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 2010

HIGHLIGHTS

- The Group continued its strong growth momentum during this year. Revenue for the year reached HK$6,348.1 million, representing an increase of 2.7 times of that in last year.

- Profit attributable to shareholders of the Company recorded a remarkable growth of 166% to HK$512.5 million.

- EBITDA amounted to HK$969.0 million. The profit attributable to shareholders of the Company before imputed interest on convertible bonds was HK$536.3 million.

- As at 31 December 2010, total daily design capacity for water projects on hand was 5,909,500 tons representing an increase by 69% as compared with the capacity of 3,504,500 tons as at 31 December 2009.

- Basic earnings per share for the year was HK12.99 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 2010, together with the comparative figures for the year ended 31 December 2009 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
REVENUE	*3*	**6,348,060**	1,730,013
Cost of sales		**(5,226,252)**	(1,214,083)
Gross profit		**1,121,808**	515,930
Other income and gains, net		**83,464**	26,178
Selling and distribution costs		**–**	(2,492)
Administrative expenses		**(219,465)**	(127,008)
Other operating expenses, net		**(56,608)**	(14,658)
PROFIT FROM OPERATING ACTIVITIES	*4*	**929,199**	397,950
Finance costs	*5*	**(234,908)**	(125,132)
Share of profits and losses of:			
Jointly-controlled entities		**824**	–
An associate		**–**	4,565
PROFIT BEFORE TAX		**695,115**	277,383
Income tax	*6*	**(130,950)**	(48,637)
PROFIT FOR THE YEAR		**564,165**	228,746
ATTRIBUTABLE TO:			
Shareholders of the Company		**512,512**	192,711
Non-controlling interests		**51,653**	36,035
		564,165	228,746
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*7*		
– Basic		**HK12.99 cents**	HK6.11 cents
– Diluted		**HK11.74 cents**	HK5.35 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
PROFIT FOR THE YEAR	**564,165**	228,746
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX OF NIL		
– Exchange differences on translation of foreign operations	**182,958**	(1,025)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**747,123**	227,721
ATTRIBUTABLE TO:		
Shareholders of the Company	**657,248**	191,752
Non-controlling interests	**89,875**	35,969
	747,123	227,721

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets:			
Property, plant and equipment		**46,114**	232,027
Prepaid land premiums		**–**	27,060
Goodwill		**1,580,116**	1,575,451
Operating concessions		**749,718**	399,132
Other intangible assets		**5,305**	3,293
Interests in jointly-controlled entities		**118,619**	–
Available-for-sale investments		**1,647**	454
Amounts due from contract customers		**1,605,284**	1,085,700
Receivables under service concession arrangements	*8*	**2,736,583**	1,916,822
Trade receivables	*9*	**120,905**	51,710
Prepayments, deposits and other receivables		**1,408,510**	205,190
Deferred tax assets		**31,806**	31,071
Total non-current assets		**8,404,607**	5,527,910
Current assets:			
Prepaid land premiums		**–**	644
Inventories		**12,786**	7,139
Amounts due from contract customers		**759,109**	49,930
Receivables under service concession arrangements	*8*	**123,889**	137,443
Trade receivables	*9*	**4,002,108**	99,192
Prepayments, deposits and other receivables		**1,367,995**	710,579
Restricted cash and pledged deposits		**592,507**	14,019
Cash and cash equivalents		**1,961,828**	876,861
Total current assets		**8,820,222**	1,895,807
TOTAL ASSETS		**17,224,829**	7,423,717

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2010

	Notes	2010 HK$'000	2009 HK$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital		**456,676**	348,219
Reserves		**3,436,184**	2,274,686
		3,892,860	2,622,905
Non-controlling interests		**1,175,094**	388,911
TOTAL EQUITY		**5,067,954**	3,011,816
Non-current liabilities:			
Other payables and accruals		**22,644**	37,554
Bank and other borrowings		**3,231,442**	1,320,222
Convertible bonds		**–**	582,737
Finance lease payable		**–**	4,743
Provision for major overhauls		**123,374**	91,792
Deferred income		**23,978**	23,378
Deferred tax liabilities		**138,688**	100,305
Total non-current liabilities		**3,540,126**	2,160,731
Current liabilities:			
Trade payables	10	**2,637,650**	445,227
Other payables and accruals		**569,700**	482,551
Income tax payable		**108,286**	26,770
Bank and other borrowings		**5,296,200**	1,290,946
Finance lease payable		**4,913**	5,676
Total current liabilities		**8,616,749**	2,251,170
TOTAL LIABILITIES		**12,156,875**	4,411,901
TOTAL EQUITY AND LIABILITIES		**17,224,829**	7,423,717

