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 2014

HIGHLIGHTS

- The Group reported revenue of HK$3,815.5 million, representing an increase of 38% as compared with that of HK$2,763.7 million in last period.
- Profit attributable to shareholders of the Company was HK$714.0 million, representing an increase of 39% as compared with that of HK$514.3 million in last period.
- Equity-settled share option expense amounted to HK$57.6 million (last period: HK$25.9 million). Profit attributable to shareholders of the Company before the equity-settled share option expense was HK$771.6 million, representing an increase of 43% as compared with that of HK$540.2 million in last period.
- EBITDA amounted to HK$1,588.6 million, representing an increase of 49% as compared with that of HK$1,069.4 million in last period.
- Basic and diluted earnings per share for the period were HK8.31 cents and HK8.14 cents respectively.
- Interim cash distribution of HK3.0 cents per share is declared for the six months ended 30 June 2014. Dividend payout ratio is 36%.
- Total daily design capacity for new projects secured for this period was 1,487,900 tons. During the period, the Group disposed two sewage treatment projects in Shandong with aggregate daily capacity of 40,000 tons. The net increase in total daily design capacity for this period was 1,447,900 tons. As at 30 June 2014, total daily design capacity was 18,156,050 tons, representing an increase of 9% as compared with the capacity of 16,708,150 tons as at 31 December 2013.

^ *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 2014 and the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2014 with comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

		For the six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	HK$'000
REVENUE	*3*	**3,815,507**	2,763,692
Cost of sales		**(2,219,828)**	(1,659,209)
Gross profit		**1,595,679**	1,104,483
Interest income		**175,783**	172,001
Other income and gains, net		**138,335**	77,054
Administrative expenses		**(479,260)**	(269,735)
Other operating expenses, net		**(7,700)**	(49,139)
PROFIT FROM OPERATING ACTIVITIES	*4*	**1,422,837**	1,034,664
Finance costs	*5*	**(518,781)**	(342,407)
Share of profits and losses of:			
Joint ventures		**62,590**	(2,853)
Associates		**20,938**	(2,244)
PROFIT BEFORE TAX		**987,584**	687,160
Income tax	*6*	**(190,681)**	(156,829)
PROFIT FOR THE PERIOD		**796,903**	530,331
ATTRIBUTABLE TO:			
Shareholders of the Company		**714,006**	514,300
Non-controlling interests		**82,897**	16,031
		796,903	530,331
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*8*		
– Basic		**HK8.31 cents**	HK6.89 cents
– Diluted		**HK8.14 cents**	HK6.89 cents

Details of the cash distributions declared out of contributed surplus account for the period are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**796,903**	530,331
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items to be reclassified to profit or loss in subsequent periods:		
– Exchange differences on translation of foreign operations	**(212,486)**	155,330
Items not to be reclassified to profit or loss in subsequent periods:		
– Share of other comprehensive income of a joint venture	**5,745**	3,376
– Fair value gain on revaluation of a portion of a building upon transfer to investment property, net of deferred tax of nil (Six months ended 30 June 2013 : HK$5,397,000)	**–**	16,191
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**5,745**	19,567
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX	**(206,741)**	174,897
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**590,162**	705,228
ATTRIBUTABLE TO:		
Shareholders of the Company	**552,596**	650,927
Non-controlling interests	**37,566**	54,301
	590,162	705,228

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2014

	Notes	**30 June 2014 (Unaudited) *HK$'000***	31 December 2013 (Audited) *HK$'000*
ASSETS			
Non-current assets:			
Property, plant and equipment		**439,801**	378,641
Investment property		**51,500**	52,152
Goodwill		**3,249,797**	2,512,862
Operating concessions		**2,531,717**	2,522,985
Other intangible assets		**24,616**	25,787
Investments in joint ventures		**2,934,841**	2,898,072
Investments in associates		**151,285**	126,700
Available-for-sale investments		**125,527**	3,039
Amounts due from contract customers		**7,090,767**	5,360,692
Receivables under service concession arrangements	*9*	**14,870,587**	11,779,143
Trade and bills receivables	*10*	**50,970**	53,090
Prepayments, deposits and other receivables	*11*	**2,646,575**	3,173,449
Deferred tax assets		**110,954**	87,818
Total non-current assets		**34,278,937**	28,974,430
Current assets:			
Land held for sale		**1,077,675**	1,091,317
Inventories		**75,941**	55,355
Amounts due from contract customers		**33,508**	26,970
Receivables under service concession arrangements	*9*	**1,782,868**	1,106,884
Trade and bills receivables	*10*	**2,061,172**	2,037,987
Prepayments, deposits and other receivables	*11*	**4,910,823**	5,323,645
Restricted cash and pledged deposits		**145,476**	57,047
Cash and cash equivalents		**4,791,792**	5,513,035
Total current assets		**14,879,255**	15,212,240
TOTAL ASSETS		**49,158,192**	44,186,670

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2014

	Notes	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital		**865,562**	843,598
Reserves		**13,875,856**	12,454,033
		14,741,418	13,297,631
Non-controlling interests		**2,779,453**	2,626,811
TOTAL EQUITY		**17,520,871**	15,924,442
Non-current liabilities:			
Other payables and accruals	*12*	**505,971**	475,919
Bank and other borrowings		**10,068,236**	8,294,065
Corporate bonds		**4,479,324**	4,486,411
Notes payable		**2,491,540**	2,522,527
Finance lease payable		**1,961**	5,862
Provision for major overhauls		**277,059**	197,760
Deferred income		**61,051**	66,684
Deferred tax liabilities		**733,846**	562,172
Total non-current liabilities		**18,618,988**	16,611,400
Current liabilities:			
Trade and bills payables	*13*	**3,471,899**	2,755,396
Other payables and accruals	*12*	**5,114,178**	4,565,940
Income tax payables		**307,023**	342,038
Bank and other borrowings		**4,117,696**	2,147,521
Corporate bonds		**–**	1,832,540
Finance lease payable		**7,537**	7,393
Total current liabilities		**13,018,333**	11,650,828
TOTAL LIABILITIES		**31,637,321**	28,262,228
TOTAL EQUITY AND LIABILITIES		**49,158,192**	44,186,670

NOTES:

1.1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda. During the six months ended 30 June 2014, 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 mainland ("Mainland China") of the People's Republic of China (the "PRC"), the Republic of Indonesia and Malaysia

- provision of sewage and reclaimed water treatment services in Mainland China and the Portuguese Republic ("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 services for 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 information for the six months ended 30 June 2014 has 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 information are the same as those adopted in the annual financial statements for the year ended 31 December 2013 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.

