average daily treatment rate is 74%. The actual average contracted tariff charge of water treatment was approximately HK$1.18 per ton. The actual aggregate processing volume for the period was 739.2 million tons, of which 657.4 million tons was contributed by subsidiaries recorded a revenue of HK$849.6 million for the period (31% of the Group's total revenue), and 81.8 million tons was contributed by joint ventures. Net profit attributable to shareholders of the Company was HK$413.7 million, of which HK$412.5 million was contributed by subsidiaries and HK$1.2 million was contributed by joint ventures. The information of sewage and reclaimed water treatment services in Mainland China is as follows:

Southern China

Plants in Southern China were mainly located in Guangdong Province, Hunan Province and Hainan Province. As at 30 June 2013, there were 30 sewage treatment plants with total daily design capacity of 2,235,000 tons, representing an increase of 270,000 tons per day or 14% as compared with last year. The actual aggregate processing volume for the period amounted to 341.2 million tons. The operating revenue and profit attributable to shareholders of the Company were HK$355.1 million and HK$200.2 million respectively during the period.

Western China

Plants in Western China were mainly located in Yunnan Province, Guangxi Province, Sichuan Province and Guizhou Province. As at 30 June 2013, there were 39 sewage treatment plants with total daily design capacity of 1,621,500 tons, representing an increase of 160,000 tons per day or 11% as compared with last year. The actual processing volume for the period was 216.1 million tons. The operating revenue of HK$196.6 million was recorded during the period. Profit attributable to shareholders of the Company amounted to HK$95.3 million.

Shandong

There were 9 plants in Shandong region. The total daily design capacity of Shandong region is 452,000 tons, representing an increase of 35,000 tons per day or 8% as compared with last year. The actual processing volume for the period was 67.9 million tons contributing operating revenue of HK$95.9 million during the period. Profit attributable to shareholders of the Company was HK$34.9 million.

Eastern China

There were 16 water plants in Eastern China which were mainly located in Zhejiang, Jiangsu and Anhui Province. As at 30 June 2013, the total daily design capacity of Eastern China had increased by 19,500 tons to 600,250 tons or 3% as compared with last year. The actual processing volume for the period amounted to 48.3 million tons and operating revenue was HK$85.9 million during the period. Profit attributable to shareholders of the Company was HK$30.9 million.

Northern China

Currently, the Group has 11 plants under operation in Northern China. They are mainly located in Liaoning Province. The daily design capacity of Northern China had decreased by 15,000 tons to 725,000 tons or 2% as compared with last year. Decrease in daily design capacity was mainly due to the disposal of Inner Mongolia project. The projects achieved actual processing volume of 65.7 million tons for the period. The operating revenue was HK$116.1 million during the period. Profit attributable to shareholders of the Company was HK$52.4 million.

2.1.2 Water distribution services

As at 30 June 2013, the Group had 16 water distribution plants in operation. Total daily design capacity in operation was 2,495,000 tons (31 December 2012: 2,130,000 tons). The plants were located in Guizhou Province, Shandong Province, Henan Province and Guangxi Province. The actual average contracted tariff charge of water distribution is approximately HK$2.52 per ton. The aggregate actual processing volume is 169.8 million tons, of which 32.1 million tons was contributed by subsidiaries, which recorded revenue of HK$118.2 million (4% of the Group's total revenue), and 137.7 million tons was contributed by joint ventures. Imputed interest income of HK$60.6 million was recognised for the receivables under service concession arrangement of Plant No. 9 in Beijing which was acquired from BEHL during this period. Profit attributable to shareholders of the Company was HK$71.5 million, of which profit of HK$76.4 million was contributed by subsidiaries and a loss of HK$4.9 million in aggregate was incurred by joint ventures.

2.2 Construction services for the water environmental renovation

2.2.1 Construction services for comprehensive renovation projects

The Group had six comprehensive renovation projects under construction during the period. The projects located in Guangxi Guigang, Guangxi Beihai, Chengdu Tuojianghe, Chengdu Pixian, Guizhou Nanminghe and Malaysia Pantai. Last period, the Group had three comprehensive renovation projects under construction which located in Dalian Dengshahe, Dalian Yingkou and Malaysia Pantai.

