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

(Incorporated in Bermuda with limited liability)

(Stock code: 371)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2009

HIGHLIGHTS

- Driven by the strong performance of water treatment business, the Group recorded a more than five times increase in revenue to HK$1,730.0 million.
- Profit attributable to shareholders of the Company recorded an impressive growth of six times to HK$192.7 million.
- EBITDA amounted to HK$432.0 million. The profit attributable to shareholders of the Company before imputed interest on convertible bonds was HK$236.6 million.
- As at 31 December 2009, total daily design capacity for water projects on hand was 3,597,100 tonnes representing a significant increase of 2.4 times as compared with the capacity of 1,530,000 tonnes as at 31 December 2008.
- Basic earnings per share for the year was HK6.11 cents.

RESULTS

The board of directors (the "Board") of Beijing Enterprises Water Group Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009, together with the comparative figures for the period from 1 July 2007 to 31 December 2008 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	**Year ended 31 December 2009 HK$'000**	Period from 1 July 2007 to 31 December 2008 HK$'000
REVENUE	*3*	**1,730,013**	337,681
Cost of sales		**(1,214,083)**	(182,878)
Gross profit		**515,930**	154,803
Other income and gains, net		**26,178**	11,388
Selling and distribution costs		**(2,492)**	–
Administrative expenses		**(127,008)**	(42,294)
Other operating expenses, net		**(14,658)**	(7,677)
PROFIT FROM OPERATING ACTIVITIES	*4*	**397,950**	116,220
Finance costs	*5*	**(125,132)**	(60,273)
Share of profit/(loss) of an associate		**4,565**	(811)
PROFIT BEFORE TAX		**277,383**	55,136
Income tax	*6*	**(48,637)**	(12,234)
PROFIT FOR THE YEAR/PERIOD		**228,746**	42,902
ATTRIBUTABLE TO:			
Shareholders of the Company		**192,711**	30,984
Minority interests		**36,035**	11,918
		228,746	42,902
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*7*		
– Basic		**HK6.11 cents**	HK3.82 cents
– Diluted		**HK5.35 cents**	HK3.72 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	Year ended 31 December 2009 HK$'000	Period from 1 July 2007 to 31 December 2008 HK$'000
PROFIT FOR THE YEAR/PERIOD	**228,746**	42,902
OTHER COMPREHENSIVE LOSS:		
Share issue expenses	**–**	(2,968)
Exchange differences on translation of foreign operations	**(1,025)**	(3,997)
OTHER COMPREHENSIVE LOSS FOR THE YEAR/ PERIOD, NET OF TAX OF NIL	**(1,025)**	(6,965)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	**227,721**	35,937
ATTRIBUTABLE TO:		
Shareholders of the Company	**191,752**	24,381
Minority interests	**35,969**	11,556
	227,721	35,937

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets:			
Property, plant and equipment		**232,027**	13,414
Prepaid land premiums		**27,060**	–
Goodwill		**1,575,451**	1,466,915
Operating concessions		**399,132**	429,589
Other intangible assets		**3,293**	1,656
Interest in an associate		**–**	25,313
Available-for-sale investment		**454**	454
Amounts due from contract customers		**1,085,700**	–
Receivables under service concession arrangements	*8*	**1,916,822**	1,238,309
Trade receivables	*9*	**51,710**	–
Prepayments, deposits and other receivables		**205,190**	119,324
Deferred tax assets		**31,071**	27,112
Total non-current assets		**5,527,910**	3,322,086
Current assets:			
Prepaid land premiums		**644**	–
Inventories		**7,139**	4,133
Amounts due from contract customers		**49,930**	200,462
Receivables under service concession arrangements	*8*	**137,443**	135,347
Trade receivables	*9*	**99,192**	9,029
Prepayments, deposits and other receivables		**710,579**	302,099
Restricted cash and pledged deposits		**14,019**	8,066
Cash and cash equivalents		**876,861**	834,936
Total current assets		**1,895,807**	1,494,072
TOTAL ASSETS		**7,423,717**	4,816,158

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 DECEMBER 2009

	Notes	2009 HK$'000	2008 HK$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital		**348,219**	240,507
Reserves		**2,274,686**	1,517,794
		2,622,905	1,758,301
Minority interests		**388,911**	239,656
TOTAL EQUITY		**3,011,816**	1,997,957
Non-current liabilities:			
Other payables and accruals		**37,554**	69,328
Bank and other borrowings		**1,320,222**	986,868
Convertible bonds		**582,737**	669,275
Finance lease payable		**4,743**	10,559
Provision for major overhauls		**91,792**	69,006
Deferred income		**23,378**	1,178
Deferred tax liabilities		**100,305**	59,707
Total non-current liabilities		**2,160,731**	1,865,921
Current liabilities:			
Trade payables	*10*	**445,227**	85,195
Other payables and accruals		**482,551**	632,205
Income tax payable		**26,770**	17,328
Bank and other borrowings		**1,290,946**	212,241
Finance lease payable		**5,676**	5,311
Total current liabilities		**2,251,170**	952,280
TOTAL LIABILITIES		**4,411,901**	2,818,201
TOTAL EQUITY AND LIABILITIES		**7,423,717**	4,816,158