This interim condensed consolidated financial information has not been audited, but has 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 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*

The adoption of these new and revised HKFRSs has had no significant financial effect on this unaudited condensed interim financial information and there have been no significant changes to the accounting policies applied in the unaudited condensed interim financial information.

The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

2. OPERATING SEGMENT INFORMATION

For management purposes, 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 the Group's 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 a loan to a joint venture, interest income from non-controlling equity holders of subsidiaries, gains on disposal of subsidiaries and joint ventures, fair value gain on investment property, finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

For the six months ended 30 June 2014

	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	**3,353,503**	**360,281**	**101,723**	**3,815,507**
Cost of sales	**(2,022,950)**	**(181,233)**	**(15,645)**	**(2,219,828)**
Gross profit	**1,330,553**	**179,048**	**86,078**	**1,595,679**
Segment results:				
The Group	**1,300,138**	**130,327**	**67,309**	**1,497,774**
Share of profits and losses of:				
Joint ventures	**36,945**	**25,645**	**–**	**62,590**
Associates	**20,938**	**–**	**–**	**20,938**
	1,358,021	**155,972**	**67,309**	**1,581,302**
Corporate and other unallocated income and expenses, net				**(74,937)**
Finance costs				**(518,781)**
Profit before tax				**987,584**
Income tax				**(190,681)**
Profit for the period				**796,903**
Profit/(loss) for the period attributable to shareholders of the Company:				
Operating segments	**1,105,950**	**141,372**	**67,008**	**1,314,330**
Corporate and other unallocated items				**(600,324)**
				714,006

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

Geographical information

	For the six months ended 30 June 2014 HK$'000
Revenue from external customers:	
Mainland China	**3,263,398**
Malaysia	**298,900**
Elsewhere	**253,209**
	3,815,507

The revenue information is based on the locations of the customers.

Geographical information for the six months ended 30 June 2013 is not presented since over 90% of the Group's revenue from external customers is generated 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 information.

Information about major customers

During the period ended 30 June 2014, the Group had a transaction with one (Six months ended 30 June 2013: one) 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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer 1	**N/A***	1,039,563
Customer 2	**443,239**	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 relevant 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, value-added 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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Sewage and reclaimed water treatment services*	**1,571,198**	849,628
Construction services	**1,782,305**	1,738,536
Water distribution services*	**360,281**	118,152
Technical and consultancy services	**101,723**	57,376
	3,815,507	2,763,692

* *Imputed interest income under service concession arrangements amounting to HK$495,485,000 (Six months ended 30 June 2013: HK$308,785,000) is included in the revenue derived from "Sewage and reclaimed water treatment services" and "Water distribution 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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of sewage and reclaimed water treatment services rendered	**566,521**	291,301
Cost of construction services	**1,424,758**	1,313,303
Cost of water distribution services	**152,197**	21,135
Cost of technical and consultancy services rendered	**15,645**	8,033
Depreciation	**19,902**	13,616
Amortisation of operating concessions*	**60,707**	25,437
Amortisation of other intangible assets*	**1,634**	827

* *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 statement of profit or loss, respectively.*

5. FINANCE COSTS

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and other loans wholly repayable within five years	**305,319**	215,478
Interest on other loans	**316**	6,178
Interest on corporate bonds	**145,088**	80,286
Interest on notes payable	**76,739**	46,046
Interest on a finance lease	**363**	595
Total interest expense	**527,825**	348,583
Increase in discounted amounts of provision for major overhauls arising from the passage of time	**4,520**	3,485
Total finance costs	**532,345**	352,068
Less: Interest included in cost of construction services	**(13,564)**	(9,661)
	518,781	342,407

6. INCOME TAX

No provision for Hong Kong profits tax and Indonesia corporate tax has been made for the six months ended 30 June 2014 as the Group did not generate any assessable profits arising in Hong Kong and Indonesia during the period (Six months ended 30 June 2013: Nil).

The income tax provisions in respect of operations in Mainland China, Portugal 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 Mainland China, a number of the Company's subsidiaries enjoy income tax exemptions and reductions, by reasons that (1) these companies are engaged in the operations of sewage and reclaimed water treatment; and/or (2) they have operations in the Western region of Mainland China that are qualified for a 15% concessionary corporate income tax rate for a prescribed period of time pursuant to the "Circular of the State Council on Policies and Measures Concerning the Large-scale Development of China's Western Regions" (Guo Fa [2000] No. 33) issued by the State Council of Mainland China.

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – PRC:		
Hong Kong	**–**	–
Mainland China	**100,077**	121,488
Current – Malaysia	**6,711**	–
Current – Portugal	**316**	–
Under-provision in prior periods	**3,966**	6,248
Deferred	**79,611**	29,093
Total tax expense for the period	**190,681**	156,829

7. INTERIM DISTRIBUTION

On 28 August 2014, the Board declared an interim cash distribution of HK3.0 cents per share (Six months ended 30 June 2013: HK2.5 cents) totalling approximately HK$259,962,000 (Six months ended 30 June 2013: HK$192,150,000).

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 2014 is based on the profit for the period attributable to shareholders of the Company, and the weighted average number of 8,596,156,640 (Six months ended 30 June 2013: 7,465,090,092) ordinary shares in issue during the period.

The calculation of the diluted earnings per share amounts for the period ended 30 June 2014 is based on the profit for the period attributable to shareholders of the Company and the weighted average number of ordinary shares after adjustment for the effect of deemed exercise of all share options at the beginning of the period.

No adjustment has been made to the basic earnings per share amounts presented for six months ended 30 June 2013 in respect of a dilution as the impact of the share options outstanding during that period had no diluting effect on the basic earnings per share amount presented.