Revenue from comprehensive renovation projects increased by HK$1,040.8 million from last period of HK$296.6 million to HK$1,337.4 million this period. The increase was mainly due to the commencement of construction of Guangxi Beihai and Guizhou Nanminghe projects contributing revenue of HK$1,120.5 million.

According to the construction contracts, the Group charges an interest on the trade receivables from the customers with reference to certain mark-up on The People's Bank of China's lending rate for the period from the completion of the construction to time of the receipt of the trade receivables. Interest income increased as there was an increase in receivables from water environmental renovation projects.

Profit attributable to shareholders of the Company for the comprehensive renovation projects increased by HK$265.1 million from last period of HK$127.6 million to HK$392.7 million this period. The increase was mainly due to the commencement of construction of Guangxi Beihai and Guizhou Nanminghe projects contributing profit of HK$285.3 million during this period.

Trade and bills receivables of HK$726.1 million (equivalent to RMB573.6 million) for construction of comprehensive renovation projects in Kunming were settled during the period. As at 30 June 2013, the accumulated receipts from Kunming projects was HK$4,021.3 million (equivalent to RMB3,217.0 million). As at 30 June 2013, the trade and bills receivables for these projects amounted to HK$1,004.3 million (equivalent to RMB803.4 million).

2.2.2 Construction of water plants

The Group entered into a number of service concession contracts on a BOT basis in respect of its sewage treatment business. Under HK(IFRIC)-Int 12 *Service Concession Arrangements*, the Group recognises the construction revenue with reference to the fair value of the construction service delivered in the building phase. The fair value of such service is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the inception date of service concession agreement. Construction revenue is recognised by using the percentage-of-completion method.

During the period, 24 water plants were under construction. These water plants were mainly located in Beijing, Sichuan, Shandong, Yunnan, Liaoning, Guangxi, and Hunan provinces. Total revenue for construction of water plants was HK$401.1 million and profit attributable to shareholders of the Company was HK$31.0 million. As at 30 June 2013, the total daily design capacity of these water plants in the construction stage was 2,622,700 tons, most of these projects are expected to commence operation in next year.

2.3 Technical services for the water environmental renovation

The Group has couples of qualification in engineering for consulting and design of water treatment plants. As an integrated water system solution provider, the Group has not only acquired extensive experience in bidding, building and operating sewage water treatment projects, but also successfully marketed its treatment technology and experience in construction services to other operators and constructors.

Revenue from the provision of technical services was HK$57.4 million, representing 2% of the Group's total revenue. Profit attributable to shareholders of the Company was HK$39.6 million (Six months ended 30 June 2012: HK$128.6 million).

3. Financial analysis

3.1 Revenue

During the period, the Group recorded revenue of HK$2,763.7 million (Six months ended 30 June 2012: HK$1,401.5 million). The increase was mainly due to the increase in revenue from water treatment services and construction revenue for the water environmental renovation. Increase in revenue from water treatment services was mainly due to an increase in actual water processing capacity. Increase in construction revenue for the water environmental renovation was mainly due to the commencement of construction of Guangxi Beihai and Guizhou Nanminghe projects during the period. For details, please refer to note 2.2 above.

3.2 Cost of sales

Cost of sales for the period amounted to HK$1,659.2 million, compared to last period of HK$755.5 million. The increase was mainly due to the increase in construction costs and operating costs amounted to HK$842.3 million and HK$79.3 million respectively. Cost of sales mainly included construction costs of HK$1,313.3 million and operating costs of water plants of HK$337.9 million. The construction costs mainly consisted of subcontracting charges. The increase in construction costs was mainly due to the increase in construction works for Guangxi Beihai and Guizhou Nanminghe projects. The operating costs of water plants, mainly included electricity charges of HK$153.3 million, staff costs of HK$56.7 million and major overhaul charges of HK$33.2 million; while the increase in operating costs was mainly due to increase in actual water processing capacity. Major overhaul charges were the estimated expenditure to be incurred for the restoration of water plants before they are handed over to the grantor at the end of service arrangements. The amount was estimated based on discounted future cash outlays on major overhauls during the service concession periods. The amount was charged to income statement based on amortisation method during the service concession periods.