NOTES:

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Change of year end date

The Company changed its financial year end date from 30 June to 31 December with effect from 4 March 2008 to align the financial year end date with that of Beijing Enterprises Holdings Limited ("BEHL"), an intermediate holding company whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Owing to the change of the financial year end date in last period, the comparative amounts shown for the financial statements cover a period of eighteen months from 1 July 2007 to 31 December 2008. Accordingly, the comparative amounts presented for the consolidated income statement, the consolidated statement of comprehensive income and the related notes, which were prepared for the period from 1 July 2008 to 31 December 2008, are not comparable.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2009. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting form intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill or in the income statement as an excess over cost of acquisition, where appropriate.

1.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKFRS 8 Amendment*	Amendment to HKFRS 8 *Operating Segments – Disclosure of Information about Segment Assets* (early adopted)
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining Whether an Entity is Acting as a Principal or an Agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC) – Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) – Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC) – Int 13	*Customer Loyalty Programmes*
HK(IFRIC) – Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC) – Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC) – Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* *Included in improvements to HKFRSs 2009 (as issued in May 2009).*

** *The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary, which is effective for annual periods beginning on or after 1 July 2009.*

Other than as further explained below regarding the impact of HKFRS 8 and HKAS 1 (Revised), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14.

HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this revised standard introduces the statement of comprehensive income, with all items of income and expense recognised in the income statement, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

2. OPERATING SEGMENT INFORMATION

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

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on the profit for the year/period of each reportable segment, which is measured consistently with the Group's profit for the year/period.

Year ended 31 December 2009

	Sewage treatment and construction services HK$'000	Water supply services HK$'000	Sewage technical services HK$'000	Sale of sewage treatment facilities HK$'000	Corporate and others HK$'000	Total HK$'000
Segment revenue	1,505,615	60,462	69,156	94,780	–	1,730,013
Cost of sales	(1,100,452)	(37,365)	(5,607)	(70,659)	–	(1,214,083)
Gross profit	405,163	23,097	63,549	24,121	–	515,930
Profit/(loss) from operating activities	363,963	10,398	58,291	24,121	(58,823)	397,950
Imputed interest on convertible bonds	–	–	–	–	(43,864)	(43,864)
Other finance costs	(77,513)	(3,755)	–	–	–	(81,268)
Total finance costs	(77,513)	(3,755)	–	–	(43,864)	(125,132)
Share of profit of an associate	–	–	–	–	4,565	4,565
Profit/(loss) before tax	286,450	6,643	58,291	24,121	(98,122)	277,383
Income tax	(43,252)	1,863	(7,248)	–	–	(48,637)
Segment profit/(loss) for the year	243,198	8,506	51,043	24,121	(98,122)	228,746
Profit/(loss) for the year attributable to shareholders of the Company	201,076	6,722	51,699	24,121	(90,907)	192,711

Period from 1 July 2007 to 31 December 2008

	Sewage treatment and construction services HK$'000	Water supply services HK$'000	Sewage technical services HK$'000	Corporate and others HK$'000	Total HK$'000
Segment revenue	269,567	6,087	51,071	10,956	337,681
Cost of sales	(167,090)	(2,318)	(2,677)	(10,793)	(182,878)
Gross profit	102,477	3,769	48,394	163	154,803
Profit/(loss) from operating activities	86,868	3,637	42,347	(16,632)	116,220
Imputed interest on convertible bonds	–	–	–	(35,426)	(35,426)
Other finance costs	(23,273)	(1,574)	–	–	(24,847)
Total finance costs	(23,273)	(1,574)	–	(35,426)	(60,273)
Share of loss of an associate	–	–	–	(811)	(811)
Profit/(loss) before tax	63,595	2,063	42,347	(52,869)	55,136
Income tax	(11,240)	(16)	(900)	(78)	(12,234)
Segment profit/(loss) for the period	52,355	2,047	41,447	(52,947)	42,902
Profit/(loss) for the period attributable to shareholders of the Company	43,703	1,269	38,312	(52,300)	30,984

Since over 90% of the Group's revenue from external customers is generated in the PRC and over 90% of the assets of the Group are located in the PRC, in the opinion of the directors, no geographic information is presented.

Revenue of approximately HK$176,059,000 (period ended 31 December 2008: HK$35,828,000) was derived from the construction service provided by the sewage treatment and construction services segment to a single customer.

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 treatment, net of business tax and government surcharges; (2) 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, business tax and government surcharges; (3) the value of consultancy fees and licence fees, net of business tax and government surcharges; (4) the net invoiced value of goods sold, net of value-added tax and government surcharges and after allowances for returns and trade discounts; and (5) the imputed interest income on service concession arrangements.