The calculation of the diluted earnings per share amounts for the period ended 30 June 2014 is based on the following data:

	For the six months ended 30 June 2014 *HK$'000* (Unaudited)
Earnings	
Profit for the period attributable to shareholders of the Company, used in the basic earnings per share calculation	**714,006**

	For the six months ended 30 June 2014 (Unaudited)
Number of ordinary shares	
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	**8,596,156,640**
Effect of dilution on weighted average number of ordinary shares – Share options	**179,587,455**
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**8,775,744,095**

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 2014 (Unaudited) ***HK$'000***	31 December 2013 (Audited) *HK$'000*
Billed:		
Within 3 months	**657,355**	517,938
4 to 6 months	**294,439**	143,144
7 to 12 months	**271,770**	115,892
Over 1 year	**81,298**	89,404
	1,304,862	866,378
Unbilled:		
Current portion	**478,006**	240,506
Non-current portion	**14,870,587**	11,779,143
	15,348,593	12,019,649
Total	**16,653,455**	12,886,027

10. TRADE AND BILLS RECEIVABLES

The Group's trade and bills receivables arise from the provision of construction services for comprehensive renovation projects, water distribution services under Build-Own-Operate basis, 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 2014 (Unaudited) ***HK$'000***	31 December 2013 (Audited) *HK$'000*
Billed:		
Within 3 months	**199,401**	294,270
4 to 6 months	**42,234**	30,533
7 to 12 months	**149,613**	114,248
Over 1 year	**1,623,122**	1,545,995
Balance with extended credit period	**50,970**	53,059
	2,065,340	2,038,105
Unbilled*	**46,802**	52,972
	2,112,142	2,091,077
Portion classified as current assets	**(2,061,172)**	(2,037,987)
Non-current portion	**50,970**	53,090

* *The unbilled balance was attributable to certain construction services rendered under contracts for comprehensive renovation projects which will be billed in accordance with the repayment terms stipulated in relevant construction services agreements entered into between the Group and the contract customers.*

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2014 (Unaudited) ***HK$'000***	31 December 2013 (Audited) *HK$'000*
Prepayments	**74,756**	44,971
Deposits and other debtors	**3,465,503**	4,320,878
Advances to subcontractors and suppliers	**2,675,100**	2,772,812
Due from joint ventures	**70,096**	106,475
Due from associates	**2,075**	1,740
Due from related parties	**1,293,268**	1,333,124
	7,580,798	8,580,000
Impairment	**(23,400)**	(82,906)
	7,557,398	8,497,094
Portion classified as current assets	**(4,910,823)**	(5,323,645)
Non-current portion	**2,646,575**	3,173,449

12. OTHER PAYABLES AND ACCRUALS

	30 June 2014 (Unaudited) *HK$'000*	31 December 2013 (Audited) *HK$'000*
Accruals	**202,051**	263,228
Other liabilities	**1,508,361**	1,062,681
Receipts in advance	**985,377**	734,426
Due to subcontractors	**2,104,109**	2,275,591
Due to joint ventures	**263,153**	226,087
Due to associates	**6,876**	1,488
Due to related parties	**473,682**	410,750
Other taxes payables	**76,540**	67,608
	5,620,149	5,041,859
Portion classified as current liabilities	**(5,114,178)**	(4,565,940)
Non-current portion	**505,971**	475,919

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 2014 (Unaudited) *HK$'000*	31 December 2013 (Audited) *HK$'000*
Within 3 months	**486,695**	240,638
4 to 6 months	**253,645**	684,000
7 months to 1 year	**677,162**	243,758
1 to 2 years	**798,355**	566,122
2 to 3 years	**332,849**	72,052
Over 3 years	**276,148**	137,902
Balance with extended credit period	**647,045**	810,924
	3,471,899	2,755,396

Apart from certain trade and bills payables relating to certain construction services 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

Pursuant to a sale and purchase agreement dated 6 September 2013 (the "Sale and Purchase Agreement") entered into between the Company, Standard Water Ltd. (the "Vendor"), Crystal Water Company Limited ("Crystal Water") and China Water Holdings Pte. Ltd. ("China Water Holdings") (collectively the "Parties"), the Company agreed to acquire the entire equity interests in Crystal Water and China Water Holdings from the Vendor at a consideration of RMB1,350,000,000 (equivalent to approximately HK$1,697,760,000) in aggregate, subject to adjustments as stipulated in the Sale and Purchase Agreement.

On 27 January 2014, the Parties entered into a supplemental agreement (the "Supplemental Agreement") to, among other things, (1) reduce the consideration to RMB1,250,485,000 (equivalent to approximately HK$1,589,742,000); (2) revise the payment terms of the consideration; and (3) set out certain ancillary matters.

Pursuant to a settlement agreement dated 20 August 2014 entered into between the Parties, the Vendor agreed to pay to the Company (i) the final consideration payment amount of US$3,300,000 (equivalent to approximately HK$25,575,000); and (ii) other amount of HK$159,373,000 (the "Other Amount"), as full and final discharge of the Vendor's obligations under the Sale and Purchase Agreement and the Supplemental Agreement. In the event that the Stock Exchange does not grant the listing approval to the Company for the issuance of 33,223,537 ordinary shares of the Company (the "Remaining Consideration Shares") to the Vendor, the Company shall pay the Vendor the Other Amount that has previously been received by the Company, but the Vendor shall not be entitled to receive the Remaining Consideration Shares from the Company. Upon fulfilment of the Vendor's obligations under the Settlement Agreement as set out in items (i) and (ii) above, the Parties shall irrevocably and unconditionally release and discharge each other from all remaining obligations and liabilities under the Sale and Purchase Agreement and Supplemental Agreement.

Further details are set out in the Company's announcements dated 6 September 2013, 27 January 2014, 20 August 2014 and 22 August 2014.

15. OTHER FINANCIAL INFORMATION

The net current assets and total assets less current liabilities of the Group as at 30 June 2014 amounted to HK$1,860,922,000 (unaudited) (31 December 2013: HK$3,561,412,000) and HK$36,139,859,000 (unaudited) (31 December 2013: HK$32,535,842,000), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group maintained a steady growth in the first half of year 2014. Profit for the period attributable to shareholders of the Company increased by 39% to HK$714.0 million. Revenue increased by 38% to HK$3,815.5 million as a result of increase in revenue contribution from water treatment services.

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*	*%*
1. Water treatment services					
Sewage and reclaimed water treatment services					
China					
– Subsidiaries	1,482.9	39%	65%	656.8	49%
– Joint ventures and associates				3.6	1%
				660.4	50%
Overseas					
– Subsidiaries	88.3	2%	15%	1.5	1%
	1,571.2	41%		661.9	51%
Water distribution services					
China					
– Subsidiaries	255.8	7%	58%	98.8	8%
– Joint ventures				25.6	2%
				124.4	10%
Overseas					
– Subsidiaries	104.5	3%	29%	17.0	1%
	360.3	10%		141.4	11%
Subtotal	1,931.5	51%		803.3	62%