3.3 Gross profit margin

During the period, gross profit margin decreased from 46% to 40%. The decrease was mainly due to the change in mix of revenue during the period. The revenue contribution from construction services for comprehensive renovation projects increased from last period of 21% to 49% this period. The gross margin of construction services for comprehensive renovation projects is 28%, which is lower than the average of other business sectors (i.e. water treatment services and technical services for water environmental renovation) of 51% and therefore the overall gross margin of the Group decreased. Although average gross margin decreased as a result of change in mix of revenue, gross margin for each segment either increased or remained unchanged. Gross margin for sewage treatment services was 64% which was same as last period. Gross margin for water distribution services increased from 43% last period to 75% this period as there was imputed interest income of HK$60.6 million for the Plant No. 9. Excluding the imputed interest income of the Plant No. 9, gross margin for water distribution services was 49% which slightly increased compared to last period of 43%. The increase was mainly due to the increase in actual water processing capacity whereas the operating costs are relatively fixed. Gross margin for construction services for water environmental renovation the increased from last period of 14% to 28% this period which was mainly because of the Nanminghe projects with a higher gross margin of 34%. Gross margin for construction of water plants under BOT projects slightly increased from last period of 10% to 11% this period. Gross margin for the technical services for the water environmental renovation was 86% which was same as last period.

3.4 Other income and gains, net

The Group recorded other income and gains, net of HK$77.1 million during the period, compared to last period of HK$15.7 million. The amount for this period included sludge treatment income of HK$26.7 million, gains on disposal of a joint venture and subsidiaries of HK$16.6 million and fair value gains on investment properties of HK$14.2 million. There were no such items during last period.

3.5 Administrative expenses

Administrative expenses for the period was HK$269.7 million, compared to last period of HK$148.8 million. The increase was mainly due to the increase in staff costs of HK$27.8 million, business development expenses of HK$6.7 million, land use tax expenses of HK$10.9 million and equity-settled share option expense of HK$25.9 million. Staff costs and business development expenses increased as a result of the business expansion during this period. Increase in land use tax expenses were due to the lands located in Dalian acquired in second half of 2012, hence no such expense in last period. Also, there was no equity-settled share option expense during last period since the share option was issued during this period. Although there was an increase in administrative expenses as a result of the business expansion, the Group managed to control administrative expenses effectively. The ratio of administrative expenses to total revenue decreased from 10.6% last period to 9.8% this period.

3.6 Other operating expenses, net

Other operating expenses for the period included the exchange loss in a RMB note payable and RMB corporate bonds of HK$45.5 million as a result of the appreciation of RMB against HK$ during the period.

3.7 Finance costs

Finance costs mainly represented interests on bank and other borrowings of HK$212.6 million (Six months ended 30 June 2012: HK$172.6 million) and interests on corporate bonds and a note payable of HK$126.3 million (Six months ended 30 June 2012: HK$51.9 million). The increase in finance costs was mainly due to the issuance of a RMB note on 1 August 2012. Also, there was an increase in interest rate as compared with last period.

3.8 Income tax

Income tax expense for the period included the current PRC income tax of HK$127.7 million. The effective tax rate for the PRC operation was about 18% which was lower than the PRC standard income tax rate of 25% as some of the subsidiaries enjoyed tax concession benefit. Deferred tax for the period was HK$29.1 million.

3.9 Property, plant and equipment

Property, plant and equipment decreased by HK$244.6 million which was mainly due to the disposal of 內蒙古北控西部水業股份有限公司 (Inner Mongolia Beijing Enterprises Western Water Industry Co., Ltd^).

^ *For identification purpose only*

3.10 Investment properties

Investment properties represent a portion of a building located in Beijing which the Group held to earn rental income and reclassified from property, plant and equipment to investment properties during this period. The investment properties are stated at fair value. Fair value gain of HK$14.2 million was recognised in income statement during this period. There was no such item in last period.

3.11 Goodwill

Increase in goodwill of HK$666.6 million was mainly due to acquisition of seven companies in Dongguan and asset injection from BEHL. For details, please refer to "Significant Investments and Acquisitions" section.

