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

(Incorporated in Hong Kong with limited liability)

(Stock Code : 257)

ANNOUNCEMENT
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

HIGHLIGHTS

Attained solid growth in Group's operating profit and overall development with the support of favorable industry policies
Achieved another outstanding performance in business development by enhancing competitive advantages along the value chain

- Turnover increased by 19% to HK$2,943,765,000 (2013: HK$2,466,736,000)
- EBITDA on recurring basis increased by 20% to HK$1,298,725,000 (2013: HK$1,077,957,000)
- Profit before taxation increased by 22% to HK$1,079,836,000 (2013: HK$884,354,000)
- Profit attributable to equity shareholders increased by 23% to HK$801,866,000 (2013: HK$650,204,000)
- Interim dividend increase by 43% to HK5.0 cents per share (2013: HK3.5 cents)

INTERIM RESULTS

The board of directors (the "Board") of China Everbright International Limited (the "Company") announces the unaudited results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2014. The interim financial results are unaudited, but have been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), whose independent review report is included in the interim report to be sent to shareholders. The interim financial results have also been reviewed by the Company's Audit Committee.

Consolidated income statement
For the six months ended 30 June 2014 – unaudited

		Six months ended 30 June	
		2014	2013
	Note	***HK$'000***	*HK$'000*
Turnover	*3(a)*	**2,943,765**	2,466,736
Direct costs and operating expenses		**(1,592,231)**	(1,321,017)
		1,351,534	1,145,719
Other revenue		**107,129**	71,947
Other loss		**(234)**	(53)
Administrative expenses		**(208,060)**	(183,661)
Profit from operations		**1,250,369**	1,033,952
Finance costs	*4(a)*	**(170,533)**	(149,598)
Profit before taxation	*4*	**1,079,836**	884,354
Income tax	*5*	**(242,617)**	(218,560)
Profit for the period		**837,219**	665,794
Attributable to:			
Equity shareholders of the Company		**801,866**	650,204
Non-controlling interests		**35,353**	15,590
Profit for the period		**837,219**	665,794
Earnings per share	*6*		
Basic		**HK17.88 cents**	HK16.08 cents
Diluted		**HK17.88 cents**	HK16.04 cents

Consolidated statement of comprehensive income
For the six months ended 30 June 2014 – unaudited

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Profit for the period	**837,219**	665,794
Other comprehensive income for the period:		
Items that will not be reclassified to profit or loss:		
- Surplus on revaluation of land and buildings held for own use	**-**	107,153
- Tax effect relating to surplus on revaluation of land and buildings held for own use	**-**	(16,641)
Items that may be reclassified subsequently to profit or loss:		
- Exchange differences on translation of financial statements of subsidiaries	**(290,054)**	114,827
- Changes in fair value of available-for-sale securities	**(8,070)**	(11,463)
- Tax effect relating to changes in fair value of available-for-sale securities	**1,098**	1,152
	(297,026)	195,028
Total comprehensive income for the period	**540,193**	860,822
Attributable to:		
Equity shareholders of the Company	**514,732**	840,175
Non-controlling interests	**25,461**	20,647
Total comprehensive income for the period	**540,193**	860,822

Consolidated balance sheet
At 30 June 2014 – unaudited

		At 30 June 2014		At 31 December 2013	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets					
Fixed assets					
- Investment properties			**173,006**		177,442
- Other property, plant and equipment			**1,354,079**		1,374,138
- Interest in leasehold land held for own use under operating leases			**34,282**		35,739
			1,561,367		1,587,319
Intangible assets			**1,289,408**		1,096,453
Goodwill			**20,793**		20,793
Interest in associates			**254,380**		254,380
Interest in joint venture			**27,877**		-
Other financial assets			**171,931**		176,710
Other receivables and deposits	*7*		**3,192,206**		3,023,616
Gross amounts due from customers for contract work	*8*		**9,928,898**		9,035,315
Finance lease receivables			**20,684**		21,485
Deferred tax assets			**21,744**		10,966
			16,489,288		15,227,037
Current assets					
Inventories		**132,518**		75,524	
Debtors, other receivables, deposits and prepayments	*7*	**1,584,342**		1,376,719	
Gross amounts due from customers for contract work	*8*	**964,256**		941,297	
Tax recoverable		**36,672**		35,359	
Finance lease receivables		**507**		505	
Pledged bank deposits		**53,008**		43,468	
Deposits with bank		**856,485**		1,345,404	
Cash and cash equivalents	*9*	**3,997,842**		4,425,734	
		7,625,630		8,244,010	

Consolidated balance sheet
At 30 June 2014 – unaudited (continued)

	Note	**At 30 June 2014** *HK$'000*	*HK$'000*	At 31 December 2013 *HK$'000*	*HK$'000*
Current liabilities					
Bank loans					
- Secured		**896,253**		939,146	
- Unsecured		**1,242,696**		840,721	
		2,138,949		1,779,867	
Creditors, other payables and accrued expenses	*10*	**1,824,240**		1,733,757	
Current taxation		**62,391**		58,413	
		4,025,580		3,572,037	
Net current assets			**3,600,050**		4,671,973
Total assets less current liabilities			**20,089,338**		19,899,010
Non-current liabilities					
Bank loans					
- Secured		**3,684,439**		3,381,733	
- Unsecured		**1,142,851**		1,759,521	
		4,827,290		5,141,254	
Deferred tax liabilities		**1,122,875**		978,635	
			5,950,165		6,119,889
NET ASSETS			**14,139,173**		13,779,121

Consolidated balance sheet
At 30 June 2014 – unaudited (continued)

		At 30 June 2014		At 31 December 2013	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
CAPITAL AND RESERVES					
Share capital: nominal value			**-**		448,371
Other statutory capital reserves			**-**		6,957,043
Share capital and other statutory capital reserves	*11(b)*		**7,405,414**		7,405,414
Other reserves			**6,259,396**		5,968,850
Total equity attributable to equity shareholders of the Company			**13,664,810**		13,374,264
Non-controlling interests			**474,363**		404,857
TOTAL EQUITY			**14,139,173**		13,779,121

Notes :

1. Basis of preparation

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available at the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 February 2014.

2. Changes in accounting policies

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments have no impact on the Group's interim financial report as the Group has no impaired non-financial assets.

Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial report as the Group has no financial derivatives.

2. Changes in accounting policies (continued)

HK(IFRIC) 21, *Levies*

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

3. Turnover and segment reporting

(a) Turnover

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

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
		(restated - see note 3(b))
Revenue from environmental energy project construction services	**1,526,744**	1,249,261
Revenue from environmental water project construction services	**80,999**	199,702
Revenue from alternative energy project construction services	**164,131**	-
Revenue from environmental energy project operation services	**320,602**	303,288
Revenue from environmental water project operation services	**284,887**	242,037
Revenue from alternative energy project operation services	**123,893**	123,705
Finance income	**439,800**	348,488
Gross rentals from investment properties	**2,177**	255
Construction management fee income	**532**	-
	2,943,765	2,466,736

For the six months ended 30 June 2014, the Group has transactions with a People's Republic of China ("PRC") local governmental authority which individually exceeded 10% of the Group's revenues. The revenue from this PRC local government authority during the six months ended 30 June 2014 amounted to HK$569,218,000 (six months ended 30 June 2013: HK$576,053,000). The Group had transactions with two more PRC local government authorities which individually exceeded 10% of the Group's revenue during the six months ended 30 June 2013, amounting to HK$503,191,000 and HK$274,673,000 respectively.