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

	Year ended 31 December 2009 HK$'000	Period from 1 July 2007 to 31 December 2008 HK$'000
Sewage treatment services	**439,784**	138,224
Construction contracts	**1,065,831**	131,343
Consultancy services	**34,342**	23,881
Licence fees	**34,814**	27,190
Sale of water	**60,462**	6,087
Sale of goods	**94,780**	10,956
	1,730,013	337,681

4. PROFIT FROM OPERATING ACTIVITIES

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

	Year ended 31 December 2009 HK$'000	Period from 1 July 2007 to 31 December 2008 HK$'000
Cost of construction contracts	**939,883**	113,402
Cost of sewage treatment services rendered	**147,297**	47,889
Cost of water sold	**35,817**	2,318
Cost of consultancy services rendered	**3,219**	2,651
Cost of licensing	**2,388**	26
Cost of goods sold	**70,659**	10,793
Depreciation	**14,370**	1,230
Amortisation of operating concessions*	**14,820**	5,799
Amortisation of other intangible assets*	**256**	78

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

5. FINANCE COSTS

	Year ended 31 December 2009 HK$'000	Period from 1 July 2007 to 31 December 2008 HK$'000
Interest on bank loans and other loans wholly repayable within five years	**84,670**	28,061
Interest on other loans	**874**	799
Imputed interest on convertible bonds	**43,864**	35,426
Interest on a finance lease	**1,015**	643
Total interest expenses	**130,423**	64,929
Increase in discounted amounts of provision for major overhauls arising from the passage of time	**2,011**	595
Total finance costs	**132,434**	65,524
Less: Interest included in cost of construction contracts	**(7,302)**	(5,251)
	125,132	60,273

6. INCOME TAX

No provision of Hong Kong profits tax has been made for the year ended 31 December 2009 as the Group did not generate any assessable profits arising in Hong Kong during the year (period ended 31 December 2008: Nil).

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

	Year ended 31 December 2009 HK$'000	Period from 1 July 2007 to 31 December 2008 HK$'000
Current:		
Mainland China	**20,004**	3,905
Underprovision/(overprovision) in prior years/periods	**(8,003)**	78
Deferred	**36,636**	8,251
Total tax charge for the year/period	**48,637**	12,234

7. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year/period attributable to shareholders of the Company and the weighted average number of ordinary shares in issue during the year/period.

The calculation of the diluted earnings per share amounts is based on the profit for the year/period attributable to shareholders of the Company, adjusted to reflect the effect of the deemed conversion of all dilutive convertible bonds and the weighted average number of ordinary shares assumed to have been issued on the conversion of all dilutive convertible bonds into ordinary shares. All convertible bonds had a dilutive effect on the basic earnings per share for the year ended 31 December 2009. Except for the Tranche 1 Bond (as defined in the circular of the Company dated 3 May 2007) issued by the Company on 27 July 2007, all other convertible bonds had either an anti-dilutive effect or no diluting effect on the basic earnings per share for the period ended 31 December 2008.

The calculation of the basic and diluted earnings per share amounts is based on the following data:

	Year ended 31 December 2009 HK$'000	Period from 1 July 2007 to 31 December 2008 HK$'000
Earnings		
Profit attributable to shareholders of the Company used in the basic earnings per share calculation	**192,711**	30,984
Interest on dilutive convertible bonds	**43,864**	6,210
Profit attributable to shareholders of the Company used in the diluted earnings per share calculation	**236,575**	37,194

	Year ended 31 December 2009	Period from 1 July 2007 to 31 December 2008
Number of ordinary shares		
Weighted average number of ordinary shares in issue during the year/period used in the basic earnings per share calculation	**3,152,955,623**	811,259,728
Effect of dilution of dilutive convertible bonds – weighted average number of ordinary shares	**1,264,943,280**	188,818,182
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**4,417,898,903**	1,000,077,910

8. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

The Group's receivables under service concession arrangements represented the Group's unconditional right to receive cash or another financial asset for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service under service concession arrangements. The various group companies have different credit policies, depending on the requirements of the locations 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 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:

	2009	2008
	HK$'000	HK$'000
Unbilled	**1,916,822**	1,238,309
Within 3 months	**90,285**	55,751
4 to 6 months	**34,923**	42,121
7 to 12 months	**11,151**	35,661
1 to 2 years	**1,084**	1,814
	2,054,265	1,373,656
Portion classified as current assets	**(137,443)**	(135,347)
Non-current portion	**1,916,822**	1,238,309

9. TRADE RECEIVABLES

The Group's trade receivables arise from the construction services for BT contracts, sewage technical services, water supply services and sale of sewage treatment facilities. The Group's trading terms with its customers are mainly on credit. The credit period is generally one month, and can be extended up to three months for major customers. Each customer has a maximum credit limit. 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. Trade receivables are non-interest-bearing.