	Revenue		GP ratio	Profit attributable to shareholders of the Company	
	HK$'M	*%*	*%*	*HK$'M*	*%*
2. Construction services for the water environmental renovation					
Construction services for comprehensive renovation projects					
– Project with completion rate under 10%	–	–	–	–	–
– Project with completion rate more than 10%[§]	417.6	11%	19%	141.2	11%
– Interest income	–	–	–	72.1	5%
	417.6	11%	19%	213.3	16%
Construction of BOT water projects	1,364.7	36%	20%	230.7	17%
Subtotal	1,782.3	47%		444.0	33%
3. Technical services for the water environmental renovation	101.7	2%	85%	67.0	5%
Business results	3,815.5	100%		1,314.3	100%
Others[#]				(600.3)	
Total				714.0	

[#] *Others included head office and other corporate expense, net, of HK$23.9 million, equity-settled share option expense of HK$57.6 million and finance costs of HK$518.8 million.*

[§] *Profit attributable to shareholders of the Company included share of profits of joint ventures and associates of HK$35.5 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	%
1.	**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%
2.	**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 BOT water projects	401.1	14%	11%	31.0	3%
	Subtotal	1,738.5	63%		423.7	45%
3.	**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$65.9 million, equity-settled share option expense of HK$25.9 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 comparison of the Group's financial results for the six months ended 30 June 2014 and 2013 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			
	2014	2013	Increase/(Decrease)		**2014**	2013	Increase/(Decrease)	
	HK$'M	*HK$'M*	*HK$'M*	*%*	***HK$'M***	*HK$'M*	*HK$'M*	*%*
1. Water treatment services								
Sewage and reclaimed water treatment services								
China								
– Subsidiaries	**1,482.9**	849.6	633.3	75%	**656.8**	412.5	244.3	59%
– Joint ventures and associates					**3.6**	1.2	2.4	200%
GP ratio	***65%***	*64%*		*1%*	**660.4**	413.7	246.7	60%
Overseas								
– Subsidiaries	**88.3**	–	88.3	100%	**1.5**	–	1.5	100%
GP ratio	***15%***	–		*15%*				
	1,571.2	849.6	721.6	85%	**661.9**	413.7	248.2	60%
Water distribution services								
China								
– Subsidiaries	**255.8**	118.2	137.6	116%	**98.8**	76.4	22.4	29%
– Joint ventures					**25.6**	(4.9)	30.5	622%
GP ratio	***58%***	*75%*		*(17%)*	**124.4**	71.5	52.9	74%
Overseas								
– Subsidiaries	**104.5**	–	104.5	100%	**17.0**	–	17.0	100%
GP ratio	***29%***	–		*29%*				
	360.3	118.2	242.1	205%	**141.4**	71.5	69.9	98%
Subtotal	**1,931.5**	967.8	963.7	100%	**803.3**	485.2	318.1	66%
2. Construction services for the water environmental renovation								
Construction services for comprehensive renovation projects								
– Project with completion rate under 10%	**–**	22.4	(22.4)	(100%)	**–**	–	–	–
– Project with completion rate more than 10%	**417.6**	1,315.0	(897.4)	(68%)	**141.2**	309.8	(168.6)	(54%)
– Interest income	**–**	–	–	–	**72.1**	82.9	(10.8)	(13%)
	417.6	1,337.4	(919.8)	(69%)	**213.3**	392.7	(179.4)	(46%)
GP ratio	***19%***	*28%*		*(9%)*				
Construction of BOT water projects	**1,364.7**	401.1	963.6	240%	**230.7**	31.0	199.7	644%
GP ratio	***20%***	*11%*		*9%*				
Subtotal	**1,782.3**	1,738.5	43.8	3%	**444.0**	423.7	20.3	5%
3. Technical services for the water environmental renovation	**101.7**	57.4	44.3	77%	**67.0**	39.6	27.4	69%
GP ratio	***85%***	*86%*		*(1%)*				
Business results	**3,815.5**	2,763.7	1,051.8	38%	**1,314.3**	948.5	365.8	39%
Others					**(600.3)**	(434.2)	(166.1)	38%
Total					**714.0**	514.3	199.7	39%

2. Business review

The principal businesses of the Group include 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 19 provinces, 1 autonomous region and 2 municipalities all across Mainland China.

2.1 Water treatment services

As at 30 June 2014, the Group enters into service concession arrangements for a total of 301 water plants including 234 sewage treatment plants, 61 water distribution plants, 5 reclaimed water treatment plants and 1 seawater desalination plant. Total daily design capacity for new projects secured for this period was 1,487,900 tons including Build-Operate-Transfer ("BOT") projects of 1,074,200 tons, Transfer-Operate-Transfer ("TOT") projects of 40,000 tons, entrustment operation projects of 217,700 tons, and 156,000 tons through mergers and acquisitions.

During the period, the Group disposed two sewage treatment projects in Shandong with aggregate daily capacity of 40,000 tons. The net increase in total daily design capacity for this period was 1,447,900 tons.

As at 30 June 2014, total daily design capacity was 18,156,050 tons, representing an increase of 9% as compared with the capacity of 16,708,150 tons as at 31 December 2013.

Analysis of projects on hand is as follows:

	Sewage treatment	Reclaimed water treatment	Water distribution	Seawater desalination	Total
(Tons)					
China					
In operation	7,643,450	418,000	3,470,000	–	11,531,450
Not yet start operation/ Not yet transfer	2,961,500	272,500	3,168,200	50,000	6,452,200
Subtotal	10,604,950	690,500	6,638,200	50,000	17,983,650
Overseas					
In operation	55,200	–	36,000	–	91,200
Not yet start operation/ Not yet transfer	–	–	81,200	–	81,200
Subtotal	55,200	–	117,200	–	172,400
Total	10,660,150	690,500	6,755,400	50,000	18,156,050
(Number of water plants)					
China					
In operation	167	4	26	–	197
Not yet start operation/ Not yet transfer	43	1	19	1	64
Subtotal	210	5	45	1	261
Overseas					
In operation	24	–	13	–	37
Not yet start operation/ Not yet transfer	–	–	3	–	3
Subtotal	24	–	16	–	40
Total	234	5	61	1	301

	Number of plants	Design capacity *(Tons/Day)*	Actual processing volume during the period *(Tons (M))*	Revenue *(HK$'M)*	Profit attributable to shareholders of the Company *(HK$'M)*
Sewage and reclaimed water treatment services:					
Mainland China:					
– Southern China	45	2,988,700	463.0	501.9	274.2
– Western China	39	1,831,500	263.3	240.8	106.3
– Shandong	23	977,000	148.9	216.5	70.5
– Eastern China	42	1,468,250	157.9	278.3	102.2
– Northern China	22	796,000	116.5	245.4	107.2
	171	8,061,450	1,149.6	1,482.9	660.4
Overseas	24	55,200	9.6	88.3	1.5
Subtotal	195	8,116,650	1,159.2	1,571.2	661.9
Water distribution services:					
Mainland China	26	3,470,000	263.2	255.8	124.4
Overseas	13	36,000	5.6	104.5	17.0
Subtotal	39	3,506,000	268.8	360.3	141.4
Total	234	11,622,650	1,428.0	1,931.5	803.3