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. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were 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 were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

1.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), and amendments to HKFRS 8, HKAS 1, HKAS 7, HKAS 36 and HKAS 38 included in *Improvements to HKFRSs 2009*, and HK Interpretation 5, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows,* HKAS 12 *Income Taxes,* HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that segment assets and liabilities need only to be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- HKAS 1 *Presentation of Financial Statements*: States that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 36 *Impairment of Assets*: Clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in HKFRS 8 before aggregation for financial reporting purposes.

- HKAS 38 *Intangible Assets*: Clarifies that (i) if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of assets as a single asset provided that the individual assets have similar useful lives; and (ii) the valuation techniques presented in the standard for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

(c) HK Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

The interpretation requires a term loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement.

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 of each reportable segment, which is measured consistently with the Group's profit for the year.

During the year, the Group changed its operating segment reporting structure as follows:

(a) corporate and others segment is no longer considered as a reportable segment due to the cessation of the trading of computer and related products during the period ended 31 December 2008. Accordingly, head office and corporate expenses included in corporate and others segment for the year ended 31 December 2009 are included in the "Unallocated items"; and

(b) group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments. Accordingly, these items are included in the "Unallocated items".

The corresponding comparative amounts of the segment information have been revised to conform to reflect the above changes and to the current year's presentation.

Year ended 31 December 2010

	Sewage treatment and construction services HK$'000	Water supply services HK$'000	Technical and consultancy services HK$'000	Sale of sewage treatment facilities HK$'000	Total HK$'000
Segment revenue	6,023,210	75,460	249,390	–	6,348,060
Cost of sales	(5,176,892)	(45,979)	(3,381)	–	(5,226,252)
Gross profit	846,318	29,481	246,009	–	1,121,808
Segment results	774,047	13,117	239,173	–	1,026,337
Unallocated items					(97,138)
Finance costs					(234,908)
Share of profits and losses of:					
Jointly-controlled entities					824
An associate					–
Profit before tax					695,115
Income tax					(130,950)
Profit for the year					564,165
Profit/(loss) for the year attributable to shareholders of the Company:					
– For operating segments	622,651	10,272	203,142	–	836,065
– For unallocated items					(323,553)
					512,512

Year ended 31 December 2009

	Sewage treatment and construction services HK$'000 (Restated)	Water supply services HK$'000 (Restated)	Technical and consultancy services HK$'000 (Restated)	Sale of sewage treatment facilities HK$'000 (Restated)	Total HK$'000 (Restated)
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
Segment results	363,963	10,398	58,291	24,121	456,773
Unallocated items					(58,823)
Finance costs					(125,132)
Share of profits and losses of:					
Jointly-controlled entities					–
An associate					4,565
Profit before tax					277,383
Income tax					(48,637)
Profit for the year					228,746
Profit/(loss) for the year attributable to shareholders of the Company:					
– For operating segments	277,750	9,415	51,699	24,121	362,985
– For unallocated items					(170,274)
					192,711

Geographical information

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

Information about major customers

During the year ended 31 December 2010, the Group had transactions with three (2009: one) external customers of the sewage treatment and construction services segment and each of them contributed over 10% of the Group's total revenue for the year. A summary of revenue of these external customers is set out below:

	2010	2009
	HK$'000	HK$'000
Customer 1	**1,554,300**	–
Customer 2	**1,755,791**	–
Customer 3	**1,108,363**	–
Customer 4	**–**	176,059
	4,418,454	176,059

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) an appropriate proportion of contract revenue of other construction services, net of business tax and government surcharges; (3) the aggregate of the invoiced value of water sold and the estimated value of unbilled water distributed based on the consumption recorded by water meter readings, net of value-added tax, business tax and government surcharges; (4) the value of consultancy fees and licence fees, net of business tax and government surcharges; (5) the net invoiced value of goods sold, net of value-added tax and government surcharges and after allowances for returns and trade discounts; and (6) the imputed interest income on service concession arrangements.