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

	2009	2008
	HK$'000	HK$'000
Unbilled	**51,710**	–
Within 3 months	**62,763**	8,789
4 to 6 months	**324**	–
7 to 12 months	**35,667**	–
1 to 2 years	**438**	240
	150,902	9,029
Portion classified as current assets	**(99,192)**	(9,029)
Non-current portion	**51,710**	–

10. TRADE PAYABLES

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

	2009	2008
	HK$'000	HK$'000
Within 3 months	**387,843**	45,965
4 to 6 months	**14,559**	12,911
7 months to 1 year	**15,978**	2,561
1 to 2 years	**12,670**	12,508
2 to 3 years	**6,169**	4,390
Over 3 years	**8,008**	6,860
	445,227	85,195

The trade payables are non-interest-bearing and unsecured and are normally settled on 60-day terms.

11. EVENT AFTER THE REPORTING PERIOD

On 27 January 2010, convertible bonds with aggregate principal amount of HK$68,150,381 have been converted by certain bondholders in exchange for 98,768,668 new ordinary shares of the Company. As a result of the conversions, the issued capital of the Company has been increased from HK$348,219,699 divided into 3,482,196,992 shares to HK$358,096,566 divided into 3,580,965,660 shares.

12. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation.

13. OTHER FINANCIAL INFORMATION

The net current liabilities and total assets less current liabilities of the Group as at 31 December 2009 amounted to HK$355,363,000 (31 December 2008: net current assets of HK$541,792,000) and HK$5,172,547,000 (31 December 2008: HK$3,863,878,000), respectively.

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2009 (period ended 31 December 2008: Nil).

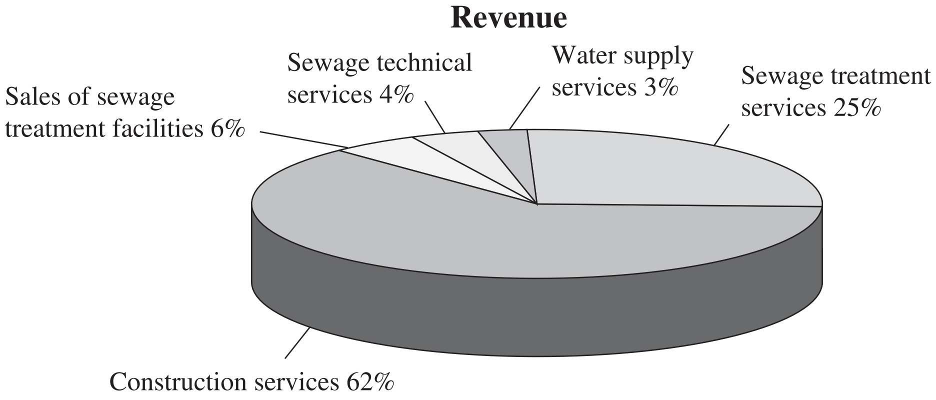
MANAGEMENT DISCUSSION AND ANALYSIS

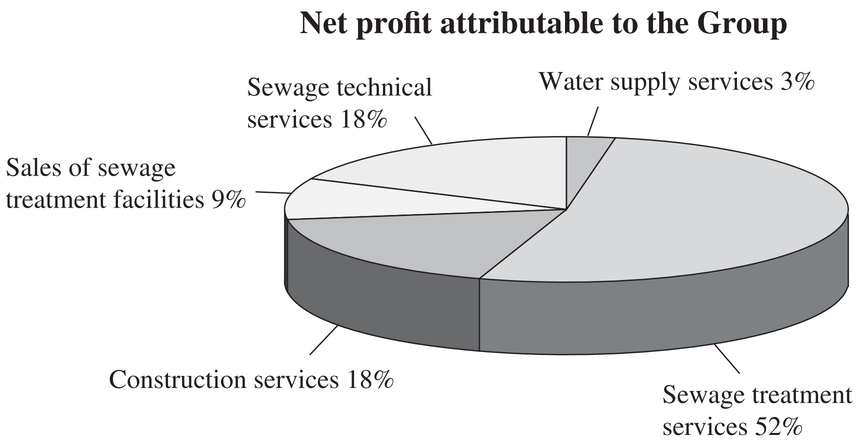
In order to align the financial year end date of the Company with that of its holding company, BEHL, the Board resolved to change the financial year end date of the Company from 30 June to 31 December commencing from the financial year 2008. As a result, the previous financial period covers an eighteen-month period from 1 July 2007 to 31 December 2008 ("the last period"). Accordingly, the comparative amounts presented for the consolidated income statement and the related notes, which were prepared for the period ended 31 December 2008, are not comparable.

The Year 2009 has been a fruitful year for the Group. The Group delivered strong results with total revenue of HK$1,730.0 million, representing an increase of 5.1 times of that in last period of HK$337.7 million. Profit attributable to shareholders of the Company recorded an impressive growth of 6.2 times from HK$31.0 million in the last period to HK$192.7 million. The remarkable performance of revenue and profit attributable to shareholders of the Company was mainly due to the successful strategic move to water industry. As the Group consolidated the water business since August 2008, only five months result regarding the water business was reflected last period. Whereas, full year contribution from water business was recorded this year. Apart from this, the Group's rapid business expansion also contributed to the encouraging result this year.