2.1.1 Sewage and reclaimed water treatment services

2.1.1a Mainland China

As at 30 June 2014, the Group had 167 sewage treatment plants and 4 reclaimed water plants in operation in Mainland China. Total daily design capacity in operation of sewage treatment plants and reclaimed water plants reached to 7,643,450 tons (31 December 2013: 6,259,750 tons) and 418,000 tons (31 December 2013: 418,000 tons) respectively. The average daily processing volume is 6,380,423 tons and average daily treatment rate is 79%. The actual average contracted tariff charge of water treatment was approximately HK$1.22 per ton for water plants. The actual aggregate processing volume for the period was 1,149.6 million tons, of which 1,037.4 million tons was contributed by subsidiaries recorded a revenue of HK$1,482.9 million for the period, and 112.2 million tons was contributed by joint ventures. Net profit attributable to shareholders of the Company was HK$660.4 million, of which HK$656.8 million was contributed by subsidiaries and HK$3.6 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 2014, there were 45 sewage treatment plants with total daily design capacity of 2,988,700 tons, representing an increase of 233,700 tons per day or 8% as compared with last year. The actual aggregate processing volume for the period amounted to 463.0 million tons. The operating revenue and profit attributable to shareholders of the Company were HK$501.9 million and HK$274.2 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 2014, there were 39 sewage treatment plants with total daily design capacity of 1,831,500 tons, representing an increase of 180,000 tons per day or 11% as compared with last year. The actual processing volume for the period was 263.3 million tons. The operating revenue of HK$240.8 million was recorded during the period. Profit attributable to shareholders of the Company amounted to HK$106.3 million.

Shandong

There were 23 plants in Shandong region. The total daily design capacity of Shandong region is 977,000 tons, representing an increase of 525,000 tons per day or 116% as compared with last year. The actual processing volume for the period was 148.9 million tons contributing operating revenue of HK$216.5 million during the period. Profit attributable to shareholders of the Company was HK$70.5 million.

Eastern China

There were 42 water plants in Eastern China which were mainly located in Zhejiang, Jiangsu and Anhui Province. As at 30 June 2014, the total daily design capacity of Eastern China had increased by 260,000 tons to 1,468,250 tons or 22% as compared with last year. The actual processing volume for the period amounted to 157.9 million tons and operating revenue was HK$278.3 million during the period. Profit attributable to shareholders of the Company was HK$102.2 million.

Northern China

Currently, the Group has 22 plants under operation in Northern China. They are mainly located in Liaoning Province and Beijing. The daily design capacity of Northern China had increased by 185,000 tons to 796,000 tons or 30% as compared with last year. The projects achieved actual processing volume of 116.5 million tons for the period. The operating revenue was HK$245.4 million during the period. Profit attributable to shareholders of the Company was HK$107.2 million.

2.1.1b Overseas:

As at 30 June 2014, the Group had 24 sewage treatment plants in Portugal. Total daily design sewage treatment capacity in operation was 55,200 tons. The actual processing volume for the period is 9.6 million tons. Total revenue for the period was HK$88.3 million. Profit attributable to shareholders of the Company was HK$1.5 million.

2.1.2 Water distribution services

2.1.2a Mainland China:

As at 30 June 2014, the Group had 26 water distribution plants in operation. Total daily design capacity in operation was 3,470,000 tons (31 December 2013: 2,750,000 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$2.26 per ton. The aggregate actual processing volume is 263.2 million tons, of which 110.3 million tons was contributed by subsidiaries, which recorded revenue of HK$255.8 million and 152.9 million tons was contributed by joint ventures. Imputed interest income of HK$51.1 million was recognised for the receivables under service concession arrangement of Plant No. 9 in Beijing. Profit attributable to shareholders of the Company was HK$124.4 million, of which profit of HK$98.8 million was contributed by subsidiaries and a profit of HK$25.6 million in aggregate was contributed by joint ventures.

2.1.2b Overseas:

As at 30 June 2014, the Group had 13 water distribution plants in Portugal. Total daily design water distribution capacity in operation was 36,000 tons. The actual processing volume for the period is 5.6 million tons. Total revenue for the period was HK$104.5 million. Profit attributable to shareholders of the Company was HK$17.0 million.

2.2 Construction services for the water environmental renovation

2.2.1 Construction services for comprehensive renovation projects

The Group had four comprehensive renovation projects under construction during the period. The projects located in Guangxi Guigang, Hunan Zhuhui, Kunming Yuxi, and Malaysia Pantai. Last period, the Group had six comprehensive renovation projects under construction which located in Guangxi Guigang, Guangxi Beihai, Chengdu Tuojianghe, Chengdu Pixian, Guizhou Nanminghe and Malaysia Pantai.

Revenue from comprehensive renovation projects decreased by HK$919.8 million from last period of HK$1,337.4 million to HK$417.6 million this period. The decrease was mainly due to the completion of several projects.

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 from water environmental renovation projects attributable to shareholders of the Company was HK$72.1 million for this period (six months ended 30 June 2013: HK$82.9 million).

Profit attributable to shareholders of the Company for the comprehensive renovation projects decreased by HK$179.4 million from last period of HK$392.7 million to HK$213.3 million this period. The decrease was mainly due to the completion of several projects.

2.2.2 Construction of BOT water projects

The Group entered into a number of service concession contracts on a BOT basis in respect of its water 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, 50 water plants were under construction. These water plants were mainly located in Beijing, Sichuan, Shandong, Yunnan, Liaoning, Guangxi, Jiangsu, Shanxi, and Hunan provinces. Total revenue for construction of BOT water projects was HK$1,364.7 million (six months ended 30 June 2013: HK$401.1 million) and profit attributable to shareholders of the Company was HK$230.7 million (six months ended 30 June 2013: HK$31.0 million). The increase in contribution from BOT projects during this period was mainly due to the construction work performed for Liangshui River, Beijing. As at 30 June 2014, the total daily design capacity of these water plants in the construction stage was 4,534,400 tons, most of these projects are expected to commence operation in coming 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$101.7 million, representing 2% of the Group's total revenue. Profit attributable to shareholders of the Company was HK$67.0 million (Six months ended 30 June 2013: HK$39.6 million).