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

	2010	2009
	HK$'000	HK$'000
Sewage treatment services *	**591,648**	439,784
Construction contracts *	**5,431,562**	1,065,831
Consultancy services	**235,670**	34,342
Licence fees	**13,720**	34,814
Sale of water	**75,460**	60,462
Sale of goods	**–**	94,780
	6,348,060	1,730,013

* *Imputed interest income under service concession arrangements are included in the revenue derived from "Sewage treatment services" and "Construction contracts" above.*

4. PROFIT FROM OPERATING ACTIVITIES

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

	2010	2009
	HK$'000	HK$'000
Cost of construction contracts	**4,950,070**	939,883
Cost of sewage treatment services rendered	**201,179**	142,691
Cost of water sold	**41,416**	35,817
Cost of consultancy services rendered	**2,041**	3,219
Cost of licensing	**1,340**	2,388
Cost of goods sold	**–**	70,659
Depreciation	**8,228**	14,370
Amortisation of operating concessions*	**30,206**	19,426
Amortisation of other intangible assets*	**502**	256

* *The amortisation 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

	2010	2009
	HK$'000	HK$'000
Interest on bank loans and other loans wholly repayable within five years	**208,248**	84,670
Interest on other loans repayable after five years	**7,544**	875
Imputed interest on convertible bonds	**23,787**	43,863
Interest on a finance lease	**681**	1,015
Total interest expenses	**240,260**	130,423
Increase in discounted amounts of provision for major overhauls arising from the passage of time	**2,725**	2,011
Total finance costs	**242,985**	132,434
Less: Interest included in cost of construction contracts	**(8,077)**	(7,302)
	234,908	125,132

6. INCOME TAX

No provision for Hong Kong profits tax has been made for the year ended 31 December 2010 as the Group did not generate any assessable profits arising in Hong Kong during the year (year ended 31 December 2009: Nil).

The PRC corporate 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 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.

	2010	2009
	HK$'000	HK$'000
Current:		
Mainland China	**99,319**	20,004
Overprovision in prior years	**(1,617)**	(8,003)
Deferred	**33,248**	36,636
Total tax charge for the year	**130,950**	48,637

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 attributable to shareholders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year 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 deemed conversion of all dilutive convertible bonds into ordinary shares.

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

	2010	2009
	HK$'000	HK$'000
Earnings		
Profit for the year attributable to shareholders of the Company, used in the basic earnings per share calculation	**512,512**	192,711
Interest on dilutive convertible bonds	**23,787**	43,863
Profit for the year attributable to shareholders of the Company used in the diluted earnings per share calculation	**536,299**	236,574

	2010	2009
Number of ordinary shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**3,946,144,909**	3,152,955,623
Effect of dilution of dilutive convertible bonds – weighted average number of ordinary shares	**620,611,554**	1,264,943,280
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**4,566,756,463**	4,417,898,903

8. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

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

An aged analysis of the 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:

	2010	2009
	HK$'000	HK$'000
Unbilled	**2,736,583**	1,916,822
Within 3 months	**84,741**	90,285
4 to 6 months	**19,370**	34,923
7 to 12 months	**11,122**	11,151
1 to 2 years	**8,656**	1,084
	2,860,472	2,054,265
Portion classified as current assets	**(123,889)**	(137,443)
Non-current portion	**2,736,583**	1,916,822

9. TRADE RECEIVABLES

The Group's trade receivables arise from the construction services for Build-Transfer ("BT") contracts, technical and consultancy services, sale of water and related water supply services and sale of sewage treatment facilities. The Group's trading terms with its customers are mainly on credit and each customer has a maximum credit limit. The various group companies have different credit policies, depending on the requirements of their markets in which they operate and the business they engage in. The credit period granted to customers is generally one month to three months, except for the customers of the BT contracts with instalment period extended up to between 1 year and 25 years. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. 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:

	2010	2009
	HK$'000	HK$'000
Billed:		
Within 3 months	**282,257**	62,763
4 to 6 months	**82,702**	324
7 to 12 months	**7,474**	35,667
1 to 2 years	**21,574**	438
Balance with extended credit period	**169,000**	51,710
	563,007	150,902
Unbilled*	**3,560,006**	–
	4,123,013	150,902
Portion classified as current assets	**(4,002,108)**	(99,192)
Non-current portion	**120,905**	51,710

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

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:

	2010	2009
	HK$'000	HK$'000
Within 3 months	**966,598**	387,843
4 to 6 months	**811,344**	14,559
7 months to 1 year	**586,585**	15,978
1 to 2 years	**268,447**	12,670
2 to 3 years	**4,500**	6,169
Over 3 years	**176**	8,008
	2,637,650	445,227

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

11. EVENTS AFTER THE REPORTING PERIOD

(a) On 15 March 2011, the Company completed an open offer (the "Open Offer") of new ordinary shares of the Company by issuing 2,283,378,231 shares at a price of HK$1.485 per share on the basis of one offer share for every two existing shares held by the shareholders. The total gross proceeds of the Open Offer is HK$3,390,817,000. As a result of the Open Offer, the issued share capital of the Company has been increased from HK$456,676,000 divided into 4,566,756,463 shares to HK$685,013,000 divided into 6,850,134,694 shares.

(b) On 28 March 2011, the Company entered into a term loan facility agreement (the "Facility Agreement") with a syndicate of banks for a term loan facility in the amount of HK$1,300,000,000. The facility is for a term of five years commencing from 28 March 2011. Pursuant to the Facility Agreement, it shall be an event of default (unless remedied by the Company or waived by the syndicate of banks) if Beijing Enterprises Holdings Limited, a company holding indirectly approximately 44.49% of the issued share capital of the Company as at the date of this announcement, does not or ceases to own, directly or indirectly, at least 35% of the beneficial shareholding carrying at least 35% of the voting rights in the Company.

12. COMPARATIVE AMOUNTS

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

13. OTHER FINANCIAL INFORMATION

The net current assets and total assets less current liabilities of the Group as at 31 December 2010 amounted to HK$203,473,000 (31 December 2009: net current liabilities of HK$355,363,000) and HK$8,608,080,000 (31 December 2009: HK$5,172,547,000), respectively.

FINAL DIVIDEND

The directors do not propose the payment of any final dividend in respect of the year under review (year ended 31 December 2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued its strong growth momentum during the year. Revenue for the year reached HK$6,348.1 million, which represents an increase of 2.7 times comparing with last year of HK$1,730.0 million. Profit attributable to shareholders for the year was HK$512.5 million, representing a remarkable increase of 1.7 times from HK$192.7 million as achieved in last year. Through a series of acquisition and winning the bidding in the open tender during last year, the Group has successfully broadened its revenue base, and thus contributing encouraging result during the 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 shareholders of the Company**	
	HK$'M	*%*	*%*	***HK$'M***	*%*
Sewage treatment services	591.6	9%	62%	248.3	30%
Water supply services	75.5	1%	39%	10.3	1%
Construction services					
– BT projects	4,600.0	72%	9%	311.4	37%
– BOT projects	831.6	13%	11%	63.0	8%
	5,431.6	85%		374.4	45%
Technical and consultancy services					
– BT projects	226.0	4%	99%	184.0	22%
– others	23.4	1%	99%	19.1	2%
	249.4	5%		203.1	24%
Business results	6,348.1	100%		836.1	100%
Others#				(323.6)	
Total				512.5	

Others included share of profits of jointly-controlled entities of HK$0.8 million, head office overheads of HK$89.5 million, convertible bonds interest of HK$23.8 million and other finance costs of HK$211.1 million.

