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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 2015

HIGHLIGHTS

- The Group reported revenue of HK$13,503.0 million, representing an increase of 51% as compared with that of HK$8,925.9 million in last year.
- Profit attributable to shareholders of the Company was HK$2,455.4 million, representing an increase of 37% as compared with that of HK$1,794.4 million in last year.
- EBITDA amounted to HK$4,898.9 million, representing an increase of 24% as compared with that of HK$3,960.4 million in the last year.
- Basic earnings per share for the year was HK28.17 cents, representing an increase of 36% as compared with that of HK20.76 cents in the last year.
- Final cash distribution of HK5.1 cents per share is proposed for the year ended 31 December 2015. Full-year distributions are HK9.5 cents, excluding the fair value gain on derivative financial instruments of HK$253.7 million, the dividend payout ratio is 38%.
- Total daily design capacity for new projects secured for this year was 4,734,400 tons. During the year, the Group disposed or completed the entrusted operation of 4 sewage treatment projects and 1 water supply project with aggregate daily design capacity of 261,200 tons. As such, the net increase in total daily design capacity for this year was 4,473,200 tons. As at 31 December 2015, total daily design capacity was 24,623,250 tons (31 December 2014: 20,150,050 tons).

RESULTS

The board (the "Board") of directors (the "Directors") 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 2015 and the consolidated statement of financial position of the Group as at 31 December 2015, with comparative figures for the year ended 31 December 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	**2015** ***HK$'000***	2014 *HK$'000*
REVENUE	*3*	**13,502,957**	8,925,942
Cost of sales		**(8,536,057)**	(5,430,014)
Gross profit		**4,966,900**	3,495,928
Interest income		**315,781**	445,516
Other income and gains, net		**454,638**	608,156
Administrative expenses		**(1,225,728)**	(1,065,812)
Other operating expenses, net		**(248,054)**	(10,648)
PROFIT FROM OPERATING ACTIVITIES	*4*	**4,263,537**	3,473,140
Fair value gain on derivative financial instruments		**253,714**	–
Finance costs	*5*	**(1,146,708)**	(1,084,225)
Share of profits and losses of:			
Joint ventures		**162,795**	256,230
Associates		**12,221**	22,032
PROFIT BEFORE TAX		**3,545,559**	2,667,177
Income tax expense	*6*	**(777,766)**	(593,855)
PROFIT FOR THE YEAR		**2,767,793**	2,073,322
ATTRIBUTABLE TO:			
Shareholders of the Company		**2,455,370**	1,794,413
Non-controlling interests		**312,423**	278,909
		2,767,793	2,073,322
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*8*		
– Basic		**HK28.17 cents**	HK20.76 cents
– Diluted		**HK27.50 cents**	HK20.30 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015	2014
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**2,767,793**	2,073,322
OTHER COMPREHENSIVE LOSS		
Item to be reclassified to profit or loss in subsequent periods:		
– Exchange differences on translation of foreign operations	**(1,622,744)**	(180,298)
Item not to be reclassified to profit or loss in subsequent periods:		
– Share of other comprehensive loss of a joint venture	**(35,107)**	(25,668)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX	**(1,657,851)**	(205,966)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,109,942**	1,867,356
ATTRIBUTABLE TO:		
Shareholders of the Company	**1,050,776**	1,588,495
Non-controlling interests	**59,166**	278,861
	1,109,942	1,867,356

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	**2015** ***HK$'000***	2014 *HK$'000*
ASSETS			
Non-current assets:			
Property, plant and equipment		**1,379,801**	1,242,995
Investment property		**–**	55,821
Goodwill		**2,967,365**	2,524,701
Operating concessions		**2,421,012**	2,285,523
Other intangible assets		**37,290**	28,432
Investments in joint ventures		**3,563,399**	3,106,768
Investments in associates		**902,774**	2,292
Derivative financial instruments		**42,404**	–
Available-for-sale investments		**153,664**	126,363
Amounts due from contract customers		**11,495,709**	6,817,293
Receivables under service concession arrangements	*9*	**16,977,664**	15,639,617
Trade receivables	*10*	**665,352**	798,829
Prepayments, deposits and other receivables	*11*	**5,609,924**	3,854,676
Deferred tax assets		**122,388**	79,469
Total non-current assets		**46,338,746**	36,562,779
Current assets:			
Non-current assets held for sale		**226,647**	79,747
Inventories		**99,083**	57,775
Amounts due from contract customers		**1,311,629**	40,317
Receivables under service concession arrangements	*9*	**1,712,947**	1,600,565
Trade receivables	*10*	**2,959,325**	2,595,017
Prepayments, deposits and other receivables	*11*	**5,033,177**	4,309,629
Derivative financial instruments		**167,174**	–
Restricted cash and pledged deposits		**269,189**	304,126
Cash and cash equivalents		**6,373,831**	6,090,883
Total current assets		**18,153,002**	15,078,059
TOTAL ASSETS		**64,491,748**	51,640,838