1. Financial highlights

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





	Revenue		GP ratio	Net profit attributable to the Group	
	HK$'M	*%*	*%*	*HK$'M*	*%*
Sewage treatment services	439.7	25%	63%	148.0	52%
Water supply services	60.5	3%	38%	6.7	3%
Construction services	1,065.8	62%	12%	53.0	18%
Sewage technical services	69.2	4%	92%	51.7	18%
Sales of sewage treatment facilities	94.8	6%	25%	24.1	9%
Business results	1,730.0	100%		283.5	100%
Others#				(90.8)	
Total				192.7	

Others included the share of profit of an associate (after deduction of minority interests) of HK$4.0 million, head office overheads of HK$51.0 million and convertible bonds interest of HK$43.8 million.

2. Business review

The principal business of the Group includes operations in sewage treatment services and water supply services, construction services, sewage technical services and sales of sewage treatment facilities. The coverage of the Group's water plants has extended to 13 provinces. As at 31 December 2009, the Group has 47 sewage treatment plants, 4 water supply plants and 3 reclaimed plants. The design capacity was increased by 2,067,100 tonnes per day to 3,597,100 tonnes per day, representing an increase of 2.4 times as compared with the capacity of 1,530,000 tonnes per day as at 31 December 2008. The increment of 2,067,100 tonnes per day includes Build-Operate-Transfer ("BOT") projects of 868,500 tonnes, Transfer-Operate-Transfer ("TOT") projects of 765,000 tonnes, Build-Transfer ("BT") and EPC projects of 92,600 tonnes, a self-owned project of 200,000 tonnes per day and an entrustment project of 141,000 tonnes per day.

2.1 Water operation services

	Number of plants	Design capacity	Actual processing capacity during the year	Revenue	Profit attributable to shareholder
		(Tonnes/Day)	*(Tonnes (mil))*	*HK$'(M)*	*HK$'(M)*
Sewage treatment services:					
– Western	8	560,000	115.9	115.0	40.4
– Southern	4	530,000	154.6	160.8	52.2
– Shandong	6	255,000	82.8	100.2	30.6
– Eastern	2	170,000	22.4	48.0	19.6
– Northern	1	100,000	8.7	15.7	5.2
	21	1,615,000	384.4	439.7	148.0
Water supply services	3	150,000	34.6	60.5	6.7
Total	24	1,765,000	419.0	500.2	154.7

2.1.1 Sewage treatment services

Sewage treatment is the Group's major source of profit. As at 31 December 2009, sewage treatment capacity of 1,615,000 tonnes per day is in operation. The average price of water treatment is approximately HK$1.07 per tonne. The actual aggregate processing volume for the period was 384.4 million tonnes (average daily processing volume of 1,162,000 tonnes and average daily treatment rate of 72%) contributing revenue of HK$439.7 million during the year (25% of the Group's total revenue). Net profit attributable to the Group was HK$148.0 million. The information of sewage treatment service in China is as follows:

Western China

Western China is the region with the largest operating capacity in the Group. There were eight sewage treatment plants with total daily design capacity of 560,000 tonnes, representing an increase of 245,000 tonnes per day or 43.8% as compared with 315,000 tonnes per day last year. They are mainly located in Guangxi, Sichuan and Guizhou. The actual processing volume for the year was 115.9 million tonnes and operating revenue of HK$115.0 million was recorded during the year. Net profit attributable to the Group amounted to HK$40.4 million.

Southern China

The operating volume of Southern China is 530,000 tonnes per day which is same as last year. Since projects secured during this year are mainly BOT projects, there is no increment in operating volume this year. As of 31 December 2009, the Group has four plants in this region and are mainly located in Guangdong and Hunan provinces. The actual aggregate processing volume for the year amounted to 154.6 million tonnes and an operating revenue of HK$160.8 million and net profit attributable to the Group of HK$52.2 million were recorded during the year.

Shandong

The total daily processing capacity of Shandong region is 255,000 tonnes which is same as last year. There are six plants in Shandong region. The actual processing volume for the year was 82.8 million tonnes contributing operating revenue of HK$100.2 million during the year. Net profit attributable to the Group was HK$30.6 million.

Eastern China

The growth in Eastern China is encouraging this year. The total daily processing capacity increased by 130,000 tonnes to 170,000 tonnes this year, representing an increase of 4.3 times from 40,000 tonnes last year. There are 2 water plants in Eastern China. They are mainly located in Zhejiang Provinces. The actual processing volume for the year amounted to 22.4 million tonnes and operating revenue was HK$48.0 million during the year. Net profit attributable to the Group was HK$19.6 million.