3. Financial analysis

3.1 Revenue

During the period, the Group recorded revenue of HK$3,815.5 million (Six months ended 30 June 2013: HK$2,763.7 million). The increase was mainly due to the increase in revenue from water treatment services. Increase in revenue from water treatment services was mainly due to revenue contribution from projects acquired in the second half of Year 2013. Those projects contributed total revenue of HK$762.2 million.

3.2 Cost of sales

Cost of sales for the period amounted to HK$2,219.8 million, compared to last period of HK$1,659.2 million. The increase was mainly due to the increase in operating costs of water plants amounted to HK$441.6 million. Cost of sales mainly included construction costs of HK$1,424.8 million and operating costs of water plants of HK$779.4 million. The construction costs mainly consisted of subcontracting charges. The operating costs of water plants, mainly included electricity charges of HK$269.5 million, staff costs of HK$79.8 million and major overhaul charges of HK$25.3 million; while the increase in operating costs was mainly due to increase in actual water processing volume. 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 profit or loss based on amortisation method during the service concession periods.

3.3 Gross profit margin

During the period, gross profit margin increased from 40% to 42%.

Gross margin for sewage and reclaimed water treatment services:

Gross margin for sewage and reclaimed water treatment services in Mainland China was relatively stable and maintained at 65% (last period: 64%). Gross margin for sewage and reclaimed water treatment services in Overseas was 15%. The Group acquired Portugal business during the second half of last year. As such, there was no contribution from Overseas last period.

Gross margin for water distribution services:

Gross margin for water distribution services in Mainland China was 58% (last period: 75%). Excluding the imputed interest income of the Plant No. 9, gross margin for water distribution services was relatively stable and maintained at 48% (last period: 49%). Gross margin for water distribution services in Overseas was 29%. The Group acquired Portugal business during the second half of last year. As such, there was no contribution from Overseas last period.

Gross margin for construction services for the water environmental renovation:

Gross margin for construction services for comprehensive renovation projects decreased from last period of 28% to 19% this period. Decrease was mainly due to the major comprehensive renovation project for this period was Yunnan Yuxi which has a relatively lower gross margin of 18%. Last period, the major comprehensive renovation project was Nanminghe projects which has a higher gross margin of 34%.

Gross margin for construction of BOT water projects increased from last period of 11% to 20% this period. Gross margin increased as there was a change in valuation parameters to reflect the fair value of construction services more accurately.

Gross margin for technical services for the water environmental renovation:

Gross margin for the technical services for the water environmental renovation was 85% (last period: 86%).

3.4 Other income and gains, net

The Group recorded other income and gains, net of HK$138.3 million during the period, compared to last period of HK$77.1 million. The amount for this period mainly included sludge treatment income of HK$33.0 million, government grants of HK$31.6 million and foreign exchange gains, net of HK$48.1 million.

3.5 Administrative expenses

Administrative expenses for the period was HK$479.3 million, compared to last period of HK$269.7 million. The increase was mainly due to the increase in staff costs of HK$90.0 million, business development expenses of HK$11.3 million, and equity-settled share option expense of HK$31.7 million. Staff costs and business development expenses increased as a result of the business expansion during this period. Excluded the equity-settled share option expense, the ratio of administrative expenses to total revenue slightly increased from 9.8% last period to 11.7% this period because cost synergy of newly acquired companies has not been reflected during this period.

3.6 Other operating expenses, net

Other operating expenses decreased from HK$49.1 million last period to HK$7.7 million this period. Last period, the amount included foreign exchange losses, net of HK$45.5 million. However, foreign exchange gains, net was recorded this period. Please refer to Note 3.4.

3.7 Finance costs

Finance costs mainly represented interests on bank and other borrowings of HK$305.6 million (Six months ended 30 June 2013: HK$221.7 million) and interests on corporate bonds and notes payable of HK$221.8 million (Six months ended 30 June 2013: HK$126.3 million). The increase in finance costs was mainly due to the issuance of additional note payable of RMB800 million on 8 November 2013 and a corporate bond denominated in USD in a principal of US$500 million on 6 May 2013. In addition, the borrowings of newly acquired business bears a relatively higher interest rate. Also, there was an increase in market 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$100.1 million. The effective tax rate for the PRC operation was about 15% which was lower than the PRC standard income tax rate of 25% as some of the subsidiaries enjoyed tax concession benefit. Deferred tax charge for the period was HK$79.6 million.

3.9 Property, plant and equipment

Property, plant and equipment increased by HK$61.2 million which was mainly due to the acquisition of 南京市政設計院 (Nanjing Municipal Research Institute^). Nanjing Municipal Research Institute was acquired during the period and its property, plant and equipment was consolidated into the Group.

^ *For identification purpose only*

3.10 Investment property

Investment property represents a portion of a building located in Beijing which the Group held to earn rental income. The investment property is stated at fair value.

3.11 Goodwill

Increase in goodwill of HK$736.9 million was mainly due to acquisition of Standard Water Group* and Nanjing Municipal Design Research Institute.

3.12 Receivables

The Group's total receivables of HK$25,890.0 million (31 December 2013: HK$20,364.8 million) included:

By accounting nature:

	30 June 2014			31 December 2013		
	Non-current *HK$'M*	**Current** *HK$'M*	**Total** *HK$'M*	Non-current *HK$'M*	Current *HK$'M*	Total *HK$'M*
(i) Amounts due from contract customers	**7,090.8**	**33.5**	**7,124.3**	5,360.7	27.0	5,387.7
(ii) Receivables under service concession arrangements	**14,870.6**	**1,782.9**	**16,653.5**	11,779.1	1,106.9	12,886.0
(iii) Trade and bills receivables	**51.0**	**2,061.2**	**2,112.2**	53.1	2,038.0	2,091.1
Total	**22,012.4**	**3,877.6**	**25,890.0**	17,192.9	3,171.9	20,364.8

(i) Amounts due from contract customers of HK$7,124.3 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$1,736.6 million (non-current portion increased by HK$1,730.1 million and current portion increased by HK$6.5 million), which was mainly due to the recognition of construction revenue for new projects in Dao Xiang Lake and Liangshui River;

* *Standard Water Group owns 36 water projects in the PRC with total daily design capacity of 1,521,000 tons. For further details of the acquisition transactions, please refer to the "Significant Investments and Acquisitions" section.*

(ii) Receivables under service concession arrangements of HK$16,653.5 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$3,767.5 million (non-current portion increased by HK$3,091.5 million and current portion increased by HK$676.0 million) was mainly due to the acquisition of Standard Water Group which accounted for an increase in receivable balance of around HK$2,742.1 million; and

(iii) Trade and bills receivables of HK$2,112.2 million mainly arose from the provision of construction services for comprehensive renovation projects, technical and consultancy services and sewage treatment equipment trading. The balance increased by HK$21.1 million (non-current portion decreased by HK$2.1 million and current portion increased by HK$23.2 million).