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2015

	Notes	**2015** ***HK$'000***	2014 *HK$'000*
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital		**872,295**	870,743
Reserves		**15,311,538**	14,913,705
		16,183,833	15,784,448
Non-controlling interests		**4,106,582**	3,304,290
TOTAL EQUITY		**20,290,415**	19,088,738
Non-current liabilities:			
Other payables and accruals	*12*	**415,215**	340,404
Bank and other borrowings		**17,121,178**	12,529,842
Corporate bonds		**4,105,212**	4,492,307
Notes payable		**3,091,413**	2,523,639
Finance lease payables		**51,814**	–
Provision for major overhauls		**205,489**	247,018
Deferred income		**117,564**	70,486
Deferred tax liabilities		**1,320,597**	929,578
Total non-current liabilities		**26,428,482**	21,133,274
Current liabilities:			
Trade payables	*13*	**5,786,331**	3,563,928
Other payables and accruals	*12*	**4,817,755**	3,470,715
Income tax payables		**490,816**	439,527
Bank and other borrowings		**6,015,190**	3,944,656
Corporate bonds		**599,674**	–
Finance lease payables		**63,085**	–
Total current liabilities		**17,772,851**	11,418,826
TOTAL LIABILITIES		**44,201,333**	32,552,100
TOTAL EQUITY AND LIABILITIES		**64,491,748**	51,640,838

NOTES:

1.1. BASIS OF PREPARATION

The financial statements of the Group 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 requirement of the Hong Kong Company Ordinance. They have been prepared under the historical cost convention except for investment property which have been measured at fair value. The financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Adjustments are made to bring in line any dissimilar accounting policies that may exist.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. 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 the profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to the profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements HKFRSs 2010-2012 Cycle
Annual Improvements HKFRSs 2011-2013 Cycle

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by The Stock Exchange of Hong Kong Limited ("Stock Exchange") relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

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

2. OPERATING SEGMENT INFORMATION

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit for the year attributable to shareholders of the Company, which is a measure of adjusted profit for the year attributable to shareholders of the Company. The adjusted profit for the year attributable to shareholders of the Company is measured consistently with the Group's profit attributable to shareholders of the Company except that interest income on a loan to a joint venture, interest income from non-controlling equity holders of subsidiaries, fair value gain on derivative financial instruments, finance costs, share of profit of an associate, as well as head office and corporate income and expenses are excluded from such measurement.

Year ended 31 December 2015

	Sewage and reclaimed water treatment and construction services *HK$'000*	Water distribution services *HK$'000*	Technical and consultancy services and sale of machineries *HK$'000*	Total *HK$'000*
Segment revenue	**11,846,112**	**881,024**	**775,821**	**13,502,957**
Cost of sales	**(7,782,734)**	**(433,357)**	**(319,966)**	**(8,536,057)**
Gross profit	**4,063,378**	**447,667**	**455,855**	**4,966,900**
Segment results:				
The Group	**3,822,820**	**398,634**	**349,307**	**4,570,761**
Share of profits and losses of:				
Joint ventures	**86,508**	**76,287**	**–**	**162,795**
Associates	**1,761**	**–**	**–**	**1,761**
	3,911,089	**474,921**	**349,307**	**4,735,317**
Fair value gain on derivative financial instruments				**253,714**
Corporate and other unallocated income and expenses, net				**(307,224)**
Share of profit of an associate				**10,460**
Finance costs				**(1,146,708)**
Profit before tax				**3,545,559**
Income tax				**(777,766)**
Profit for the year				**2,767,793**
Profit for the year attributable to shareholders of the Company:				
Operating segments	**2,907,256**	**409,303**	**264,368**	**3,580,927**
Fair value gain on derivative financial instruments				**253,714**
Corporate and other unallocated items				**(1,379,271)**
				2,455,370