3.12 Receivables

The Group's total receivables of HK$16,395.8 million (31 December 2012: HK$12,128.3 million) included:

By accounting nature:

	30 June 2013			31 December 2012		
	Non-current	**Current**	**Total**	Non-current	Current	Total
	HK$'M	***HK$'M***	***HK$'M***	*HK$'M*	*HK$'M*	*HK$'M*
(i) Amounts due from contract customers	**4,380.8**	**49.4**	**4,430.2**	2,762.0	31.6	2,793.6
(ii) Receivables under service concession arrangements	**9,284.9**	**969.9**	**10,254.8**	6,469.5	382.5	6,852.0
(iii) Trade and bills receivables	**97.2**	**1,613.6**	**1,710.8**	97.2	2,385.5	2,482.7
Total	**13,762.9**	**2,632.9**	**16,395.8**	9,328.7	2,799.6	12,128.3

(i) Amounts due from contract customers of HK$4,430.2 million represent the balances of accumulated construction costs incurred to date plus recognised accumulated gross profits exceeding progress billings arising from BOT projects and comprehensive renovation projects during the phase of construction. Total balance increased by HK$1,636.6 million (non-current portion increased by HK$1,618.8 million and current portion increased by HK$17.8 million), which was mainly due to the recognition of construction revenue for a water environmental renovation project in Nanminghe;

(ii) Receivables under service concession arrangements of HK$10,254.8 million represent the fair value of the specified amount that the grantor contractually guarantees to pay under service concession contracts arising from BOT and TOT projects in operation. The increase in balance by HK$3,402.8 million (non-current portion increased by HK$2,815.4 million and current portion increased by HK$587.4 million) was mainly due to the acquisition of various TOT projects in Portugal, Chengdu, Dongguan, Jilin, Hainan, Shandong and Yunnan which accounted for an increase in receivable balance of around HK$2,129.4 million; and a receivable under service concession arrangements related to the Plant No. 9 in Beijing acquired from BEHL; and

(iii) Trade and bills receivables of HK$1,710.7 million mainly arose from the provision of construction services for comprehensive renovation projects, technical and consultancy services and sewage treatment equipment trading. The balance decreased by HK$771.9 million (non-current portion remained unchanged and current portion decreased by HK$771.9 million), mainly due to settlement of receivables for construction services of comprehensive renovation projects in Kunming of HK$726.1 million (equivalent to RMB573.6 million) during the period.

By business nature:

	30 June 2013 *HK$'M*	31 December 2012 *HK$'M*
Water treatment services by BOT and TOT projects	**12,312.1**	8,433.3
Construction services of comprehensive renovation projects	**3,750.5**	3,246.6
Technical and consultancy services and other businesses	**333.2**	448.4
Total	**16,395.8**	12,128.3

Total receivables, which relates to the BOT and TOT projects, recognised under the service concession agreements in accordance with the HK(IFRIC)-Int 12 *Service Concession Arrangements* was HK$12,312.1 million (31 December 2012: HK$8,433.3 million). Total receivables for the construction service of comprehensive renovation projects were HK$3,750.5 million (31 December 2012: HK$3,246.6 million). Total receivables for technical and consultancy services and other businesses were HK$333.2 million (31 December 2012: HK$448.4 million).

3.13 Operating concessions

Operating concessions represents rights that the Group can charge users under service concession contracts. It is a non-guarantee receipt right to receive cash because the chargeable amounts are contingent on the extent that the users use the service. The balance arises from BOT and TOT projects in operation. The balance increased by HK$900.5 million was mainly due to the acquisition of operating concessions in Portugal of HK$850.9 million during this period.

3.14 Investments in joint ventures

Investments in joint ventures increased by HK$347.3 million, mainly due to the acquisition of BJA Holdings Company Ltd. from BEHL. BJA Holdings Company Ltd. holds a joint venture namely 北京安菱水務科技有限公司 (Beijing Anling Water Technology Company Limited^) which has a concession right for the Plant No.10 in Beijing.

3.15 Prepayments, deposits and other receivables

Prepayments, deposits and other receivables increased by HK$95.1 million (non-current portion increased by HK$2.1 million and current portion increased by HK$93.0 million), mainly due to the increase in construction prepayments.

^ *For identification purpose only*

3.16 Cash and cash equivalents

Cash and cash equivalents increased by HK$587.2 million, mainly due to increase in corporate bonds.