By business nature:

	30 June 2014	31 December 2013
	HK$'M	*HK$'M*
Water treatment services by BOT and TOT projects	**20,531.1**	15,142.9
Construction services of comprehensive renovation projects	**4,938.3**	4,868.5
Technical and consultancy services and other businesses	**420.6**	353.4
Total	**25,890.0**	20,364.8

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$20,531.1 million (31 December 2013: HK$15,142.9 million). Total receivables for the construction service of comprehensive renovation projects were HK$4,938.3 million (31 December 2013: HK$4,868.5 million). Total receivables for technical and consultancy services and other businesses were HK$420.6 million (31 December 2013: HK$353.4 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.

3.14 Investments in joint ventures

Investments in joint ventures increased by HK$36.8 million, mainly due to the share of profits in joint ventures during the period.

3.15 Prepayments, deposits and other receivables

Prepayments, deposits and other receivables decreased by HK$939.7 million (non-current portion decreased by HK$526.9 million and current portion decreased by HK$412.8 million), mainly due to the decrease in construction prepayments and deposits for merger and acquisitions.

3.16 Cash and cash equivalents

Cash and cash equivalents decreased by HK$721.2 million, mainly due to consideration paid for the acquisition of Salcon Group* and Standard Water Group.

3.17 Other payables and accruals

Other payables and accruals increased by HK$578.3 million (non-current portion increased by HK$30.1 million and current portion increased by HK$548.2 million), mainly due to the acquisition of Standard Water Group.

3.18 Bank and other borrowings

Bank and other borrowings increased by HK$3,744.4 million (non-current portion increased by HK$1,774.2 million and current portion increased by HK$1,970.2 million). Increase was due to drawdown of a bank loan of US$120 million from Asia Development Bank and refinance of corporate bonds with principal amount of RMB1,450 million by bank loans.

* *Salcon Group owns 9 water projects in the PRC with total daily design capacity of 1,245,000 tons. For further details of the acquisition transactions, please refer to the "Significant Investments and Acquisitions" section.*

3.19 Corporate bonds and notes payable

The decrease in corporate bonds was mainly due to the repayment of corporate bonds with principal amount of RMB1,450 million during the period.

3.20 Trade and bills payables

The increase in trade and bills payables by HK$716.5 million was mainly due to increase in trade payables to subcontractors as a result of increase in subcontracting charges for new water environmental renovation projects and the acquisition of Salcon Group and Standard Water Group during the period.

3.21 Liquidity and financial resources

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are mainly in Hong Kong dollars, RMB and USD. Surplus cash is generally placed in short term deposits denominated in Hong Kong dollars, RMB and USD.

As at 30 June 2014, the Group's cash and cash equivalents amounted to HK$4,791.8 million (31 December 2013: HK$5,513.0 million).

The Group's total borrowings amounted to HK$21,166.2 million (31 December 2013: HK$19,296.4 million) comprised bank and other borrowings of HK$14,185.9 million (31 December 2013: HK$10,441.6 million), finance lease payable of HK$9.5 million (31 December 2013: HK$13.3 million), notes payable of HK$2,491.5 million (31 December 2013: HK$2,522.5 million) and corporate bonds of HK$4,479.3 million (31 December 2013: HK$6,319.0 million). All the corporate bonds and notes payable bear interest at fixed rates. Over 80% of bank and other borrowings bear interest at floating rates.

As at 30 June 2014, the Group had banking facilities amounting to HK$8.94 billion, of which HK$0.81 billion have not been utilised. The banking facilities are of 1 to 10 years term.

The Group's total equity amounted to HK$17,520.9 million (31 December 2013: HK$15,924.4 million). The increase was mainly due to the issuance of shares during the period. During the period, the Company issued 219,634,335 shares to Standard Water Ltd. for the acquisition of Crystal Water Company Limited and China Water Holdings Pte. Ltd. For further details, please refer to the "Significant Investments and Acquisitions" section.

The gearing ratio as defined as sum of bank and other borrowings, finance lease payable, notes payable and corporate bonds, net of cash and cash equivalents, divided by the total equity was 0.93 as at 30 June 2014 (31 December 2013: 0.87). The increase in the gearing ratio as at 30 June 2014 was mainly due to the increase in bank and other borrowings as detailed in section 3.18. The corresponding proceeds were mainly utilised for the acquisition of various water projects in the PRC and refinance of corporate bonds with principal amount of RMB1,450 million.

3.22 Capital expenditures

During the period, the Group's total capital expenditures were HK$2,376.7 million (Six months ended 30 June 2013: HK$2,003.2 million), of which HK$4.9 million was paid for the acquisition of property, plant and equipment and intangible assets; HK$1,188.8 million was spent on construction and acquisition of water plants and HK$1,183.0 million represented the consideration for acquisition of equity interests in subsidiaries and joint ventures. The increase was mainly due to the increase in capital expenditure on the acquisition of equity interests in subsidiaries.

4. Future outlook

4.1 Development Strategy

In view of the complicated economic situation and the sweeping reforms of the water market, the Group will endeavor to control its risks and continue to position itself strategically as a "leading professional integrated water environment service provider" in the second half of 2014. It will enhance and better utilize its business, resources and talents based on its development strategies so as to actively speed up the pace of mergers, acquisitions and integration activities, and persistently foster the healthy growth of its core business.

In order to maintain our two principal businesses, namely the traditional water business and water environmental treatment, going forward hand in hand, the Group will continue to further strengthen our capacity in the expansion of our traditional water business, and strive to improve the portfolio of the water environment comprehensive renovation business to ensure the steady growth of both water businesses. At the same time, we will proactively nurture those investments in the emerging businesses of seawater desalination, industrial wastewater, sludge and solid waste treatment, technology business as well as small-town sewage treatment and membrane materials, with an aim to form a complete industrial layout by such diversification within the water environmental protection industry.

4.2 Future development

From a macro point of view, although the recovery of the global economy keeps on growing, there are signs that the slowdown in the macro-economic growth in China is worsening, and the potential of the external economic recovery to power export demand in China remains to be gauged. It is pointed out from the most recent key macro-economic indicators that there is an increasingly downward pressure on the economy in the short run. Enterprises were facing difficulties in terms of availability and rising costs of capital. However, by the same token, enterprises with strong financial strength and abundant funding sources are provided an opportunity to cooperate and invest in projects with local government.