Year ended 31 December 2014

	Sewage and reclaimed water treatment and construction services *HK$'000*	Water distribution services *HK$'000*	Technical and consultancy services *HK$'000*	Total *HK$'000*
Segment revenue	7,832,555	812,641	280,746	8,925,942
Cost of sales	(4,938,051)	(407,304)	(84,659)	(5,430,014)
Gross profit	2,894,504	405,337	196,087	3,495,928
Segment results:				
The Group	3,033,483	322,118	156,897	3,512,498
Share of profits and losses of:				
Joint ventures	169,561	86,669	–	256,230
Associates	22,032	–	–	22,032
	3,225,076	408,787	156,897	3,790,760
Corporate and other unallocated income and expenses, net				(39,358)
Finance costs				(1,084,225)
Profit before tax				2,667,177
Income tax				(593,855)
Profit for the year				2,073,322
Profit for the year attributable to shareholders of the Company:				
Operating segments	2,480,334	371,796	114,112	2,966,242
Corporate and other unallocated items				(1,171,829)
				1,794,413

Geographical information

	2015	2014
	HK$'000	*HK$'000*
Revenue from external customers:		
Mainland China	**12,110,629**	7,676,405
Malaysia	**412,853**	709,815
Elsewhere	**979,475**	539,722
	13,502,957	8,925,942

The above revenue information by geographical area is based on the locations of the customers.

Information about major customers

During the year ended 31 December 2015, the Group had no transaction with any single (2014: Nil) external customer which contributed over 10% of the Group's total revenue for the year.

3. REVENUE

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

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

	2015	2014
	HK$'000	*HK$'000*
Sewage and reclaimed water treatment services	**3,515,103**	3,249,895
Construction services	**8,331,009**	4,582,660
Water distribution services	**881,024**	812,641
Technical and consultancy services and sale of machineries	**775,821**	280,746
	13,502,957	8,925,942

Imputed interest income under service concession arrangements in an aggregate amount of HK$1,354,905,000 (2014: HK$1,185,868,000) is included in the above revenue.

4. PROFIT FROM OPERATING ACTIVITIES

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

	2015	2014
	HK$'000	*HK$'000*
Cost of sewage and reclaimed water treatment services rendered	**1,240,158**	1,199,906
Cost of construction services	**6,433,300**	3,661,892
Cost of water distribution services	**417,140**	346,019
Cost of technical and consultancy services rendered and machineries sold	**319,966**	84,659
Depreciation	**76,840**	68,297
Amortisation of operating concessions*	**125,493**	137,538
Amortisation of other intangible assets*	**4,308**	3,124

* *The amortisation of operating concessions and other intangible assets for the year is included in "Cost of sales" and "Administrative expenses" on the face of the consolidated statement of profit or loss, respectively.*

5. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on bank and other loans	**805,077**	694,843
Interest on corporate bonds	**217,334**	253,596
Interest on notes payable	**172,562**	156,808
Interest on finance leases	**4,214**	743
Total interest expense	**1,199,187**	1,105,990
Increase in discounted amounts of provision for major overhauls arising from the passage of time	**9,166**	7,380
Total finance costs	**1,208,353**	1,113,370
Less: Interest included in cost of construction services	**(61,645)**	(29,145)
	1,146,708	1,084,225

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax and Indonesia corporate income tax has been made for the year ended 31 December 2015 as the Group did not generate any assessable profits arising in Hong Kong and Indonesia during the year (2014: Nil).

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

	2015	2014
	HK$'000	*HK$'000*
Current – PRC:		
Hong Kong	**–**	–
Mainland China	**337,812**	338,147
Current – Singapore	**2,673**	–
Current – Malaysia	**13,594**	15,406
Current – Portugal	**4,810**	4,464
Underprovision/(Overprovision) in prior years	**(23,330)**	22,634
Deferred	**442,207**	213,204
Total tax expense for the year	**777,766**	593,855

7. CASH DISTRIBUTIONS

	2015	2014
	HK$'000	*HK$'000*
Interim – HK4.4 cents (2014: HK3.0 cents) per ordinary share	**383,619**	261,148
Proposed final – HK5.1 cents (2014: HK4.8 cents) per ordinary share	**443,886**	417,989
	827,505	679,137