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

(a) Turnover *(continued)*

The aggregated revenues from environmental energy project construction and operation services, environmental water project construction and operation services, alternative energy project construction and operation services and finance income derived from the local governmental authorities in the PRC amounted to HK$2,868,182,000 (six months ended 30 June 2013: HK$2,380,491,000) for the six months ended 30 June 2014. The revenues are included in "Environmental energy project construction and operation", "Environmental water project construction and operation" and "Alternative energy project construction and operation" segments as disclosed in note 3(b).

(b) Segment reporting

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

The Group redefined its business divisions during the current period to align with its organisational structure for the purpose of managing its strategic direction and business acquisition. Accordingly, for the presentation of segment information, methane-to-energy power plants and waste-water source heat pump projects, previously included in "Alternative energy project construction and operation" segment, have been reclassified to "Environmental energy project construction and operation" and "Environmental water project construction and operation" segments respectively. The comparative segment information has been reclassified to conform to the current period's presentation.

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

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

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

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

	Environmental energy project construction and operation		**Environmental water project construction and operation**		**Alternative energy project construction and operation**		**Environmental technology and construction management**		**Property investment**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(restated)		(restated)						
For the six months ended 30 June												
Revenue from external customers	**2,147,195**	1,768,369	**505,837**	574,407	**288,024**	123,705	**532**	-	**2,177**	255	**2,943,765**	2,466,736
Inter-segment revenue	**-**	-	**-**	-	**-**	-	**304,845**	258,472	**-**	-	**304,845**	258,472
Reportable segment revenue	**2,147,195**	1,768,369	**505,837**	574,407	**288,024**	123,705	**305,377**	258,472	**2,177**	255	**3,248,610**	2,725,208
Reportable segment profit (EBITDA)	**978,009**	789,942	**300,074**	282,912	**95,461**	56,910	**233,210**	132,246	**1,918**	(10)	**1,608,672**	1,262,000
Additions to fixed assets and intangible assets during the period	**103,340**	4,658	**1,714**	3,898	**170,158**	1,744	**5,383**	23,759	**-**	-	**280,595**	34,059
Additions to non-current portion of other receivables and deposits and gross amounts due from customers for contract work during the period	**1,757,201**	1,465,081	**220,950**	332,370	**-**	-	**-**	-	**-**	-	**1,978,151**	1,797,451
As at 30 June 2014/ 31 December 2013												
Reportable segment assets	**13,028,034**	11,205,113	**5,097,220**	5,166,051	**1,746,216**	1,505,710	**1,090,076**	1,030,748	**197,004**	200,159	**21,158,550**	19,107,781
Reportable segment liabilities	**4,567,421**	3,939,159	**1,309,122**	1,389,736	**516,685**	541,980	**810,997**	882,925	**8,305**	8,102	**7,212,530**	6,761,902

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

3. Turnover and segment reporting (continued)

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

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

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	**3,248,610**	2,725,208
Elimination of inter-segment revenue	**(304,845)**	(258,472)
Consolidated turnover	**2,943,765**	2,466,736
Profit		
Reportable segment profit	**1,608,672**	1,262,000
Elimination of inter-segment profits	**(274,177)**	(184,734)
Reportable segment profit derived from the Group's external customers	**1,334,495**	1,077,266
Depreciation and amortisation	**(48,356)**	(44,005)
Finance costs	**(170,533)**	(149,598)
Unallocated head office and corporate income	**20,328**	5,764
Unallocated head office and corporate expenses	**(56,098)**	(5,073)
Consolidated profit before taxation	**1,079,836**	884,354

3. Turnover and segment reporting (continued)

(b) Segment reporting *(continued)*

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

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**21,158,550**	19,107,781
Non-current other financial assets	**171,931**	176,710
Goodwill	**20,793**	20,793
Unallocated head office and corporate assets	**2,763,644**	4,165,763
Consolidated total assets	**24,114,918**	23,471,047
Liabilities		
Reportable segment liabilities	**7,212,530**	6,761,902
Unallocated head office and corporate liabilities	**2,763,215**	2,930,024
Consolidated total liabilities	**9,975,745**	9,691,926

4. Profit before taxation

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on bank advances wholly repayable within five years	**85,215**	82,507
Interest on other bank advances and other loans	**85,318**	67,091
	170,533	149,598
(b) Other items:		
Amortisation		
- interest in leasehold land held for own use under operating leases	**603**	581
- intangible assets	**10,789**	9,437
Depreciation	**36,964**	33,987
Dividends and interest income	**(31,139)**	(17,060)
Value-added tax refund*	**(54,858)**	(47,369)

* Value-added tax refund of HK$54,858,000 (six months ended 30 June 2013: HK$47,369,000) was received during the six months ended 30 June 2014 in relation to environmental energy project operations and alternative energy project operations of the Group in the PRC. The entitlement of the value-added tax refund was unconditional and under the discretion of the relevant authorities.

5. Income tax

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the period	**-**	-
Current tax – PRC income tax		
Provision for the period	**103,226**	63,835
(Over)/under-provision in respect of prior periods	**(20,952)**	761
	82,274	64,596
Deferred tax		
Origination and reversal of temporary differences	**160,343**	153,964
	242,617	218,560

No provision for Hong Kong Profits Tax has been made in the interim financial report as the Group's operations in Hong Kong sustained a loss for Hong Kong Profits Tax purpose during the six months ended 30 June 2014 and 30 June 2013.

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

6. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$801,866,000 (six months ended 30 June 2013: HK$650,204,000) and the weighted average number of 4,483,712,000 ordinary shares (six months ended 30 June 2013: 4,044,598,000 ordinary shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is the same as the basic earnings per share for the six months ended 30 June 2014 as the Company did not have any dilutive potential ordinary shares outstanding during the period.

The calculation of diluted earnings per share for the six months ended 30 June 2013 was based on the profit attributable to ordinary equity shareholders of the Company of HK$650,204,000 and the weighted average number of 4,052,535,000 ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme.