Northern China

During the year, the Group started to tap into Northern China's market. Currently, the Group has secured a project in Jinzhou, Liaoning Province. The daily processing volume is 100,000 tonnes. The project has achieved actual processing volume of 8.7 million tonnes since it entered into the Group in August 2009. The operating revenue was HK$15.7 million during this year. Net profit attributable to the Group was HK$5.2 million.

2.1.2 Water supply services

As at 31 December 2009, the Group has three water supply plants in operation. Total water supply capacity of these projects is 150,000 tonnes per day. The acquisition of Binzhou project in last year has marked the beginning of the Group's investment in water supply market. The project is located in Shandong province with water supply capacity of 50,000 tonnes per day. During this year, the Group also acquired Guigang project in Guangxi with water supply capacity of 100,000 tonnes per day. The aggregate actual processing volume is 34.6 million tonnes. These projects recorded revenue of HK$60.5 million (3% of the Group's total revenue) and net profit attributable to the Group of HK$6.7 million. The Group sees great growth potential from this sector in near future.

2.2 Water plants construction services

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

The Group is continuously extending its footprint throughout China. Riding on our competitive bidding strategy, we have successfully won a number of BOT bids during this year. Together with the organic growth of existing plants, the Group has kicked off the construction of various projects. During the year, twenty water plants were under construction. These water plants are mainly located in Guangdong, Sichuan, Shandong, Zhejiang, Heilongjiang and Hunan provinces. The total daily design capacity of these water plants is 1,046,500 tonnes. Changping and Qi Qi Har are our first attempt to build reclaimed water plant which requires higher treatment technologies input. Total construction revenue for BOT projects was HK$983.5 million and net profit attributable to the Group was HK$52.6 million. Most of these projects shall commence its operation in next year.

Apart from BOT projects, the Group also secured 2 BT ("Build-Transfer") projects in Tongling Anhui during this year. The aggregate design capacity is 85,000 tonnes. Total construction revenue from BT projects HK$82.3 million and net profit attributable to the Group was HK$0.4 million.

2.3 Sewage technical services

The Group, being an integrated water system solution provider in water market, has not only acquired extensive experience in bidding, building and operating waste water treatment projects, but also successfully marketed its patented treatment technology, "LIER-POOLK" to other operators. The patented treatment technology is characterised as cost-saving and has achieved the highest national emission standard – Grade 1A. Revenue from the provision of technical services was HK$69.2 million which represents 4% of the Group's total revenue. The net profit attributable to the Group was HK$51.7 million.

2.4 Sale of sewage treatment facilities

During the year, the Group entered into a services and facilities agreement with Beijing Enterprises Holdings Environment Technology Co. Ltd (北京北控環保工程技術有限公司, "BE-Environment") for the sales of sewage treatment related machineries and facilities to BE-Environment. BE-Environment is an indirect wholly-owned subsidiary of BEHL. Such machineries and facilities are purchased by BE-Environment for its sewage treatment project in Hai Kou City, the PRC. During the year, sewage treatment facilities of HK$94.8 million were sold to BE-Environment. The net profit attributable to the Group was HK$24.1 million.

3. Financial analysis

3.1 Revenue

Driven by the strong performance of water treatment business, the Group recorded a more than five times increase in revenue to HK$1,730.0 million (Last period: HK$337.7 million). The Group successfully transformed itself to a water service provider started from August 2008. As such, revenue for last period only represents five months result for water business. Additionally, various BOT and BT projects have been kicked off its construction work during this year and contributed an increase in construction revenue by HK$934.5 million from HK$131.3 million in last period to HK$1,065.8 million for this year.

3.2 Cost of sales

Cost of sales for the year amounted to HK$1,214.1 million which mainly included construction cost of HK$939.9 million and operating cost of water plants of HK$197.9 million. The construction cost was mainly represented by the subcontracting charges. For the operating cost of water plants, majority were electricity charges of HK$60.4 million, staff cost of HK$19.6 million and major overhaul charge of HK$20.8 million. Major overhaul charge was 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 arrangement. The amount was estimated based on discounted future cash outlays on major overhauls during the service concession periods. The amount was charged to income statement based on amortisation method during the service concession periods.

3.3 Gross profit margin

During the year, gross profit margin declined from 45.8% to 29.8%. The decline was mainly due to change in revenue source combination during this year. The revenue contribution from construction service increased significantly from 39% last period to 62% this year. The gross margin of construction revenue is 12% for this year, which is comparatively lower than other business sectors and therefore the gross margin of the Group decreased.

3.4 Other income and gains, net

The Group recorded other income of HK$26.2 million during this year (last period: HK$11.4 million). The increase was mainly due to sludge treatment fee income of HK$12.8 million.

3.5 Administrative expenses

Administrative expenses for the year was HK$127.0 million (last period: HK$42.3 million). The increment was mainly contributed by the increase in staff cost by HK$31.7 million as a result of the Group's business expansion during this year.