Down to the industry environment and under the long-term macro-economic environment, it will be highly favorable to the water industry and environmental protection industry in the future. With the governmental support and tightening requirements on pollution control in China, the policies on traditional water industry are quickly refining and consistently advantageous to the industry. Being a core part of the energy-saving and environmental protection sectors, the water industry is capturing the attention of the capital market due to the strategic support of the government in China. As market competition intensifies and upgrades, the water industry has entered a stage of mergers, acquisitions and consolidation. Superior enterprises within the industry will be able to seek and grasp the opportunities to rapidly obtain market share.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2014, the Group employed 4,917 employees. Total staff cost for the six months ended 30 June 2014 was HK$326,230,000 (six months ended 30 June 2013: HK$176,379,000). 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. Discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance. On 24 April 2013, the Company had granted 400,000,000 share options at an exercise price of HK$2.244 per share under a share option scheme adopted on 28 June 2011 for the Group's directors and employees (the "Scheme"). On 28 March 2014, the Company had granted an independent non-executive director of the Company 2,000,000 share options at an exercise price of HK$5.18 per share under the Scheme. No share option was exercised, forfeited or lapsed during the six months ended 30 June 2014. As at 30 June 2014, the Company had 400,000,000 share options outstanding which were granted on 24 April 2013 and 2,000,000 share options outstanding which were granted on 28 March 2014. The total outstanding share options represented approximately 4.64% of the Company's ordinary shares in issue as at 30 June 2014.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

(a) Pursuant to a sale and purchase agreement (the "Sale and Purchase Agreement") entered into between the Company, Standard Water Ltd. (the "Vendor"), Crystal Water Company Limited ("Crystal Water") and China Water Holdings Pte. Ltd. ("China Water Holdings") (collectively the "Parties") dated 6 September 2013, the Company agreed to acquire the entire equity interests in Crystal Water and China Water Holdings (jointly the "Standard Water Group") from the Vendor at a consideration of RMB1,350,000,000 (equivalent to approximately HK$1,697,760,000) in aggregate, subject to adjustments as stipulated in the Sale and Purchase Agreement.

On 27 January 2014, the Parties entered into a supplemental agreement (the "Supplemental Agreement") to, among other things, (1) reduce the consideration to RMB1,250,485,000 (equivalent to approximately HK$1,589,742,000); (2) revise the payment terms of the consideration; and (3) set out certain ancillary matters.

Pursuant to a settlement agreement dated 20 August 2014 entered into between the Parties, the Vendor agreed to pay to the Company (i) the final consideration payment amount of US$3,300,000 (equivalent to approximately HK$25,575,000); and (ii) other amount of HK$159,373,000 (the "Other Amount"), as full and final discharge of the Vendor's obligations under the Sale and Purchase Agreement and the Supplemental Agreement. In the event that the Stock Exchange does not grant the listing approval to the Company for the issuance of 33,223,537 ordinary shares of the Company (the "Remaining Consideration Shares") to the Vendor, the Company shall pay the Vendor the Other Amount that has previously been received by the Company, but the Vendor shall not be entitled to receive the Remaining Consideration Shares from the Company. Upon fulfilment of the Vendor's obligations under the Settlement Agreement as set out in items (i) and (ii) above, the Parties shall irrevocably and unconditionally release and discharge each other from all remaining obligations and liabilities under the Sale and Purchase Agreement and Supplemental Agreement.

Further details of the acquisition transactions are set out in the Company's announcements dated 6 September 2013, 27 January 2014, 20 August 2014 and 22 August 2014.

(b) On 12 September 2013, the Company, Salcon Berhad and Salcon Water (Asia) Limited (jointly the "Salcon Vendors") entered into a sale and purchase agreement (the "First Agreement") pursuant to which the Company has conditionally agreed to acquire, and the Salcon Vendors have conditionally agreed to sell the entire shareholding interest of Salcon Fujian (HK) Limited, Salcon Zhejiang (HK) Limited, Salcon Linyi (HK) Limited and Salcon Shandong (HK) Limited (jointly the "Salcon Group") at an initial consideration of RMB648,000,000 (equivalent to approximately HK$814,924,800), subject to adjustments and upon and subject to the terms and conditions of the First Agreement. On the same day, the Company and Salcon Berhad also entered into a sale and purchase agreement (the "Second Agreement") pursuant to which the Company has conditionally agreed to acquire, and Salcon Berhad has conditionally agreed to sell, the entire shareholding interest of Salcon Darco Environmental Pte. Ltd. and Salcon Jiangsu (HK) Limited (jointly the "Salcon Group") at an initial consideration of RMB307,000,000 (equivalent to approximately HK$386,083,200), subject to adjustments and upon and subject to the terms and conditions of the Second Agreement. The transactions under the Second Agreement were completed in December 2013 and consideration was agreed at RMB321,069,000 (equivalent to approximately HK$406,417,000). As at the date of this announcement, certain part of the transactions under the First Agreement have not been completed.

    Further details of the acquisition transactions are set out in the Company's announcement dated 12 September 2013.

Save as disclosed above, the Group had no significant investments and acquisitions of subsidiaries and affiliated companies during the six months ended 30 June 2014.

CHARGES ON THE GROUP'S ASSETS

The secured bank and other borrowings, the corporate bonds, the notes payable and a finance lease payable of the Group as at 30 June 2014 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 2014, 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.

CONTINGENT LIABILITIES

At 30 June 2014, a corporate guarantee at a maximum amount of RM49,162,000 (equivalent to HK$118,603,000) (31 December 2013: RM49,162,000 (equivalent to HK$116,219,000)) 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 2014, 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 2014, 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 HK3.0 cents per ordinary share out of the contributed surplus of the Company, payable on or before 10 October 2014 to shareholders of the Company whose names appear on the register of members of the Company on Thursday, 25 September 2014 for their continuous supports to the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 23 September 2014 to Thursday, 25 September 2014 (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, Level 22, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 22 September 2014.

CORPORATE GOVERNANCE

During the six months ended 30 June 2014, 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.

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 2014, all the 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 Audit 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 2014 have been reviewed and approved by the Audit Committee. 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 2014 interim report will be dispatched to shareholders in September 2014 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, 28 August 2014

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, Ms. Qi Xiaohong, Mr. Ke Jian, Mr. Tung Woon Cheung Eric and Mr. Li Li, 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.