7. Debtors, other receivables, deposits and prepayments

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
Debtors	**513,498**	400,274
Loan receivable	**-**	51,156
Other receivables, deposits and prepayments	**4,263,050**	3,948,905
	4,776,548	4,400,335
Less: Non-current portion		
- other receivables and deposits	**(3,192,206)**	(3,023,616)
Current portion	**1,584,342**	1,376,719

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

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
Current	**360,164**	269,642
Within 1 month past due	**58,255**	21,770
More than 1 month but within 3 months past due	**20,489**	40,925
More than 3 months but within 6 months past due	**20,281**	13,208
More than 6 months but within 12 months past due	**16,164**	9,466
More than 12 months past due	**38,145**	45,263
Amounts past due	**153,334**	130,632
	513,498	400,274

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

The ageing analysis of debtors based on the date of invoice (or date of revenue recognition, if earlier) as of the balance sheet date is as follow:

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
Within 1 month	**243,186**	205,510
More than 1 month but within 2 months	**86,999**	59,474
More than 2 months but within 4 months	**79,863**	52,339
More than 4 months but within 7 months	**46,808**	28,222
More than 7 months but within 13 months	**18,219**	9,466
More than 13 months	**38,423**	45,263
	513,498	400,274

Debtors are due within 30 to 90 days from the date of billing.

Included in "Debtors, other receivables, deposits and prepayments" of the Group are debtors of HK$513,498,000 (31 December 2013: HK$400,274,000) of which HK$36,603,000 (31 December 2013: HK$53,153,000) and HK$11,977,000 (31 December 2013: HK$10,979,000) are due from a non-controlling shareholder and a related company respectively. Debtors represent revenue from environmental energy project, environmental water project and alternative energy project operation services. There was no recent history of default in respect of the Group's debtors. Since most of the debtors are local governmental authorities in the PRC and based on past experience, management believes that no impairment allowance is necessary in respect of the past due balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. No impairment loss was recognised by the Group at 30 June 2014 (31 December 2013: Nil).

"Debtors, other receivables, deposits and prepayments" include balances totalling HK$3,512,412,000 (31 December 2013: HK$3,329,357,000) which bear interest at rates ranging from 5.94% to 7.83% (31 December 2013: 5.94% to 7.83%) per annum and represent the considerations paid for the acquisition of waste-water treatment plants under TOT ("Transfer-Operate-Transfer") arrangements, among which HK$205,807,000 (31 December 2013: HK$208,120,000) and HK$503,601,000 (31 December 2013: HK$513,433,000) are due from a non-controlling shareholder and a related company respectively. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the TOT arrangements. No impairment loss was recognised by the Group at 30 June 2014 (31 December 2013: Nil).

The loan receivable at 31 December 2013 was unsecured, interest-bearing at 11% per annum, due from an unrelated party and repaid in January 2014.

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

8. Gross amounts due from customers for contract work

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less anticipated losses	**13,784,870**	12,579,019
Less: Progress billings	**(2,891,716)**	(2,602,407)
Net contract work	**10,893,154**	9,976,612

Representing:

Gross amounts due from customers for contract work		
- Non-current	**9,928,898**	9,035,315
- Current	**964,256**	941,297
	10,893,154	9,976,612

Included in "Gross amounts due from customers for contract work" are amounts of HK$196,791,000 (31 December 2013: HK$212,609,000) and HK$187,556,000 (31 December 2013: HK$201,168,000) which are due from a non-controlling shareholder and a related company respectively.

"Gross amounts due from customers for contract work" represent revenue from construction under BOT ("Build-Operate-Transfer") and BT ("Build-Transfer") arrangements or upgrade services under TOT arrangements and bear interest at rates ranging from 5.94% to 7.83% (31 December 2013: 5.94% to 7.83%) per annum. Among the total of HK$10,893,154,000 (31 December 2013: HK$9,976,612,000), HK$9,155,755,000 (31 December 2013: HK$7,231,485,000) relates to BOT and TOT arrangements with operation commenced. The amounts for BOT and TOT arrangements are not yet due for payment and will be settled by revenue to be generated during the operating periods of the arrangements. The amount for BT arrangements will be settled according to respective repayment schedules as stated in the agreements.

9. Cash and cash equivalents

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
Deposits with banks	**1,248,645**	2,506,297
Cash at bank and in hand	**2,749,197**	1,919,437
	3,997,842	4,425,734

Included in "Cash and cash equivalents" are deposits of HK$516,009,000 (31 December 2013: HK$393,921,000) which are placed with a related party bank.

10. Creditors, other payables and accrued expenses

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

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
Due within 1 month or on demand	**113,230**	70,396
Due after 1 month but within 3 months	**18,225**	27,686
Due after 3 months but within 6 months	**15,874**	23,701
Due after 6 months	**1,061,108**	843,817
Total creditors	**1,208,437**	965,600
Other payables and accrued expenses	**615,803**	768,157
	1,824,240	1,733,757

Included in "Creditors, other payables and accrued expenses" of the Group is an amount of HK$24,611,000 (31 December 2013: HK$25,355,000) which is payable to an associate. The balance is due within one month and represents service fee for operation of waste-water treatment plants.

Apart from the above, balances totalling HK$1,143,504,000 (31 December 2013: HK$912,941,000) represent construction payables for the Group's BT, BOT and certain BOO ("Build-Operate-Own") arrangements, among which HK$623,000 (31 December 2013: HK$1,279,000) is due to a non-controlling shareholder. The construction payables are not yet due for payment. Included in "Other payables and accrued expenses" of the Group as at 31 December 2013 was an amount of HK$6,395,000 which is payable to a non-controlling shareholder. The amounts due to non-controlling shareholders are unsecured, interest free and expected to be settled within one year.

11. Capital, reserves and dividends

(a) Dividends

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Interim dividend declared after the interim period of HK5.0 cents per ordinary share (2013: HK3.5 cents per ordinary share)	**224,186**	141,880

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

11. Capital, reserves and dividends (continued)

(a) Dividends *(continued)*

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

	Six months ended 30 June	
	2014	2013
	HK\$'000	*HK\$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK5.0 cents per ordinary share (six months ended 30 June 2013: HK3.0 cents per ordinary share)	**224,186**	121,611

(b) Share capital and other statutory capital reserves

(i) Share Capital

As at 31 December 2013, 5,000,000,000 ordinary shares, with par value of HK\$0.10 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concepts of "authorised share capital" and "par value" no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account and the capital redemption reserve on 3 March 2014 have become part of the Company's share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

(ii) Share premium and capital redemption reserves

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital. The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

<u>Business Review and Prospects</u>

Operating Results

Following the issuance of the *Air Pollution Control Action Program* in last September, all provinces and government departments at all levels in China have made progress in integrated air pollution management. In the first half of this year, the central government stepped up its efforts in the control and prevention of environmental pollution. According to the *Key Water Pollution Control Project Management Interim Measures* issued by the National Development and Reform Commission, the central government will grant investment subsidies with a priority to the construction of waste water and waste treatment projects. Also, the Ministry of Environmental Protection revised and tightened the *Standard for Pollution Control on the Municipal Household Waste Incineration*, which will be favourable to the long-term and healthy development of the waste-to-energy industry and provide development opportunities for environmental protection enterprises which possess solid capabilities and a sense of social responsibility. All these policies and standards not only demonstrated the central government's determination to alleviate environmental pollution and advance the development of the environmental protection industry, but also further clarified the direction in which the industry is developing.