3.6 Finance costs

Finance costs was mainly represented by interest on bank and other borrowings of HK$85.5 million (last period: HK$28.9 million) and imputed interest on convertible bonds of HK$43.9 million (last period: HK$35.4 million). The imputed interest expense was resulted from accounting treatment and it did not affect the actual cashflow of the Group. Increase in interest on bank and other borrowings was due to the increase in bank borrowings for the finance of business development.

3.7 Income tax

Income tax expense for the year included current PRC income tax of HK$12.0 million. The effective tax rate for PRC operation was around 4.3% which was lower than the PRC income tax rate of 25% as some of the subsidiaries enjoyed tax concession benefit. Deferred tax for the year was HK$36.6 million.

3.8 *Liquidity and financial resources*

As at 31 December 2009, the Group's cash and cash equivalents amounted to HK$876.9 million (2008: HK$834.9 million). The Group's total borrowings amounted to HK$3,204.3 million as at 31 December 2009 (2008: HK$1,884.3 million), comprising convertible bonds of HK$582.7 million (2008: HK$669.3 million), finance lease payable of HK$10.4 million (2008: HK$15.9 million), and bank and other borrowings of HK$2,611.2 million (2008: HK$1,199.1 million). The increase in bank and other borrowings was mainly due to the increase in capital expenditure on business development during this year. Included in the balance is the bank borrowings carried in HK head office of HK$501.4 million. The remaining balance of HK$2,109.8 million is carried in PRC subsidiaries for the financing of construction of water plants and thus was mainly repayable in long term. Only 37% of the PRC bank and other borrowings are repayable within one year. The gearing ratio (defined as sum of bank and other borrowings and finance lease payable, net of cash and cash equivalents, divided by the total equity) was 0.58 as at 31 December 2009 (2008: 0.19). The increase in gearing ratio was mainly attributable to increase in bank and borrowings. As at 31 December 2009, the Group had banking facilities amounting to HK$1.38 billion, of which HK$0.88 billion were unutilised. The banking facilities are of 1-3 years term.

3.9 *Capital expenditures*

During the year, the Group's total capital expenditures were HK$1,680.1 million (last period: HK$271.9 million), of which HK$71.7 million was paid for the acquisition of property, plant and equipment and intangible assets while HK$1,477.8 million was spent on construction and acquisition of water plants and HK$130.6 million was the consideration for acquisition of equity interest in subsidiaries. The significant increase in capital expenditures was in line with the expansion plans of the Group.

4. Future Prospect

As of to date, the Group has 56 water treatment projects located in Sichuan, Shangdong, Guangdong, Hunan, Zhejiang and Guangxi with a daily water treatment capacity of 4.5 million tonnes. With our rapid increase in market share, the Group was enlisted and ranked second in the "2009 Top Ten Influential Enterprises survey conducted by h2o-China.com".

In 2010, facing with opportunities and challenges, the Group could strongly feel the importance of our responsibilities and the difficult tasks ahead. However, we believe, under the strong leadership of the Board and also the support of the significant resources from BEHL, we can adhere to our market-oriented, capital-oriented, technology-oriented and management-oriented approach to consolidate our basic management, cultivate harmonious corporate culture. We will adhere to our water operation business, specify our development strategy, clarify our group structure, make progress aggressively under same mentality and ethics and to endeavour the Group to become an international "leading integrated water system solution provider".

4.1 Development Strategy in 2010:

4.1.1 Adjusting our strategies and concentrating superior resources to promote principal business expansion

In 2010, the Group has determined its marketing guideline of "concentrating superior resources to fight a war of annihilation", to continuously promote high quality and rapid principal businesses development. The Group targets its capacity growth in 2010 at 2.48 million tonnes per day. Additionally, the Group must breakthrough in sludge treatment and seawater desalination business.

4.1.2 Continuous improvement in management and optimising control system

In 2010, the Group will take market-oriented initiatives to re-allocate corporate resources and delegation to frontline staff; implement an open capital policy to safeguard our steady business development; establish a modern corporate governance system to secure further development; create a harmonious and containment corporate culture to encourage cultural integration of acquirees and strategic partners; form comprehensive training program and promotion mechanism to provide opportunities for entrusted staff to offer their best.

Following our management guidelines and objectives in aspects of quality, environment and career health and security of "technological innovation, people-oriented, water source preservation and benefiting mankind" in 2010, we will implement management system on those areas to achieve scientification, process-based and standardisation, and together with our human-oriented principal, we could improve our organisational effectiveness.

4.1.3 Adopting flexible strategies and breakthrough by merger & acquisition

Facing the current intensifying competition in the PRC water business market and the decreasing trend in project scale, numbers of quality projects will continue to drop. As such, our development target could not be achieved through competing for projects from the market solely, and merger & acquisition will gradually become the effective means for corporate expansion in scale. With our determination on the "flexible, multi-pronged and innovative" market strategy in 2010, we will increase our resources input and strive for making breakthrough by merger & acquisition within the industry.