3.17 Other payables and accruals

Other payables and accruals decreased by HK$14.6 million (non-current portion increased by HK$1.5 million and current portion decreased by HK$16.1 million).

3.18 Corporate bonds

The increase in corporate bonds was mainly due to the issuance of a corporate bond denominated in USD in a principal amount of US$500 million (equivalent to HK$3,855.6 million) on 6 May 2013.

3.19 Liquidity and financial resources

As at 30 June 2013, the Group's cash and cash equivalents amounted to HK$4,878.0 million (31 December 2012: HK$4,290.9 million).

The Group's total borrowings amounted to HK$17,398.2 million (31 December 2012: HK$13,294.5 million) comprised bank and other borrowings of HK$9,602.8 million (31 December 2012: HK$9,403.7 million), finance lease payable of HK$16.6 million (31 December 2012: HK$19.7 million), a note payable of HK$1,495.3 million (31 December 2012: HK$1,476.6 million) and corporate bonds of HK$6,283.5 million (31 December 2012: HK$2,394.5 million).

As at 30 June 2013, the Group had banking facilities amounting to HK$6.59 billion, of which HK$1.34 billion have not been utilised. The banking facilities are of 1 to 5 years term.

The gearing ratio as defined as sum of bank and other borrowings, finance lease payable, note payable and corporate bonds, net of cash and cash equivalents, divided by the total equity was 0.98 as at 30 June 2013 (31 December 2012: 0.84). The increase in the gearing ratio as at 30 June 2013 was mainly due to the issuance of the corporate bond as detailed in section 3.18. The bond proceeds were utilised for the acquisition of various water projects in the PRC and Portugal.

3.20 Capital expenditures

During the period, the Group's total capital expenditures were HK$2,003.2 million (Six months ended 30 June 2012: HK$356.0 million), of which HK$10.1 million was paid for the acquisition of property, plant and equipment and intangible assets; HK$452.1 million was spent on construction and acquisition of water plants and HK$1,541.0 million represented the consideration for acquisition of equity interests in subsidiaries. The increase was mainly due to the increase in capital expenditure on the acquisition of equity interests in subsidiaries.

4. Future outlook

In the second half year, ongoing support to water industry development remains the key tone under the macro-economic policy in respect of the industry, finance, credit and so on. The water environmental protection industry is getting more and more attention from the capital markets. With market competition increasingly intense, it has already stepped into the stage of merger and acquisition in the water industry. Those enterprises taking their own industry advantages may have benefit from it and are going to their rapid development during the integration process of industrial merger and acquisition, as a result of enlargement of their market share in the industry. Meanwhile, the seawater desalination market will be mature gradually while water environment rehabilitation business opportunities have emerged, and the sludge treatment and disposal is expected to be the new market focus. Specialized water investment operators running in their whole industrial chain are going to boost their development rapidly toward this strategic opportunities.

Facing opportunities and challenges in the second half year, the Group shall use its best endeavour on maintaining targets and keeping on growth with an aim at fulfilment of its 2013 anticipated missions, thereby further strengthen its foundation of sustainable development. The Group will strive to achieve breakthroughs in acquiring major projects and exploring major markets by way of the acquisition of large scale sewage/water projects, purchasing equity interests of middle and small scale water companies as well as integrating the regional small scale sewage treatment projects as a whole investment package, in addition to the traditional single sewage and water projects. We will not only accelerate the facilitation of water environmental comprehensive renovation projects which are anticipated in our annual investment plans, but also focus on promoting contracted projects as well as monitor their progress and repurchase. On the other hand, we continue to implement the internationalization strategy in a stable manner, orderly put forward seawater desalination projects and strategically lay out the sludge and garbage business, thereby taking assurance of the working progress of major projects of the year.