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

	Revenue		GP ratio	Net profit attributable to shareholders of the Company	
	HK$'M	*%*	*%*	*HK$'M*	*%*
Sewage treatment services	439.7	25%	63%	196.3	54%
Water supply services	60.5	3%	38%	9.4	3%
Construction services					
– BT projects	82.3	5%	1%	0.4	–
– BOT projects	983.5	57%	12%	81.1	22%
	1,065.8	62%		81.5	22%
Technical and consultancy services					
– BT projects	–	–	–	–	–
– others	69.2	4%	92%	51.7	14%
	69.2	4%		51.7	14%
Sale of sewage treatment facilities	94.8	6%	25%	24.1	7%
Business results	1,730.0	100%		363.0	100%
Others#				(170.3)	
Total				192.7	

Others included a share of profit of an associate (after deduction of non-controlling interests) of HK$4.0 million, other expenses of HK$49.2 million, convertible bonds interest of HK$43.8 million and other finance costs of HK$81.3 million.

2. Business review

The principal businesses of the Group includes operations in sewage treatment services and water supply services, construction services and technical and consultancy services. The coverage of the Group's water plants has extended to 14 provinces all across Mainland China. As at 31 December 2010, the Group participate in 79 water plants in either operation or construction of which includes 62 sewage treatment plants, 13 water supply plants, 3 reclaimed plants and 1 seawater desalination plant. The total daily design capacity was increased by 2,405,000 tons to 5,909,500 tons, representing an increase of 69% as compared with last year. The increment of 2,405,000 tons daily design capacity includes Build-Operate-Transfer ("BOT") projects of 495,000 tons, Transfer-Operate-Transfer ("TOT") projects of 140,000 tons, Design-Build-Operate ("DBO") projects of 50,000 tons, entrustment projects of 695,000 tons per day and company owned project of 1,025,000 tons.

Analysis of projects on hand as follows:

	Sewage treatment	**Water supply**	**Reclaimed water**	**Seawater desalination**	**Total**
('000 tons)					
In operation	2,532.0	150.0	182.0	–	2,864.0
Not yet start operation	1,840.5	1,125.0	30.0	50.0	3,045.5
Total	4,372.5	1,275.0	212.0	50.0	5,909.5
(Number of water plants)					
In operation	40	5	2	–	47
Not yet start operation	22	8	1	1	32
Total	62	13	3	1	79

2.1 Water operation services

	Number of plants	Design capacity *(Tons/Day)*	Actual processing capacity during the year *(Tons (M))*	Revenue *HK$'(M)*	Profit attributable to shareholders of the Company *HK$'(M)*
Sewage treatment and reclaimed water services:					
– Western	14	1,000,000	190.2	144.4	62.4
– Southern	13	792,000	199.1	211.8	88.7
– Shandong	7	297,000	79.3	100.2	36.6
– Eastern	2	170,000	45.0	63.2	36.8
– Northern	6	455,000	50.2	72.0	23.8
	42	2,714,000	563.8	591.6	248.3
Water supply services	5	150,000	47.6	75.5	10.3
Total	47	2,864,000	611.4	667.1	258.6

2.1.1 Sewage treatment and reclaimed water services

As at 31 December 2010, the daily operation capacity of sewage treatment and reclaimed water were recorded as 2,532,000 tons and 182,000 tons respectively. The average daily processing volume is 1,929,000 tons and average daily treatment rate is 71%. The actual average contracted tariff charge of water treatment was approximately HK$1.07 per ton. After the effect of accounting treatment, the average water tariff recognized in revenue was approximately HK$1.05 per ton. The actual aggregate processing volume for the year was 563.8 million tons contributing revenue of HK$591.6 million during the year (9% of the Group's total revenue). Net profit attributable to shareholders of the Company was HK$248.3 million. The information of sewage treatment service in Mainland China is as follows:

Western China

Western China, the largest region in operating capacity of the Group, with operation located in Yunnan Province, Guangxi Province, Sichuan Province and Guizhou Province. Most of the BOT projects secured last year were commenced operations during this year, therefore, the operating volume increased significantly. As at 31 December 2010, there were 14 sewage treatment plants with total daily design capacity of 1,000,000 tons, representing an increase of 440,000 tons per day or 78.6% as compared with last year. The actual processing volume for the year was 190.2 million tons. The operating revenue of HK$144.4 million was recorded during the year. Net profit attributable to shareholders of the Company amounted to HK$62.4 million.