4.1.4 Looking into overseas market and developing international business

On 11 November 2009, the Group entered into a memorandum with the Malaysian government in respect of around 20 sewage treatment service projects involving investment, construction and operation of sewage treatment plants and ancillary pipeline network. If such investment becomes materialised, it will pave a new start for the Group in entering into the overseas markets.

Besides implementing the Malaysian projects, we also intend to strengthen our efforts in developing projects in other overseas markets in 2010 in order to support simultaneous development of both domestic and overseas markets. At the same time, the Group will strengthen the international exposures of our human resources for protecting our smooth development in overseas markets.

4.1.5 Aim at emerging field and make efforts in capturing opportunities

The sludge treatment market is just taking off, pioneers will have a leading and commanding edge in the future market. In 2010, the Group will plan proactively to establish a team of experts in sludge treatment industry, and making this field as one of key contributors in future developments. At the same time, seawater desalination industry has already shown signs of commercialisation and the market is taking share. The Group will acquire core technology through introduction and research. We will also capture human and marketing resources in a timely manner for business development when opportunities arise.

4.1.6 Increasing input in research and development and reinforcing innovation

In 2010, the Group will continue to further the development of our technology innovation team by introducing and assimilating advance overseas technology as well as improving our competent research and development platform with innovation capability. We will also leverage the powerful technology ability of National and Municipal Sewage Treatment and Resources Engineering Centre. In addition, we will cooperate with Tsinghua University to establish an international platform in research and development. The Group will maintain our leading position in research and development, new technology utilisation and equipment commercialisation within the industry through research participation in key national projects and technological integration on sewage treatment system in small-medium cities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the Group employed 1,514 employees. The Group's remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the year, the Group acquired 66.67% equity interests in Guigang Water for HK$59.6 million. Meanwhile, the Group acquired additional 10.78% equity interest in BE-ZKC for HK$167.1 million. Apart from this, the Group had no material significant investments and acquisitions of subsidiaries and affiliated companies during the year ended 31 December 2009.

CHARGES ON THE GROUP'S ASSETS

The secured bank loans and the finance lease payable of the Group as at 31 December 2009 are secured by the Group's equity interest in a subsidiary and mortgages over sewage treatment concession rights, land use rights and certain operating facilities of the sewage treatment plants which are under the management of the Group pursuant to the relevant service concession agreements signed with the grantors. The aforesaid land use rights and operating facilities are normally registered under the names of the relevant entities in the Group and are required to be returned to the grantors at the end of the respective service concession periods. Saved as disclosed above, the Group did not have any charges on the Group's assets.

FOREIGN EXCHANGE EXPOSURE

The Group's exposure to currency exchange rate is minimal as majority of the subsidiaries of the Company operates in the PRC with most of the transaction denominated and settled in RMB. Accordingly, the Group has not used derivative financial instruments to hedge its foreign currency risk.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

During the financial year ended 31 December 2009, the directors believe that the Company complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), except for two code provisions under the CG Code. The Company held two full board meetings instead of at least four full board meetings during the year under review as required under code provision A.1.1. The non-executive directors of the Company were not appointed for a specific term that was deviated from the requirement under code provision A.4.1. The deviations are appropriate as the board of directors of the Company considers that it is more efficient to hold board meetings to address emerging issues as appropriate and non-executive directors are subject to retirement by rotation and re-election at an annual general meeting in accordance with the Bye-laws of the Company. Sufficient measures will be taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix 10 of the Listing Rules as the code of conduct in respect of securities transactions of the directors (the "Model Code"). Having made specific enquiries of all directors of the Company, and to the best knowledge of the directors of the Company, the Company has confirmed that all directors of the Company have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions during the year.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") comprises three independent non-executive directors of the Company, namely Mr. Shea Chun Lok Quadrant (the Chairman of the Committee), Mr. Zhang Gaobo and Mr. Guo Rui. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and internal controls of the Company. The final results for the year ended 31 December 2009 have been reviewed and approved by the Audit Committee of the Company.

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

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries has purchased, sold nor redeemed any of the Company's listed securities.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL 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 2009 annual report and the notice of annual general meeting will be sent to all shareholders and will be published on the websites of the Company and the Stock Exchange in due course.

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

31 March 2010, Hong Kong

As at the date of this announcement, the Board comprises ten executive directors, namely Mr. Zhang Honghai (Chairman), Mr. Liu Kai, Mr. E Meng, Mr. Jiang Xinhao, Mr. Hu Xiaoyong (Chief Executive Officer), Mr. Zhou Min, Mr. Li Haifeng, Ms. Qi Xiaohong, Mr. Ju Yadong and Mr. Zhang Tiefu and five independent non-executive directors, namely Mr. Shea Chun Lok Quadrant, Mr. Zhang Gaobo, Mr. Guo Rui, Ms. Hang Shijun and Mr. Wang Kaijun.