Meanwhile, the Group will continue to strengthen the building of its management control system and enhance overall corporate management. The Group will uphold the business philosophy and management policy of "centralizing approval, having own responsibility, enhancing coordination and evaluating performance" thereby further consolidate its management and control efficacy in order to improve operation efficiency. We will not only strengthen the management and control of the whole project process, but also strictly enforce its own responsibility of each corporate entity. We further intensify an internal and external collaboration so as to assure revenues from investment projects and increasing the scale and effectiveness of the Group simultaneously. We continue to perfect the fund management platform, actively explore fund raising channels and optimize fund raising structure with an aim to locate low-cost fund to satisfy for those large scale projects in pursuit of the Group's ongoing business development. We always keep on absorbing talents and technology as our strategy, thereby create a favourable internal environment for the Company's sustainable growth in corporate performance.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2013, the Group employed 3,154 employees. The Group's remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

(a) On 5 February 2013, the Group completed acquisitions of the following assets from BEHL and certain of its subsidiaries (the "Assets Vendors"):

 (i) the estimated future net cash income (after deducting all state and local taxes in the PRC and operating costs) generated from the service concession arrangement on the water purification and treatment operation of the Phase 1 of No. 9 water treatment plant in Beijing for the six years ending 31 December 2018;

 (ii) the entire equity interests in 濰坊北控水務有限公司 (Beijing Enterprises Water (Weifang) Company Limited^) which is engaged in a service concession arrangement on water supply in Shandong Province, the PRC; and

 (iii) the entire beneficial shareholding interests in Beijing Enterprises Water Company Limited, an investment holding company holding an interest in a joint venture which is engaged in a service concession arrangement on water supply in Beijing.

^ *For identification purpose only*

The above acquisitions were made pursuant to a master agreement dated 26 September 2012 entered into between the Group and the Assets Vendors, and the total consideration of HK$1,066,539,552 in respect of the above acquisitions was satisfied by way of the issuance of 658,357,748 ordinary shares of the Company at HK$1.62 per share to Beijing Enterprises Environmental Construction Limited ("BE Environmental"), a wholly-owned subsidiary of BEHL.

On 24 May 2013, the Group completed the acquisition of a 90% equity interest in 北控水務集團(海南)有限公司 (Beijing Enterprises Water Group (Hainan) Company Limited^), which is principally engaged in sewage treatment operation in Hainan Province, the PRC. The consideration of RMB157,000,000 (equivalent to approximately HK$191,894,006) was settled by way of the issuance of 118,453,090 ordinary shares of the Company at HK$1.62 per share to BE Environmental.

Further details of the acquisition transactions are set out in the Company's circular dated 30 November 2012 and announcements dated 5 February 2013 and 24 May 2013, respectively.

(b) On 6 February 2013, the Company and three independent third parties (collectively the "Dongguan Vendors") entered into an equity transfer agreement, pursuant to which the Company conditionally agreed to acquire, and the Dongguan Vendors conditionally agreed to sell, the entire equity interests in seven companies established in Mainland China and principally engaged in the sewage treatment operations in Dongguan City, Guangdong Province at an aggregate consideration of RMB514,721,000 (equivalent to approximately HK$642,962,000).

Further details of the transaction are set out in the Company's announcement dated 6 February 2013.

(c) On 21 March 2013 the Company and Veolia Eau – Compagnie Générale des Eaux, S.C.A. ("Veolia Water") entered into a sale and purchase agreement, pursuant to which the Company, or a wholly-owned subsidiary of the Company, acquired from Veolia Water the entire share capital of Compagnie Générale des Eaux (Portugal) – Consultadoria e Engenharia, S.A., (a company incorporated and operating under the laws of Portugal) together with related quasi-capital contributions and shareholder loan. The aggregate consideration is €95,515,000 (equivalent to approximately HK$963,679,000).

Further details of the transaction are set out in the Company's announcement dated 21 March 2013.

^ *For identification purpose only*

(d) On 28 June 2013, BEWG Environmental Group Co., Ltd., a wholly-owned subsidiary of the Company ("BEWG Environmental") and an independent third party (the "BCEG vendor") entered into an equity transfer agreement, pursuant to which, BEWG Environmental has conditionally agreed to acquire, and the BCEG Vendor has conditionally agreed to sell, the equity interest of BCEG Environment Development Co., Ltd^ （北京建工環境發展有限責任公司）at a consideration of RMB270,000,000 (equivalent to approximately HK$340,956,000). As at the date of this announcement, the transaction has not been completed.

Further details of BCEG acquisition are set out in the Company's announcement dated 28 June 2013.