Benefiting from China's economic transformation and policy support to emerging industries, the Group continued to follow its strategic plan of "Development, Reformation and Innovation" to advance the growth of all of its business segments, enhance and improve its leading environmental protection and alternative energy technology, explore and develop new business models and further raise the level of its management during the period under review. The Group has made remarkable achievements in its internal management, equipment manufacturing, technology development and industry chain extension, resulting in outstanding operating results. Meanwhile, the Group continued to develop new markets and business segments proactively, maintaining and reinforcing its leading position in the industry and laying a solid foundation for its long-term development.

In the first half of 2014, the Group continued to achieve growth in both scale and efficiency. It recorded a steady growth in profit on a recurring basis and outstanding performance in market expansion as well as the steady progress of its projects under construction or in the preparatory stage. The Group also explored opportunities in the capital market through mergers and acquisitions to expand its business scale and market share so as to advance the sustainable development of the Group.

During the period under review, the Group continued to develop its market development model, which comprises four representative offices in Shenzhen, Beijing, Nanjing and Jinan, working seamlessly with all existing projects. The Group has successfully secured 11 projects and commenced the preparation of Ningwu Changfangshan and Zhaojiashan Wind Power Projects which commanded a total investment of approximately RMB4.58 billion, further consolidating the Group's leading position in the industry. The new projects include 7 waste-to-energy projects, namely Shandong Tengzhou Waste-to-energy Project ("Tengzhou Project"), Hunan Yiyang Waste-to-energy Project ("Yiyang Project"), Anhui Ma'anshan Waste-to-energy Project ("Ma'anshan Project"), Anhui Dangshan Waste-to-energy Project ("Dangshan Project"), Jiangsu Nanjing Gaochun Waste-to-energy Project ("Gaochun Project"), Jiangsu Changzhou Xinbei Waste-to-energy Project ("Changzhou Xinbei Project"), and Jiangsu Nanjing Waste-to-energy Project ("Nanjing Project") Phase II; Jiangsu Xinyi Hazardous Solid Waste Treatment Project ("Xinyi Hazardous Solid Waste Project"), as well as 3 biomass integrated utilization projects including Jiangsu Lianyungang Guanyun Biomass Integrated Utilization Project ("Guanyun Project"), Jiangsu Suqian Sucheng Biomass Integrated Utilization Project ("Sucheng Project") and Jiangsu Xuyi Biomass Integrated Utilization Project ("Xuyi Project").

In order to realize the effective integration of the Group's resources, and enhance the brand's image, awareness and influence of the Group's products, the Group's trademark Everbright Environmental Protection ("EBEP") was approved by the State Administration for Industry & Commerce of the People's

Republic of China and officially authorized as a registered trademark. The registration of the trademark represents an important step for the Group to further boost the effective development of its environmental protection technology products, build an external sales network and expand into foreign markets.

The Group's Zhejiang Ningbo Beilun Waste-to-energy Project ("Ningbo Project"), Nanjing Project, Jiangsu Pizhou Waste-to-energy Project ("Pizhou Project") and Hainan Sanya Waste-to-energy Project ("Sanya Project") obtained subsidies of a total RMB100 million under the scheme of the "2014 Central Budgetary Investment Plan", indicating that the Group's high quality construction projects, high standard operating and management projects and efforts in environmental and social responsibility have been recognized by central and local governments.

During the period under review, the Group's strong business development and dedicated efforts were widely acknowledged by the capital market and the community. In March 2014, the Group was the first time included as a constituent stock of the Hang Seng Mainland 100 Index and awarded the Best Investor Relations Company by Corporate Governance Asia magazine. In addition, Mr. Chen Xiaoping, CEO of the Group, was named Asia's Best CEO. These accolades demonstrated that the Group maintained a leading market position in development, core competitiveness and operating results and that it is highly regarded by the investment community.

As an environmental protection enterprise with a mission to shoulder its social responsibility, Everbright International Environmental Protection Charitable Foundation (the "Foundation") of the Group has lent full support to a major environmental protection event "Earth Hour 2014" organized by WWF Hong Kong, which contributes to energy conservation and environment protection as well as increasing public awareness of environmental causes. In addition, the Foundation became a Double Diamond member of WWF Hong Kong, in an effort to promote environmental conservation, ecological footprint and environmental education. The Group's dedication and conscious efforts in the environmental protection industry have been highly recognized by the society. In addition, the Group has established strategic partnerships with Chinese Ecological Civilization Research and Promotion Association and Chinese Society for Environmental Sciences so as to promote education on environmental protection in China.

In the first half of 2014, the Group's construction projects were implemented smoothly, driving the substantial growth of its construction service revenue. As for operating projects, the Group was committed to reducing costs and exploring internal potential to enhance operational efficiency and achieve excellent results. During the period under review, the Group's consolidation turnover amounted to HK$2,943,765,000, an increase of 19% from HK$2,466,736,000 as compared to the same period last year. During the period, EBITDA on recurring basis amounted to HK$1,298,725,000, an increase of 20% from HK$1,077,957,000 in the first half of 2013. Profit attributable to equity shareholders during the period was HK$801,866,000, a growth of 23% as compared to the same period last year. Basic earnings per share for the first half of 2014 was HK17.88 cents, HK1.80 cents more than the earnings per share of HK16.08 cents in the same period last year.

To reward the shareholders of the Company (the "Shareholders") for their support and in consideration of the need of the Group to achieve long term development, the Board declared an interim dividend of HK5.0 cents per share (2013: HK3.5 cents per share).

Environmental Protection and Alternative Energy Businesses

During the period under review, the Group actively explored business opportunities in order to keep up with the rapid development of the environmental protection and alternative energy industries, and achieved remarkable results. As at 30 June 2014, the Group has secured 93 environmental protection projects with a total investment of approximately RMB23.610 billion. Of these projects, those with completed construction accounted for a total investment of approximately RMB11.274 billion, while those currently under construction accounted for a total investment of about RMB5.161 billion. After excluding the investment of

RMB1.301 billion of the biomass power generation projects of which construction has been postponed, the total investment of projects currently in preparatory stage is approximately RMB5.874 billion.

During the period under review, the turnover from the environmental protection and alternative energy business sectors amounted to HK$2,941,056,000 (construction service revenue: 60%, operation service revenue: 25% and finance income: 15%), increased by 19% as compared to the same period of 2013.