Southern China

Plants in Southern China were mainly located in Guangdong Province and Hunan Province. As at 31 December 2010, there were 13 sewage treatment plants with total daily design capacity of 792,000 tons, representing an increase of 262,000 tons per day or 49% as compared with last year. The actual aggregate processing volume for the year amounted to 199.1 million tons. The operating revenue and net profit attributable to shareholders of the Company were recorded of HK$211.8 million and HK$88.7 million respectively during the year.

Shandong

There were 7 plants in Shandong region. The total daily processing capacity of Shandong region had increased slightly by 42,000 tons to 297,000 tons as compared with last year. The actual processing volume for the year was 79.3 million tons contributing operating revenue of HK$100.2 million during the year. Net profit attributable to shareholders of the Company was HK$36.6 million.

Eastern China

There were 2 water plants in Eastern China which were mainly located in Zhejiang Province. As at 31 December 2010, the operating volume of Eastern China is 170,000 tons which was the same as the operating volume as last year. The actual processing volume for the year amounted to 45.0 million tons and operating revenue was HK$63.2 million during the year. Net profit attributable to shareholders of the Company was HK$36.8 million.

Northern China

Currently, the Group has 6 plants under operation in Northern China. They are mainly located in Liaoning Province. The daily processing volume is 455,000 tons, representing an increase of 355,000 tons per day as compared with last year. The projects had achieved actual processing volume of 50.2 million tons for the year. The operating revenue was HK$72.0 million during the year. Net profit attributable to shareholders of the Company was HK$23.8 million.

2.1.2 Water supply services

As at 31 December 2010, the Group had 5 water supply plants in operation. Total water supply capacity of these projects was 150,000 tons per day. The plants were located in Guizhou Province, Shandong Province and Guangxi Province. The actual average contracted tariff charge of water supply is approximately HK$1.57 per ton. The aggregate actual processing volume is 47.6 million tons. These projects recorded revenue of HK$75.5 million (1% of the Group's total revenue) and net profit attributable to shareholders of the Company of HK$10.3 million.

2.2 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.

During the year, 16 water plants were under construction. These water plants were mainly located in Guangdong, Sichuan, Shandong, Liaoning, Heilongjiang and Hunan provinces. Total construction revenue for BOT projects was HK$831.6 million and net profit attributable to shareholders of the Company was HK$63.0 million. As at 31 December 2010, the total daily design capacity of these water plants in the construction stage was 1,101,500 tons, most of these projects is expected to commence operation in next year.

Apart from BOT projects, the Group has 8 Build-Transfer ("BT") projects under construction during the year. The projects are located in Tongling, Anhui Province, Kunming, Yunnan Province and Dailin, Liaoning Province. Total construction revenue from BT projects was HK$4,600.0 million and net profit attributable to shareholders of the Company was HK$311.4 million. Contribution from BT projects has been significantly increased since six new BT projects were commenced, including Kunming Huan Hu Nan Lu, Kunming Dian Chi and other water projects (the "Kunming BT projects") and Dailin Chang Xing Dao project (the "Dailin BT project") during the year. The revenue and profit contributed by the Kunming BT projects and Dailin BT project amounted to HK$4,433.4 million and HK$310.0 million respectively. Those BT projects are the construction for intercepting canal and its ancillary facilities, sludge and sewage treatment plants, water environmental renovation, pipeline network and the relevant infrastructures.

2.3 Technical and consultancy services

The Group has couples of qualification in engineering consulting and design of water treatment plants. As an integrated water system solution provider in water market, the Group has not only acquired extensive experience in bidding, building and operating sewage water treatment projects, but also successfully marketed its treatment technology and experience in construction services to other operators and constructors. Revenue from the provision of technical services was HK$249.4 million, representing 5% of the Group's total revenue. The net profit attributable to shareholders of the Company was HK$203.1 million. Contribution from technical and consultancy services increased since the Group has provided technical services and construction advisory and management services to the sub-contractors of the Kunming BT projects. The revenue and profit contributed by these projects amounted to HK$226.0 million and HK$184.0 million respectively.

3. Financial analysis

3.1 Revenue

During the year, the Group recorded a more than double increase in revenue to HK$6,348.1 million (compared to last year for HK$1,730.0 million). The significant increase was mainly driven by the construction revenue from BT projects. The related revenue was increased by HK$4,517.7 million from HK$82.3 million in the last year to HK$4,600.0 million for the year.