Save as disclosed above, the Group had no material significant investments and acquisitions of subsidiaries and affiliated companies during the six months ended 30 June 2013.

CHARGES ON THE GROUP'S ASSETS

The secured bank and other borrowings, and a finance lease payable of the Group as at 30 June 2013 are secured by:

(i) mortgages over certain sewage treatment and water distribution concession rights (comprising property, plant and equipment, operating concessions and receivables under service concession arrangements) which are under the management of the Group pursuant to the relevant service concession agreements signed with the grantors;

(ii) guarantees given by the Company and/or its subsidiaries;

(iii) pledges over certain of the Group's equity interests in subsidiaries; and/or

(iv) pledges over certain of the Group's bank balances.

Save as disclosed above, at 30 June 2013, the Group did not have any charges on the Group's assets.

FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Company operates in the PRC with most of the transactions denominated and settled in RMB. Currently, the Group has not used derivative financial instruments to hedge its foreign currency risk.

^ *For identification purpose only*

CONTINGENT LIABILITIES

At 30 June 2013, a corporate guarantee at a maximum amount of RM49,162,000 (equivalent to HK$120,629,000) was given by a subsidiary of the Group to the government of Malaysia in respect of the specific performance of the duties by the Group under an arrangement on the design, construction and operation of an underground sewage water plant located in Malaysia (the "Malaysia Project"). The corporate guarantee remains in force and effects until 27 January 2019. Further details of the Malaysia Project are set out in the Company's announcements dated 4 July 2011 and 3 November 2011.

Save as disclosed above, at 30 June 2013, the Group did not have any significant contingent liabilities.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

INTERIM DISTRIBUTION

The Directors of the Company have resolved to pay interim distribution of HK2.5 cents per ordinary share out of the contributed surplus of the Company, payable on or before 11 October 2013 to shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 25 September 2013 for their continuous supports to the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 23 September 2013 to Wednesday, 25 September 2013 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the interim distribution, all properly completed transfers forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 19 September 2013.

CORPORATE GOVERNANCE

During the six months ended 30 June 2013, in the opinion of the Board, the Company complied with all code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules except the Code Provision E.1.2. The chairman of the Company was unable to attend the annual general meeting of the Company held on 21 May 2013 (the "2013 AGM") and has appointed the vice chairman of the Company to attend on his behalf to chair the 2013 AGM. The chairman of each of remuneration and nomination committees was also unable to attend the 2013 AGM due to other business engagements and has appointed the other directors of the Company to attend the 2013 AGM and to answer questions. Sufficient measures had been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors of the Company, the Company confirms that during the six months ended 30 June 2013, all its directors of the Company have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions by directors.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") comprises three independent non-executive directors of the Company, namely Mr. Shea Chun Lok Quadrant (the chairman of the Committee), Mr. Zhang Gaobo and Mr. Guo Rui. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and internal controls of the Company. The unaudited interim results for the six months ended 30 June 2013 have been reviewed and approved by the Audit Committee of the Company. The Audit Committee considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Company's website (www.bewg.com.hk) and the website of the Stock Exchange (www.hkexnews.hk). The 2013 interim report will be dispatched to shareholders in September 2013 and will be published on the websites of the Company and the Stock Exchange in due course.

APPRECIATION

On behalf of the Board, I would like to express my sincere thanks to all the Group's employees for their continuous support and dedicated services.

By Order of the Board
Beijing Enterprises Water Group Limited
Zhang Honghai
Chairman

Hong Kong, 29 August 2013

As at the date of this announcement, the board of directors of the Company comprises eleven executive directors, namely Mr. Zhang Honghai (Chairman), Mr. E Meng (Vice Chairman), Mr. Jiang Xinhao, Mr. Hu Xiaoyong (Chief Executive Officer), Mr. Zhou Min, Mr. Li Haifeng, Mr. Zhang Tiefu, Mr. Hou Feng, Ms. Qi Xiaohong, Mr. Ke Jian and Mr. Tung Woon Cheung Eric and six independent non-executive directors, namely Mr. Shea Chun Lok Quadrant, Mr. Zhang Gaobo, Mr. Guo Rui, Ms. Hang Shijun, Mr. Wang Kaijun and Mr. Yu Ning.