Major financial data of the environmental protection and alternative energy business in the first half of 2014 is summarized in the table below:

	For the six months ended 30 June 2014				For the six months ended 30 June 2013 (restated)			
	Environmental Energy Projects	**Environmental Water Projects**	**Alternative Energy Projects**	**Total**	Environmental Energy Projects	Environmental Water Projects	Alternative Energy Projects	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover								
- Construction services	**1,526,744**	**80,999**	**164,131**	**1,771,874**	1,249,261	199,702	-	1,448,963
- Operation services	**320,602**	**284,887**	**123,893**	**729,382**	303,288	242,037	123,705	669,030
- Finance income	**299,849**	**139,951**	**-**	**439,800**	215,820	132,668	-	348,488
	2,147,195	**505,837**	**288,024**	**2,941,056**	1,768,369	574,407	123,705	2,466,481
EBITDA	**978,009**	**300,074**	**95,461**	**1,373,544**	789,942	282,912	56,910	1,129,764

In its energy conservation and emission reduction operations, the Group processed household waste of 2,227,000 tonnes, industrial and hazardous waste of 30,000 tonnes, agricultural waste of 130,000 tonnes and generated green electricity of 834,844,000 kWh during the period under review. This output can support the annual electricity consumption of 696,000 households and is equivalent to saving consumption of 334,000 tonnes standard coal and reducing carbon dioxide (CO_2) emissions by 1,268,000 tonnes. Meanwhile, the Group treated waste water of 276,518,000 m^3 and leachate from waste-to-energy plants of 472,000 m^3 and reduced COD emissions by 107,000 tonnes. Since the Group's first environmental protection project commenced operation in 2005, the Group has processed accumulated household waste of 18,095,000 tonnes, industrial and hazardous waste of 274,000 tonnes, agricultural waste of 987,000 tonnes and generated green electricity of 6,013,108,000 kWh, which can fulfill the annual electricity consumption of 5,011,000 households and save the equivalent of 2,405,000 tonnes standard coal, reducing CO_2 emissions by 7,684,000 tonnes and preventing 782,434,000 trees from being cut down. The Group has treated accumulated waste water of 3,456,112,000 m^3, leachate from waste-to-energy plants of 3,115,000 m^3 and reduced COD emissions by 1,331,000 tonnes.

I. Environmental Energy

A. Environmental Energy

As at 30 June 2014, the Group had 31 waste-to-energy projects, 9 industrial and hazardous waste treatment projects and 2 methane-to-energy projects which commanded a total investment of approximately RMB15.354 billion. These facilities are designed with an annual household waste processing capacity of approximately 9.8 million tonnes, which can in turn generate an annual on-grid electricity of 2.951 billion kWh. The annual industrial and hazardous waste treatment capacity is approximately 240,150 m^3.

In the first half of 2014, the Group secured 7 waste-to-energy projects with a designed daily household waste processing capacity of 5,900 tonnes; and a hazardous waste treatment project. During the period under review, the Group not only enhanced the extension of the industry chain in the cities where the Group had already entered, but also explored new development regions and new business fields.

Nanjing Project Phase II, Changzhou Xinbei Project, Dangshan Project, and Xinyi Hazardous Waste Project were extension projects based on original project locations. Nanjing Project Phase II has a designed daily household waste processing capacity of 2,000 tonnes and commands a total investment of approximately RMB987 million. Changzhou Xinbei Project is designed to have a total daily household waste processing capacity of 1,500 tonnes and it will be built in two phases. Phase I is designed to have a daily household waste processing capacity of 800 tonnes, commanding a total investment of approximately RMB420 million. Dangshan Project is designed to have a total daily household waste processing capacity of 700 tonnes and will be constructed in two phases. Phase I is designed to have a daily household waste processing capacity of 400 tonnes, with a total investment of approximately RMB250 million. Xinyi Hazardous Waste Project is an extension of the Xinyi BT Water Project. It commands a total investment of RMB100 million and has a designed annual hazardous waste incineration processing capacity of 9,500 tonnes.

In terms of market development in new regions, during the period under review, the Group not only entered into county-level cities such as the Gaochun District of Nanjing, Jiangsu province, Tengzhou of Shandong province, and Ma'anshan of Anhui province, but also developed the market in Hunan province. Gaochun Project will use plasma gasification technology as the preferred technical solution. It is designed to have a daily household waste processing capacity of 500 tonnes, involving a total investment of approximately RMB292 million. Tengzhou Project is designed with a total daily household waste processing capacity of 1,000 tonnes and will be constructed in two phases. Phase I is designed to have a daily household waste processing capacity of 600 tonnes, with a total investment of approximately RMB339 million. Ma'anshan Project is the first waste-to-energy project of the Group in Anhui province. The designed total daily household waste processing capacity of the Ma'anshan Project is 1,200 tonnes, and it will be built in two phases. Ma'anshan Project Phase I is designed to have a daily household waste processing capacity of 800 tonnes, with a total investment of approximately RMB450 million. Yiyang Project is the first environmental protection project of the Group in Hunan province and another landmark project demonstrating the Group's new involvement in inland cities following its existing work in coastal areas. It is designed to have a total daily household waste processing capacity of 800 tonnes, with a total investment of approximately RMB372 million.

During the period under review, Ningbo Project Phase I and Nanjing Project Phase I completed construction and commenced operation. The construction of Pizhou Project Phase I, Sanya Project Phase I and Shandong Shouguang Waste-to-energy Project ("Shouguang Project") Phase I is carrying out steadily. These projects will commence operation in succession in the second half of 2014. Other projects still in the preparatory stage have been progressing as scheduled. In addition, the Group is committed to increasing operational efficiency by increasing the electricity generated by each tonne of waste and lowering the volume of electricity consumed by factories. It has achieved good results with continuous growth in operation service revenue. During the period under review, Jiangsu Changzhou Waste-to-energy Project, Jiangyin Waste-to-energy Project and Yixing Waste-to-energy Project have been approved to increase their waste processing fees.

During the period under review, the environmental energy projects of the Group together processed household waste of 2,227,000 tonnes, industrial and hazardous waste of 30,000 tonnes and generated on-grid electricity of 587,153,000 kWh, an increase of 2%, a decrease of 14% and an increase of 15%, respectively, as compared with the same period last year. The environmental energy projects contributed EBITDA of HK$978,009,000, an increase of 24% over the corresponding period of last year. The growth in profit was mainly attributable to the recognition of construction service revenue and cost savings on construction projects, and also an increase in the operation service revenue due to continued growth in processing volumes of operating projects during the period.

Major operating and financial data of the environmental energy sector in the first half of 2014 is summarized below:

Environmental Energy Projects	**2014**	2013 (restated)
Household waste processing volume (tonne)	**2,227,000**	2,175,000
On-grid electricity (MWh)	**587,153**	509,988
Industrial and hazardous waste processing volume (tonne)	**30,000**	35,000
EBITDA (HK$'000)	**978,009**	789,942

B. Environmental Protection Industrial Parks

The Group actively promotes environmental protection. Under the principle of Implementing Projects with One Success Followed by Another, the Group works closely with the relevant local government authorities to design and build environmental protection industrial parks, and plans the utilization of local resources within the park, sharing of infrastructure and optimization of available land resources. The objective of this exercise is to achieve efficient recycling of solid waste and to enhance energy conservation, making it easier for the government and enterprises to implement a centralized management system and ultimately achieve Nil Discharge. The parks will be established as modern environmental protection industrial parks and educational centers for environmental protection.