The proposed final cash distribution for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amount for the year ended 31 December 2015 is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of 8,714,976,582 (2014: 8,642,996,316) ordinary shares in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to shareholders of the Company. The weighted average number of ordinary shares used in the calculation is the weighted number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	2015	2014
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to shareholders of the Company, used in the basic and diluted earnings per share calculations	**2,455,370**	1,794,413

	2015	2014
Number of ordinary shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**8,714,976,582**	8,642,996,316
Effect of dilution on weighted average number of ordinary shares – Share options which have dilutive effect	**213,110,567**	194,529,832
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**8,928,087,149**	8,837,526,148

9. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

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

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

	2015	2014
	HK$'000	*HK$'000*
Billed:		
Within 3 months	**662,753**	615,957
4 to 6 months	**211,827**	211,904
7 to 12 months	**221,404**	169,100
Over 1 year	**160,781**	122,591
	1,256,765	1,119,552
Unbilled:		
Current portion	**456,182**	481,013
Non-current portion	**16,977,664**	15,639,617
	17,433,846	16,120,630
Total	**18,690,611**	17,240,182

10. TRADE RECEIVABLES

The Group's trade receivables arise from the provision of construction services for comprehensive renovation projects, water distribution services on the Build-Own-Operate basis, technical and consultancy services and sewage treatment equipment trading. The Group's trading terms with its customers are mainly on credit and each customer has a maximum credit limit. The various Group companies have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. The credit period granted to customers is generally one month to three months, except for customers of the construction services for comprehensive renovation projects, which would settle the amounts owed to the Group in a number of specified instalments covering periods ranging from 1 year to 25 years. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to monitor and minimise credit risk. Overdue balances are reviewed regularly by senior management. Apart from the trade receivables of certain construction services for comprehensive renovation projects which bear interest at rates ranging from 6.85% to 12.98% per annum (2014: 8.10% to 12.98%), other 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:

	2015	2014
	HK$'000	*HK$'000*
Billed:		
Within 3 months	**674,939**	177,068
4 to 6 months	**61,879**	17,199
7 to 12 months	**52,169**	76,068
Over 1 year	**2,017,310**	1,780,032
Balance with extended credit period	**49,005**	51,673
	2,885,302	2,102,040
Unbilled*	**769,375**	1,291,806
	3,624,677	3,393,846
Portion classified as current assets	**(2,959,325)**	(2,595,017)
Non-current portion	**665,352**	798,829

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

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Prepayments	**52,042**	51,442
Deposits and other debtors	**7,101,476**	4,217,363
Advances to subcontractors and suppliers	**1,946,270**	1,928,508
Due from joint ventures	**236,136**	654,334
Due from associates	**116**	78
Due from related parties	**1,451,490**	1,366,385
	10,787,530	8,218,110
Impairment	**(144,429)**	(53,805)
	10,643,101	8,164,305
Portion classified as current assets	**(5,033,177)**	(4,309,629)
Non-current portion	**5,609,924**	3,854,676

12. OTHER PAYABLES AND ACCRUALS

	2015	2014
	HK$'000	*HK$'000*
Accruals	**413,485**	380,767
Other liabilities	**1,247,128**	889,521
Receipts in advance	**1,378,743**	556,787
Due to subcontractors	**1,134,785**	1,445,792
Due to joint ventures	**560,388**	125,485
Due to related parties	**350,863**	348,006
Due to associates	**171**	–
Other taxes payables	**147,407**	64,761
	5,232,970	3,811,119
Portion classified as current liabilities	**(4,817,755)**	(3,470,715)
Non-current portion	**415,215**	340,404

13. 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:

	2015	2014
	HK$'000	*HK$'000*
Within 3 months	**2,129,973**	758,432
4 to 6 months	**870,743**	698,993
7 months to 1 year	**420,418**	243,421
1 to 2 years	**1,296,471**	554,964
2 to 3 years	**341,849**	459,658
Over 3 years	**197,788**	175,083
Balance with extended credit period	**529,089**	673,377
	5,786,331	3,563,928

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

14. OTHER FINANCIAL INFORMATION

The net current assets and total assets less current liabilities of the Group as at 31 December 2015 amounted to HK$380,151,000 (2014: HK$3,659,233,000) and HK$46,718,897,000 (2014: HK$40,222,012,000), respectively.