3.2 Cost of sales

Cost of sales for the year amounted to HK$5,226.3 million which mainly included construction cost of HK$4,950.0 million and operating cost of water plants of HK$272.8 million. The construction cost mainly consisted of subcontracting charges. The operating cost of water plants, mainly included electricity charges of HK$100.2 million, staff cost of HK$55.2 million and major overhaul charge of HK$24.9 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 30% to 18%. The decline was mainly due to the change in mix of revenue during the year. The revenue contribution from BT projects increased significantly from last year at 5% to 72% this year. The gross margin of BT projects is 9% for this year, which is comparatively lower than average of other business sectors of 42% and therefore the gross margin of the Group decreased. In particular, the return from both Kunming BT projects and Dailin BT project comprise construction service income, technical services and interest income. Since these projects were still under construction during the year, only contribution from construction services and technical services were recognised. Once the construction work of these projects are completed and certified, interest income will start to be recognised. As most of the construction work was completed during this year, it is expected that interest income shall be recognised in the coming year.

3.4 Other income and gains, net

The Group recorded other income of HK$83.5 million during the year, compared to last year of HK$26.2 million. The increase was mainly due to increase in interest income and government grants. Other income mainly included interest income of HK$22.9 million, sludge treatment fee income of HK$5.8 million, government grant of HK$47.1 million and other gains on acquisition of subsidiaries, namely China International Construction Investment Holding (Hong Kong) Limited (“CICI”) and its subsidiaries, of HK$2.8 million.

3.5 *Administrative expenses*

Administrative expenses for the year was HK$219.5 million, compared to last year at HK$127.0 million. The increase was mainly contributed by the increase in staff cost by HK$49.5 million as a result of the Group's business expansion.

3.6 *Finance costs*

Finance costs were mainly represented by interest on bank and other borrowings of HK$215.8 million, compared to last year at HK$85.5 million and imputed interest on convertible bonds of HK$23.8 million, where those in last year was HK$43.8 million. The imputed interest on convertible bonds was resulted from accounting treatment and it did not affect the actual cash flow 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 the current PRC income tax of HK$97.7 million. The effective tax rate for the PRC operation was about 16% which was lower than the PRC standard income tax rate of 25% as some of the subsidiaries enjoyed tax concession benefit. Deferred tax for the year was HK$33.2 million.

3.8 *Liquidity and financial resources*

As at 31 December 2010, the Group's cash and cash equivalents amounted to HK$1,961.8 million (2009: HK$876.9 million). The Group's total borrowings amounted to HK$8,532.5 million (2009: HK$3,204.3 million).

The Group's total borrowings comprising finance lease payable of HK$4.9 million (2009: HK$10.4 million), convertible bonds of nil (2009: HK$582.7 million) and bank and other borrowings of HK$8,527.6 million (2009: HK$2,611.2 million). The gearing ratio as defined as sum of bank and other borrowings, convertible bonds and finance lease payable, net of cash and cash equivalents, divided by the total equity was 1.30 as at 31 December 2010 (2009: 0.58). The increase in bank and other borrowings as well as the gearing ratio in the year 2010 was mainly due to the increase in investment by financing from the banks both in Hong Kong and China for our core business development.

On 15 March 2011, the Company completed an open offer of new ordinary shares of the Company by issuing 2,283,378,231 shares at a price of HK$1.485 per share on the basis of one offer share for every two existing shares held by the shareholders. The total gross proceed of the open offer is HK$3,390,817,000. Immediately after the open offer, the gearing ratio is decreased to 0.38.

As at 31 December 2010, the Group had banking facilities amounting to HK$6.39 billion, of which HK$0.4 billion were unused. The banking facilities are of 1-3 years term.