As at 30 June 2014, the Group had 9 environmental protection industrial parks, including those in Suzhou, Changzhou, Suqian, Zhenjiang New District, Yixing, Lianyungang Xuwei New District, Nanjing of Jiangsu Province, Weifang of Shandong Province and Ganzhou of Jiangxi Province.

II. Environmental Water

As at 30 June 2014, the Group had a total of 21 waste water treatment projects, 4 reusable water projects, and 2 waste water source heat pump projects, commanding a total investment of RMB3.365 billion. These projects are designed with an annual waste water treatment capacity of approximately 667,950,000 m^3 and provide annual reusable water of 22,334,000 m^3. The waste water source heat pump projects provide heating and cooling services for an area of 312,000 m^2. Meanwhile, 2 water BT projects have completed construction, commanding a total investment of RMB447 million.

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

During the period under review, environmental water projects treated 276,518,000 m^3 of waste water, an increase of 14% as compared to the same period last year. These operations contributed EBITDA of HK$300,074,000, 6% more than the same period last year. The increase in profit was mainly due to the continuous increase in operating efficiency of the operating projects, leading to the rise in profit which offset the impact of the profit decrease in construction projects.

Major operating and financial data of the environmental water business in the first half of 2014 is summarised in the table below:

Environmental Water Projects	**2014**	2013 (restated)
Waste water treatment volume (m^3)	**276,518,000**	241,776,000
EBITDA (HK$'000)	**300,074**	282,912

During the period under review, to improve the Group's comprehensive strength, further expand its environmental water business and enhance market competitiveness, China Everbright Water Holdings Limited ("Everbright Water Holdings"), a wholly-owned subsidiary of the Company, signed a sale and purchase agreement with HanKore Environment Tech Group Limited ("HanKore"), a company listed on the main board of the Singapore Exchange Securities Trading Limited, regarding the injection of all the investment of the Company in the environmental water sector into HanKore. After completion of the acquisition and the disposal, Everbright Water Holdings will hold approximately 79.21% of the enlarged issued capital of HanKore. HanKore will become an indirect subsidiary of the Company and change its name to "China Everbright Water Limited". Currently, the transaction is still being processed. Completion of the transaction shall be conditional upon the fulfilment of a number of conditions precedent and the completion of the approval processes of the stock exchanges of Singapore and Hong Kong. The transaction is expected to be completed by the end of 2014. The transaction with Hankore will accelerate the development of the Group's water business and will be conducive for the Group to expand its environmental protection project portfolios in places including Beijing, Shanxi, and Henan, so as to expand market share. At the same time, the Group can also reduce its overall operating costs through synergy effects.

III. Alternative Energy

As at 30 June 2014, the Group had a total of 19 alternative energy projects, including 8 photovoltaic energy projects, 6 biomass power generation projects, 3 biomass integrated utilization projects, and 2 wind power projects with a total investment of approximately RMB4.033 billion. The total designed annual processing capacity of agricultural waste is approximately 2,064,000 tonnes, generating annual on-grid electricity of 1,357,766,000 kWh and providing annual heat volume of 1,652,000 tonnes.

During the period under review, the Group has developed 3 biomass integrated utilization projects in Jiangsu Province using the "Pellet Fuel & Central Heating" model, expanding the Group's industrial chains from cities to rural areas. Guanyun Project commands a total investment of approximately RMB175 million and has an annual agricultural waste and straw processing capacity of approximately 150,000 tonnes. Sucheng Project has an annual agricultural waste and straw processing capacity of approximately 120,000 tonnes, with a total investment of approximately RMB175 million. Xuyi Project commands a total investment of approximately RMB172 million and has an annual agricultural waste and straw processing capacity of approximately 150,000 tonnes. This type of projects provides an effective solution to the problems arising from the nationwide prohibition of straw burning and the lack of heat supply in development zones, thus helping to mitigate air pollution. There is a large market demand and ample room for developing of biomass integrated utilization projects given the current controls on air pollution implemented by the central government, providing the Group with a new direction for development in the biomass industry.

During the period under review, Shanxi Xinzhou Ningwu Wind Power Projects ("Ningwu Wind Power Projects"), Changfangshan Phase I and Zhaojiashan Phase I, were included in the fourth approval scheme of wind power generation projects in the Twelfth Five-Year Plan of the National Energy Administration in February 2014, and were approved by the Shanxi Development and Reform Commission in April 2014. Ningwu Wind Power Projects has finished its wind resources assessment and is commencing project construction.

During the period under review, the Group's alternative energy projects provided a total on-grid electricity of 122,784,000 kWh, an increase of 2% as compared to the same period last year. The alternative energy projects contributed EBITDA of HK$95,461,000, an increase of 68% as compared to the same period last year. The increase in profit was mainly due to the construction service revenue from Anhui Hanshan Biomass Power Generation Project ("Hanshan Project") and the increase in profit contribution of Anhui Dangshan Biomass Power Generation Project through a refined fuel structure and improved operating efficiency.

Major operating and financial data of the alternative energy business in the first half of 2014 is summarized below:

Alternative Energy Projects	**2014**	2013 (restated)
On-grid electricity (MWh)	**122,784**	120,805
EBITDA (HK$'000)	**95,461**	56,910

Environmental Protection Engineering

By establishing a standardized engineering management system and process, and making the most of its management experience and enhancing its core competencies, the Group was able to provide high quality construction engineering services and enhance the overall efficiency of the construction and operations of various projects. During the period under review, the Group undertook the highest number of projects and contracts, with 4 projects completing construction, and 35 projects under construction or in the preparatory stage, commanding a total investment of over RMB11.035 billion.

During the period under review, the construction of Zhangqiu Waste Water Treatment Project and the upgrade work of Ling County Waste Water Treatment Project (Plant 1) were completed and these projects commenced operation. Ningbo Project Phase I commenced operation earlier than expected, it is a new landmark along the coastal area of the East China Sea. Nanjing Project Phase I also completed construction and commenced operation. Nanjing Project Phase I is a supporting infrastructure for the Nanjing Youth Olympic Games 2014, which is also a major development for Nanjing City and Jiangsu Province.

As at 30 June 2014, the Group had a total of 15 projects under construction, including Pizhou Project Phase I, Sanya Project Phase I, Shouguang Project Phase I, Guangdong Boluo Waste-to-energy Project Phase I, Jiangsu Guanyun Hazardous Waste Treatment Project, Jiangsu Binhai Hazardous Waste Landfill Project, Shandong Zibo Hazardous Waste Integrated Treatment Project, Shandong Weifang Waste-to-energy Project Phase I, Ningwu Changfangshan and Zhaojiashan Wind Power Projects, Hanshan Project, Jiangsu Zhenjiang Waste-to-energy Project Phase II, Xuyi Project, Changzhou Xinbei Project Phase I and Shandong Rizhao Waste-to-energy Project. Several projects under construction are expected to commence operation in the second half of 2014. In addition, following the completion of preparation work for the projects in preparatory stages, several projects are expected to commence construction in the second half and contribute stable income to the Group.