FINAL DISTRIBUTION

The Board proposed to pay final distribution of HK5.1 cents for the financial year ended 31 December 2015 (the "Proposed Final Distribution"). The Proposed Final Distribution is subject to shareholders' approval at the annual general meeting of the Company to be held on Monday, 23 May 2016, payable to shareholders of the Company whose names appear on the register of members of the Company on Monday, 30 May 2016.

CLOSURES OF REGISTER OF MEMBERS

For Annual General Meeting

The register of members will be closed from Thursday, 19 May 2016 to Monday, 23 May 2016 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company to be held on Monday, 23 May 2016, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 18 May 2016.

For Entitlement to Proposed Final Distribution

The register of members will be closed from Friday, 27 May 2016 to Monday, 30 May 2016 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the Proposed Final Distribution, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 26 May 2016. Subject to the approval of shareholders of the Company at the forthcoming annual general meeting, the Proposed Final Distribution will be paid on or around 14 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year attributable to shareholders of the Company increased by 37% to HK$2,455.4 million. Revenue increased by 51% to HK$13,503.0 million as a result of increase in revenue contribution from water treatment services and construction services for BOT projects.

1. Financial highlights

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

	Revenue		GP ratio	Profit attributable to shareholders of the Company	
	HK$'M	*%*	*%*	*HK$'M*	*%*
1. Water treatment services					
Sewage and reclaimed water treatment services					
China					
– Subsidiaries	3,361.6	25%	64%	1,592.3	44%
– Joint ventures and associates				17.9	1%
				1,610.2	45%
Overseas					
– Subsidiaries	153.5	1%	15%	6.1	0%
	3,515.1	26%		1,616.3	45%
Water distribution services					
China					
– Subsidiaries	691.3	5%	57%	298.1	8%
– Joint ventures and associates				76.3	2%
				374.4	10%
Overseas					
– Subsidiaries	189.8	1%	27%	34.9	1%
	881.1	6%		409.3	11%
Subtotal	4,396.2	32%		2,025.6	56%

		Revenue		GP ratio	Profit attributable to shareholders of the Company	
		HK$'M	*%*	*%*	*HK$'M*	*%*
2.	**Construction services for the water environmental renovation**					
	Construction services for comprehensive renovation projects					
	– Projects with completion rate more than 10%[§]	1,889.7	14%	24%	291.6	8%
	– Interest income	–	–	–	104.6	3%
		1,889.7	14%	24%	396.2	11%
	Construction of BOT water projects					
	– China	5,912.6	44%	24%	879.1	25%
	– Overseas	528.7	4%	4%*	15.6	1%
		6,441.3	48%	23%	894.7	26%
	Subtotal	8,331.0	62%		1,290.9	37%
3.	**Technical services and sale of machineries for the water environmental renovation**	775.8	6%	59%	264.4	7%
	Business results	13,503.0	100%		3,580.9	100%
	Fair value gain on derivative financial instruments				253.7	
	Others[#]				(1,379.2)	
	Total				2,455.4	

[#] *Others included head office and other corporate expense, net, of HK$174.4 million, share of profit of an associate of HK$10.5 million, equity-settled share option expense of HK$68.6 million and finance costs of HK$1,146.7 million.*

[§] *Profit attributable to shareholders of the Company included share of profits of joint ventures and associates of HK$8.3 million.*

* *This represents BOT construction gross profit margin for a reclaimed water project in Singapore. The Group is responsible for overall management of the construction services. The design and construction works are carried out by the project partner. As such, the gross profit margin for this project is lower than those in China.*

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

		Revenue		GP ratio	Profit attributable to shareholders of the Company	
		HK$'M	*%*	*%*	*HK$'M*	*%*
1.	**Water treatment services**					
	Sewage and reclaimed water treatment services					
	China					
	– Subsidiaries	3,066.2	34%	64%	1,390.1	46%
	– Joint ventures and associates				15.1	1%
					1,405.2	47%
	Overseas					
	– Subsidiaries	183.7	2%	13%	6.7	1%
		3,249.9	36%		1,411.9	48%
	Water distribution services					
	China					
	– Subsidiaries	590.0	7%	59%	246.7	8%
	– Joint ventures				86.7	3%
					333.4	11%
	Overseas					
	– Subsidiaries	222.6	2%	26%	38.4	1%
		812.6	9%		371.8	12%
	Subtotal	4,062.5	45%		1,783.7	60%