3.9 Capital expenditures

During the year, the Group's total capital expenditures were HK$1,338.3 million (year ended 31 December 2009: HK$1,680.1 million), of which HK$25.2 million was paid for the acquisition of property, plant and equipment and intangible assets, HK$1,312.2 million was spent on construction and acquisition of water plants and HK$0.9 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

While the Group will continue to expand its principal businesses next year, it will also aggressively enhance its industry chain and intensify its investment in seawater desalination, sludge treatment and comprehensive treatment of water environment. At the same time, the Group will devote more resources in the BT projects, consolidate its internal and external resources, seeking for more opportunities in mergers and acquisitions of medium and large-sized water companies. In order to achieve breakthroughs and new profit growth points for the Group, for the seawater desalination and international business developments, we are endeavouring to higher level and wider spectrum for advanced strategic co-operations and industry consolidation.

At the same time, the Group persists in balancing the focus of organic growth as well as external expansion. While strengthening the expansion of its principal business, the Group will further promote its corporate governance standards and enhance its internal control standards. The Group will push forward the integration of its internal and external resources, improve the functions of each business region, whereby the core management control will shift downwards and standardize the risks control. The Group will simultaneously enhance the management on controlling companies and those with investments, and optimise the operation mechanism of corporate governance structure. The Group will enforce the control procedures of systems, procedures and critical interface, perfect its investment appraisal procedures and project preliminary evaluation and post-project evaluation system, and establish investment evaluation methods for non-traditional investment projects like BT, EPC and mergers and acquisitions. By maximize the utilization of the resources, we will strike the balance between our expansion strategy and our management capacity so that we can effectively and efficiently improve our business operation. The Group will continue to enhance the human resources management strategically and take the development of core professional talents and construction of back-up talents as its top priority. By intensifying more efforts in introducing and cultivating high calibre talents, the Group will be innovative in talents working mechanism and demonstrate the converging force and cohesiveness of corporate culture, thereby laying a solid foundation for achieving to be an internationalized operation under the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2010, the Group employed 1,950 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

On 23 April 2010, the Group entered into a subscription agreement with CICI pursuant to which the Company agreed to subscribe and CICI agreed to issue and allot 116,667 shares, representing approximately 70% of the enlarged issued share capital of CICI at a consideration of US$116,667. CICI is the shareholder of various enterprises in the PRC. Those enterprises engaged in a number of BT projects in Kunming city.

On 20 June 2010, the Company entered into a joint venture agreement with Meishi International Investment Group Limited ("Meishi") in relation to the establishment of a joint venture in Dalian, the PRC for the building and construction of the works under the Dalian BT project. Pursuant to the joint venture agreement, the total registered capital of the joint venture was US$98 million (equivalent to approximately HK$762.3 million). The Company needs to inject US$58.8 million (equivalent to approximately HK$457.4 million) and Meishi needs to inject US$39.2 million (equivalent to approximately HK$304.9 million) to the joint venture representing 60% and 40% of the registered capital of the joint venture respectively.

On 25 October 2010, the Company entered into an equity transfer agreement with Guiyang Water Supply Corporation (貴陽市供水總公司). Pursuant to the equity transfer agreement, the Company shall acquire a 45% equity interest in Guiyang Water Co., Ltd (貴陽水務有限責任公司) ("Guiyang Water") for the consideration of RMB721.0 million (equivalent to approximately HK$838.5 million) to be paid in cash by the Company. The principal activities of Guiyang Water are to provide water supply services within the specified areas in Guiyang City under the operating concession agreement. Upon the completion of the equity transfer agreement, Guiyang Water will become a 45% jointly-controlled entity of the Company.

Apart from the above, the Group had no material significant investments and acquisitions of subsidiaries and affiliated companies during the year ended 31 December 2010.

CHARGES ON THE GROUP'S ASSETS

The secured bank loans and the finance lease payable of the Group as at 31 December 2010 are secured by:

(i) 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;

(ii) the Group's equity interest in a subsidiary;

(iii) corporate guarantees given by the Company and certain subsidiaries of the Group; and

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

Save 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 2010, 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 one code provision under the CG Code. 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 deviation is appropriate as the Board considers that 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 and the requirements of the Bye-laws of the Company 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 2010 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 2010, 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 2010 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

Hong Kong, 31 March 2011

As at the date of this announcement, the board of directors of the Company comprises eleven 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, Mr. Zhang Tiefu, Mr. Hou Feng, Ms. Qi Xiaohong and Mr. Ju Yadong, 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.