The Group is committed to the principle of First Class Quality, High Standard, Advanced Technology, and Outstanding Efficiency with regards to project construction, and strives to create benchmark projects in the country.

Environmental Protection Technology

The Group has always upheld an operating philosophy of planning based upon scientific theory, meticulous organization, bold innovation, brave practice, and has consistently increased its R&D investment, enabling it to be at the forefront of developments in technological trends. The Group has established a set of R&D systems to ensure robust scientific development and introduced first-class technology from China and overseas to improve its technological development capabilities.

The Group's self-developed grate furnaces now operate in the waste-to-energy projects located in Jiangyin, Zhenjiang, Suqian, Suzhou and Nanjing of Jiangsu Province as well as in Ningbo of Zhejiang Province, achieving a satisfactory operational performance and reaching international standards. Several self-developed achievements of the 500-tonne/day incinerator have been applied in the Nanjing Project Phase I and Ningbo Project. Having achieved great success in various parameters of waste-to-energy and system operating and with the help of the advent of its new generation incinerator technology, the Group has entered the global ranks of advanced incinerator technology. In addition, the Group has commenced and promoted research in the harmless treatment of household waste, agriculture and forestry biomass, hazardous waste incineration treatment, gas purification, sludge treatment and disposal techniques, and environment remediation.

During the period under review, the Group focused on 10 fields in R&D which were planned at the beginning of 2014 with a total budget of more than RMB40 million.

During the period under review, the Group was granted 7 patents, of which 3 were invention patents and 4 were utility invention patents. The Group will continue to strengthen its efforts in advancing R&D to develop its business, so as to fuel the expansion of the Group's business scope and sustainable development.

Environmental Protection Equipment Manufacturing

The Group's environmental protection equipment manufacturing business has become a new business sector for the Group after a year and a half's successful operation and promotion. The Group's production base for environmental protection equipment is located in Changzhou City of Jiangsu province ("Changzhou Environmental Protection Equipment Manufacturing Project"). It mainly manufactures grate furnaces, leachate systems, gas emission purification equipment and other major equipment for use at the Group's waste-to-energy projects. Changzhou Environmental Protection Equipment Manufacturing Project is now expanding Phase II to ensure the fulfilment of the demands of the projects within the Group and outsourcing projects. During the period under review, the Group completed the unit assembly and commissioning of 4 sets of incinerators and a set of 750-tonne/day prototypes. The Group also implemented overhaul for the incinerators in the Changzhou Waste-to-energy Project, Suzhou Waste-to-energy Project Phase I and Phase II, and Zhenjiang Waste-to-energy Project, and advanced the centralized purchase and supply of backup products for the operating projects. The Group coordinated the projects to further enhance their efficiency and reduce operating cost.

In addition to the projects within the Group, the Group has actively advanced both the domestic and foreign markets. The Group successfully signed an outsourcing leachate system contract, opening a new chapter for the Group's outsourcing sales.

Business Prospects

After a decade of transformation into an environmental protection enterprise, the Group is embracing a new era of rapid development. At the same time, through the process of advancing the structural transformation of the economy and deepening reforms, the government is determined to improve the environment and boost the development of the environmental protection industry. Following the official introduction of the *National New Urbanization Plan (2014-2020)*, the acceleration of urbanization will certainly provide new market opportunities and momentum for the development of the environmental protection industry. In the first half of 2014, the Group smoothly implemented its projects and secured a record number of new projects. As the market size and the number of projects continue to grow, the Group will map out its corporate development plan in a highly strategic approach. By further enhancing its management standard and technology innovation, the Group will be able to capture the trends of the environmental protection and alternative energy industry, and explore the maximum development potential of the industry and within the Company.

As a leading enterprise of the environmental protection industry in China and riding on the support of favorable government policies, the Group will give full play to its comprehensive strength and implement higher standards into every segment of project construction, operation and management. The Group will continue to focus on three of its core business sectors: environmental energy, environmental water and alternative energy, and realize the healthy and sustainable growth of the Group's business performance through flexible development strategies, innovative business models and the synergy effects of the three major business sectors. The Group will further expand its environmental protection equipment manufacturing and environmental protection technology businesses, allowing it to extend its supply chain to develop a comprehensive business and make a greater contribution to China's environmental protection industry.

The Group will adhere to the management model of Having a Hong Kong headquarter as a base supported by four representative offices and developing markets in three directions: Expanding from cities to rural areas, Expanding from coastal cities to inland cities and Expanding from domestic markets to overseas markets. As the Group deepens its existing business segments, it will strive to enter new geographic areas and business segments to gradually expand the footprint of its environmental protection business.

The Group will adhere to efficient corporate governance, commit to reducing costs and exploring internal potential, deepen its diversified project portfolio, facilitate the comprehensive development of various business sectors and create synergies, so as to constantly enhance its core competitiveness, enrich brand value and influence, consolidate its leading position in the environmental protection industry and expand market share.

Looking ahead, leveraging the nation's continuous support for the environmental protection industry, and with the strong support of our parent company China Everbright Holdings Company Limited, we are confident about our future development. As one of the leaders in China's environmental protection industry, the Group will adhere to the principle that An Enterprise is not only a Creator of Wealth, but also the Safeguard of Environmental and Social Responsibility, continue to develop environmental protection projects of First Class Quality, High Standards, Advanced Technology and Outstanding Efficiency, commit to social responsibility, and focus on public welfare, so as to contribute to social development, economic growth and environmental management. At the same time, the Group will forge ahead with advanced management concepts and strategies to continue reaching new heights in business development and create maximum value for shareholders.

Management Discussion and Analysis

Financial Position

As at 30 June 2014, the Group had total assets amounted to HK$24,114,918,000, with HK$13,664,810,000 worth of net assets attributable to equity shareholders of the Company. Net asset value per share attributable to equity shareholders was HK$3.048 per share, representing an increase of 2% as compared to HK$2.983 per share as at the end of 2013. As at 30 June 2014, gearing ratio (total liabilities over total assets) of the Group was 41%, same as that at last year end.

Financial Resources

The Group adopts a prudent approach in cash and financial management to ensure proper risk control and low costs of funds. It finances its operations primarily with internally generated cash flow and loan facilities from banks. As at 30 June 2014, the Group had cash and bank balances of HK$4,907,335,000, representing a decrease of HK$907,271,000 as compared to HK$5,814,606,000 at the end of 2013. The decrease was mainly due to expansion of environmental protection businesses. Currently, most of the Group's cash is denominated in Hong Kong dollars and Renminbi, a portion of about 91%.

Borrowings

As at 30 June 2014, the Group had outstanding borrowings of HK$6,966,239,000 representing an increase of HK$45,118,000 as compared to HK$6,921,121,000 at the end of 2013. The borrowings included secured bank loans of HK$4,580,692,000 and unsecured bank loans of HK$2,385,547,000. The borrowings are mainly denominated in Renminbi, a portion of about 62%, and the remainder is denominated in US dollars and Hong Kong dollars. Most of the borrowings are at floating rates. As at 30 June 2014, the Group had banking facility of HK$10,983,006,000, of which amounted to HK$4,016,767,000 have not been utilized. The banking facilities are of 1 year to 10 years terms.