		Revenue		GP ratio	Profit attributable to shareholders of the Company	
		HK$'M	*%*	*%*	*HK$'M*	*%*
2.	**Construction services for the water environmental renovation**					
	Construction services for comprehensive renovation projects					
	– Project with completion rate under 10%	–	–	–	–	–
	– Project with completion rate more than 10%[§]	2,124.9	24%	16%	424.5	15%
	– Interest income	–	–	–	158.0	5%
		2,124.9	24%	16%	582.5	20%
	Construction of BOT water projects	2,457.8	28%	24%	485.9	16%
	Subtotal	4,582.7	52%		1,068.4	36%
3.	**Technical services for the water environmental renovation**	280.7	3%	70%	114.1	4%
	Business results	8,925.9	100%		2,966.2	100%
	Others[#]				(1,171.8)	
	Total				1,794.4	

[#] *Others included head office and other corporate income, net, of HK$28.1 million, equity-settled share option expense of HK$115.7 million and finance costs of HK$1,084.2 million.*

[§] *Profit attributable to shareholders of the Company included share of profits of joint ventures and associates of HK$58.1 million.*

The comparison of the Group's financial results for the years ended 31 December 2015 and 2014 is set out in details below:

	Revenue				Profit attributable to shareholders of the Company			
	2015	2014	Increase/(Decrease)		**2015**	2014	Increase/(Decrease)	
	HK$'M	*HK$'M*	*HK$'M*	*%*	***HK$'M***	*HK$'M*	*HK$'M*	*%*
1. Water treatment services								
Sewage and reclaimed water treatment services								
China								
– Subsidiaries	**3,361.6**	3,066.2	295.4	10%	**1,592.3**	1,390.1	202.2	15%
– Joint ventures and associates					**17.9**	15.1	2.8	19%
GP ratio	***64%***	*64%*		–	**1,610.2**	1,405.2	205.0	15%
Overseas								
– Subsidiaries	**153.5**	183.7	(30.2)	(16%)	**6.1**	6.7	(0.6)	(9%)
GP ratio	***15%***	*13%*		2%				
	3,515.1	3,249.9	265.2	8%	**1,616.3**	1,411.9	204.4	14%
Water distribution services								
China								
– Subsidiaries	**691.3**	590.0	101.3	17%	**298.1**	246.7	51.4	21%
– Joint ventures and associates					**76.3**	86.7	(10.4)	(12%)
GP ratio	***57%***	*59%*		(2%)	**374.4**	333.4	41.0	12%
Overseas								
– Subsidiaries	**189.8**	222.6	(32.8)	(15%)	**34.9**	38.4	(3.5)	(9%)
GP ratio	***27%***	*26%*		1%				
	881.1	812.6	68.5	8%	**409.3**	371.8	37.5	10%
Subtotal	**4,396.2**	4,062.5	333.7	8%	**2,025.6**	1,783.7	241.9	14%
2. Construction services for the water environmental renovation								
Construction services for comprehensive renovation projects								
– Project with completion rate under 10%	**–**	**–**	–	–	**–**	**–**	–	–
– Projects with completion rate more than 10%	**1,889.7**	2,124.9	(235.2)	(11%)	**291.6**	424.5	(132.9)	(31%)
– Interest income	**–**	**–**	–	–	**104.6**	158.0	(53.4)	(34%)
	1,889.7	2,124.9	(235.2)	(11%)	**396.2**	582.5	(186.3)	(32%)
GP ratio	***24%***	*16%*		*8%*				
Construction of BOT water projects								
– China	**5,912.6**	2,457.8	3,454.8	141%	**879.1**	485.9	393.2	81%
– Overseas	**528.7**	–	528.7	N/A	**15.6**	–	15.6	N/A
	6,441.3	2,457.8	3,983.5	162%	**894.7**	485.9	408.8	84%
GP ratio	***23%***	*24%*		*(1%)*				
Subtotal	**8,331.0**	4,582.7	3,748.3	82%	**1,290.9**	1,068.4	222.5	21%
3. Technical services and sale of machineries for the water environmental renovation	**775.8**	280.7	495.1	176%	**264.4**	114.1	150.3	132%
GP ratio	***59%***	*70%*		*(11%)*				
Business results	**13,503.0**	8,925.9	4,577.1	51%	**3,580.9**	2,966.2	614.7	21%
Fair value gain on derivative financial instruments					**253.7**	–	253.7	N/A
Others					**(1,379.2)**	(1,171.8)	(207.4)	(18%)
Total					**2,455.4**	1,794.4	661.0	37%

2. Business review

The principal businesses of the Group include operations in water treatment business, construction and technical services for the water environmental renovation. The coverage of the Group's water plants has extended to 19 provinces, 2 autonomous regions and 4 municipalities all across Mainland China.