Foreign Exchange Risk

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

Pledge of Assets

Certain banking facilities of the Group were secured by certain revenue and receivables in connection with the Group's service concession arrangements, bank deposits, mortgages on fixed assets and equity interests of certain subsidiaries of the Company. As at 30 June 2014, the aggregate net book value of assets and equity interests in subsidiaries pledged amounted to approximately HK$11,340,436,000.

Commitments

As at 30 June 2014, the Group had purchase commitments of HK$1,059,914,000 outstanding in connection of construction contracts.

Contingent Liabilities

As at 30 June 2014, the Company had issued financial guarantees to 5 wholly-owned subsidiaries and a non-wholly owned subsidiary. The directors do not consider it probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 30 June 2014 under the guarantees issued is the facilities drawn down by the subsidiaries of HK$1,706,265,000.

Share Placement

On 10 December 2013, the Company's substantial shareholder, Guildford Limited ("Guildford") entered into a placing and subscription agreement with the placing agents, Morgan Stanley & Co. International plc. and China Everbright Securities (HK) Limited (the "Placing and Subscription Agreement"), pursuant to which the Company placed 430,000,000 shares to more than 6 independent investors, most of whom are institutional investors.

As disclosed in the Company's announcement dated 11 December 2013, the placing price was HK$8.52 per share, and Guildford subscribed to 430,000,000 shares of the Company at the same price of HK$8.52 per share, with the net proceeds from the share placement being approximately HK$3,616,816,000 (representing a net placing price to the Company of approximately HK$8.41 per share).

As further disclosed in the Company's announcement dated 11 December 2013, the closing price of the Company's shares as quoted on the Stock Exchange on 9 December, 2013, the last trading day before entering into the Placing and Subscription Agreement, was HK$8.91 per share.

The Group intended to use the net proceeds for the development of its environmental protection business and as its general working capital. As at 30 June 2014, approximately HK$1.2 billion of the net proceeds has been used to finance the development of the environmental protection business, HK$0.2 billion for general working capital, while the balance of approximately HK$2.2 billion has been held as bank deposits.

Internal Management

Strengthening management and risk control have always been important duties of a corporation during its operation and development. The Group adheres diligently to a management principle of People-oriented, Pragmatism, Creativity and Systematic Management and is committed to building a comprehensive risk management culture. With the efforts of the Risk Management Advisory Committee, the Engineering Technical Management Committee and the Budget Approval Management Committee, the Group has formulated strict regulations on investment in, and the construction and operation of, environmental protection projects. During the period under review, the Group held Management Committee meetings on a monthly basis to review all projects under construction and operation. In addition, the Group has persisted in designating individual management staff to solve problems for specific projects in a timely manner, thus enhancing project execution. A leading group of staff was established to execute newly-developed biomass integrated utilization projects. The Group also continued to enforce the strict compliance of various systems to improve internal management. In addition, in order to refine the Group's rules and regulations, it has built systems to assess projects under construction, and employees' retirement and management of expert committees. In order to further enhance the Group's household waste-to-energy and waste water treatment projects, the Group formulated and implemented a series of technical standards for household waste incineration and waste water treatment. The Internal Audit Department continued to conduct an internal audit on the Group's subsidiaries and completed system-wide risk investigation work on collective decision making systems and the enforcement of resource saving. Advices regarding system building, production management, and resource saving measures were proposed, which effectively promoted the standardization and institutionalization of the management of each subsidiary.

Committed to maintaining safe and stable operations in compliance with discharge standards, and with the goal of ensuring no major safety and environmental accidents, the Group continued to encourage the Race to Save Expenses, Increase Income Sources and Efficiency, Reduce Energy Consumption, and Lower Cost. The comprehensive auxiliary power consumption rate of waste-to-energy, biomass power generation and photovoltaic energy projects as well as the unit operating cost of waste water treatment projects recorded a consistent decline, contributing to an improvement in efficiency. At the same time, through building a unified engineering and facility purchasing platform, the Group facilitated improvements in the quality of products and services provided by suppliers, thereby effectively reducing purchasing costs.

Human Resources

The Group highly values its human resources and puts great emphasis on staff training. It believes that realising the full potential of its employees is crucial to its long term growth. The Group continued to improve its human resources through internal training as well as local, overseas, and campus employee recruitment. During the period under review, the Group held training sessions on security and financial management to enhance the overall quality of its staff. To facilitate the integration of newly recruited staff, the Group held the 10th round of execution training for more than 200 participants. It also arranged for managers and senior technical staff to participate in a CEO Course (the 4th Session) and the Master in Engineering Course (the 3rd Session) at Tsinghua University. To ensure that employees' development is in line with the Group's sustainable development, the Group has completed a competitive selection of middle management and support managerial personnel for the Mainland China headquarters, which motivates staff and helps them achieve greater success in their careers.

As at 30 June 2014, the Group had approximately 2,200 employees in Hong Kong and China. Employees of the Group are remunerated according to their qualifications, experience, job nature, performance and with reference to market conditions. Apart from a discretionary performance bonus, the Group also provides other benefits such as medical insurance and a provident fund scheme to employees in Hong Kong.

Corporate Governance

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

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

The Company has complied with the CG Code set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2014 except that Mr. Tang Shuangning, the Chairman of the Company, was absent from Hong Kong and was unable to attend the annual general meeting of the Company on 28 April 2014. This constitutes a deviation from the code provision of E.1.2 of the CG Code which requires the chairman of the board to attend the annual general meeting.

Executive Committee

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

Audit Committee

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

During the period under review, the Audit Committee has reviewed with the management and KPMG, the Company's auditors, the accounting principles and practices adopted by the Group and discussed the Group's internal control and financial reporting matters, including review of the interim results for the six months ended 30 June 2014.

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

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

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

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

Model Code for Securities Transactions by Directors
The Group has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions. Having made specific enquiries to the directors, all directors confirmed that they had complied with the required standard of dealings as set out in the Model Code during the six months ended 30 June 2014.

Interim Dividend
The Board has declared payment of an interim dividend of HK5.0 cents per ordinary share for the six months ended 30 June 2014 (2013: HK3.5 cents per ordinary share) to the Shareholders whose names appear on the register of members of the Company on Wednesday, 10 September 2014, the interim dividend will be paid to the Shareholders on or about Tuesday, 30 September 2014.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 10 September 2014 to Friday, 12 September 2014 (both days inclusive), during which no transfer of shares will be affected. In order to qualify for the interim dividend, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 8 September 2014.

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

There was no purchase, sale or redemption of the listed securities of the Company by the Company or any of its subsidiaries during the six months ended 30 June 2014.

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

Hong Kong, 12 August 2014

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