2.1 Water treatment services

As at 31 December 2015, the Group entered into service concession arrangements for a total of 388 water plants including 285 sewage treatment plants, 94 water distribution plants, 8 reclaimed water treatment plants and 1 seawater desalination plant. Total daily design capacity for new projects secured for this year was 4,734,400 tons including Build-Operate-Transfer ("BOT") projects of 535,900 tons, Transfer-Operate-Transfer ("TOT") projects of 55,000 tons, Public-Private Partnership Project ("PPP") of 1,172,000 tons, entrustment operation projects of 45,000 tons and 2,926,500 tons* through mergers and acquisitions.

During the year, the Group disposed or completed the entrusted operation of 4 sewage treatment projects and 1 water supply project with aggregate daily design capacity of 261,200 tons. As such, the net increase in total daily design capacity for this year was 4,473,200 tons.

As at 31 December 2015, total daily design capacity was 24,623,250 tons, representing an increase of 22% as compared with the capacity of 20,150,050 tons as at 31 December 2014.

* *Daily design capacity of 1,211,000 tons is obtained through the acquisition of Golden State Water Group Corporation. On 9 December 2015, the Company entered into a sale and purchase agreement with Beijing Enterprises Holdings Limited ("BEHL"). Since BEHL is a connected person of the Company, this transaction is subject to independent shareholders' approval. As at the date of this announcement, the application for independent shareholders' approval is still in progress.*

Analysis of projects on hand is as follows:

	Sewage treatment	Reclaimed water treatment	Water distribution	Seawater desalination	Total
(Tons)					
China					
In operation	8,467,450	497,200	3,961,000	–	12,925,650
Not yet commenced operation/Not yet transferred	4,530,400	312,500	6,485,500	50,000	11,378,400
Subtotal	12,997,850	809,700	10,446,500	50,000	24,304,050
Overseas					
In operation	55,200	–	36,000	–	91,200
Not yet commenced operation/Not yet transferred	–	228,000	–	–	228,000
Subtotal	55,200	228,000	36,000	–	319,200
Total	13,053,050	1,037,700	10,482,500	50,000	24,623,250
(Number of water plants)					
China					
In operation	193	5	32	–	230
Not yet commenced operation/Not yet transferred	68	2	49	1	120
Subtotal	261	7	81	1	350
Overseas					
In operation	24	–	13	–	37
Not yet commenced operation/Not yet transferred	–	1	–	–	1
Subtotal	24	1	13	–	38
Total	285	8	94	1	388

	Number of plants	Design capacity *(Tons/Day)*	Actual processing volume during the year* *(Tons (M))*	Revenue *(HK$'M)*	Profit attributable to shareholders of the Company *(HK$'M)*
Sewage and reclaimed water treatment services:					
Mainland China:					
– Southern China	46	3,077,900	1,012.5	1,019.1	562.7
– Western China	46	1,565,500	457.2	659.5	337.6
– Shandong	28	1,192,000	322.8	513.0	261.3
– Eastern China	48	2,023,250	526.6	680.8	215.1
– Northern China	30	1,106,000	299.8	489.2	233.5
	198	8,964,650	2,618.9	3,361.6	1,610.2
Overseas	24	55,200	21.3	153.5	6.1
Subtotal	222	9,019,850	2,640.2	3,515.1	1,616.3
Water distribution services:					
Mainland China	32	3,961,000	646.4	691.3	374.4
Overseas	13	36,000	12.6	189.8	34.9
Subtotal	45	3,997,000	659.0	881.1	409.3
Total	267	13,016,850	3,299.2	4,396.2	2,025.6

* *Excluded entrustment operation contracts*

2.1.1 Sewage and reclaimed water treatment services

2.1.1a Mainland China:

As at 31 December 2015, the Group had 193 sewage treatment plants and 5 reclaimed water plants in operation in Mainland China. Total daily design capacity in operation of sewage treatment plants and reclaimed water plants reached to 8,467,450 tons (31 December 2014: 7,523,950 tons) and 497,200 tons (31 December 2014: 418,000 tons) respectively. The average daily processing volume is 7,284,548 tons and average daily treatment rate is 83%. The actual average contracted tariff charge of water treatment was approximately RMB1.03 per ton (2014: RMB1.00 per ton) for water plants. The actual aggregate processing volume for the year was 2,618.9 million tons, of which 2,552.4 million tons was contributed by subsidiaries and 66.5 million tons was contributed by joint ventures. Total revenue for the year was HK$3,361.6 million. Net profit attributable to shareholders of the Company was HK$1,610.2 million, of which HK$1,592.3 million was contributed by subsidiaries and HK$17.9 million was contributed by joint ventures and associates. The information of sewage and reclaimed water treatment services in Mainland China is as follows:

Southern China

Plants in Southern China were mainly located in Guangdong Province, Hunan Province, Fujian Province, Shaanxi Province and Hainan Province. As at 31 December 2015, there were 46 sewage treatment plants with total daily design capacity of 3,077,900 tons, representing an increase of 64,200 tons or 2% as compared with last year. The actual aggregate processing volume for the year amounted to 1,012.5 million tons. The operating revenue and profit attributable to shareholders of the Company were HK$1,019.1 million and HK$562.7 million respectively during the year.

Western China

Plants in Western China were mainly located in Yunnan Province, Guangxi Province, Sichuan Province and Guizhou Province. As at 31 December 2015, there were 46 sewage treatment plants with total daily design capacity of 1,565,500 tons, representing an increase of 83,500 tons per day or 6% as compared with last year. The actual processing volume for the year was 457.2 million tons. The operating revenue of HK$659.5 million was recorded during the year. Profit attributable to shareholders of the Company amounted to HK$337.6 million.

Shandong

There were 28 plants in Shandong region. The total daily design capacity of Shandong region is 1,192,000 tons, representing an increase of 165,000 tons per day or 16% as compared with last year. The actual processing volume for the year was 322.8 million tons contributing operating revenue of HK$513.0 million during the year. Profit attributable to shareholders of the Company was HK$261.3 million.

Eastern China

There were 48 water plants in Eastern China which were mainly located in Zhejiang, Jiangsu and Anhui Province. As at 31 December 2015, the total daily design capacity of Eastern China had increased by 400,000 tons to 2,023,250 tons or 25% as compared with last year. The actual processing volume for the year amounted to 526.6 million tons and operating revenue was HK$680.8 million during the year. Profit attributable to shareholders of the Company was HK$215.1 million.

Northern China

Currently, the Group has 30 plants under operation in Northern China. They are mainly located in Liaoning Province and Beijing. The daily design capacity of Northern China had increased by 310,000 tons to 1,106,000 tons or 39% as compared with last year. The projects achieved actual processing volume of 299.8 million tons for the year. The operating revenue was HK$489.2 million during the year. Profit attributable to shareholders of the Company was HK$233.5 million.

2.1.1b Overseas:

As at 31 December 2015, the Group had 24 sewage treatment plants in Portugal. Total daily design sewage treatment capacity in operation was 55,200 tons. The actual processing volume for the year is 21.3 million tons. Total revenue for the year was HK$153.5 million. Profit attributable to shareholders of the Company was HK$6.1 million.

2.1.2 Water distribution services

2.1.2a Mainland China:

As at 31 December 2015, the Group had 32 water distribution plants in operation. Total daily design capacity in operation was 3,961,000 tons (31 December 2014: 3,420,000 tons). The plants were located in Guizhou Province, Fujian Province, Guangdong Province, Hunan Province, Hebei Province, Shandong Province, Henan Province and Guangxi Province. The actual average contracted tariff charge of water distribution is approximately RMB1.78 per ton (2014: RMB1.81 per ton). The aggregate actual processing volume is 646.4 million tons, of which 351.3 million tons was contributed by subsidiaries, which recorded revenue of HK$691.3 million and 295.1 million tons was contributed by joint ventures. Imputed interest income of HK$86.0 million was recognised for the receivables under service concession arrangement of Plant No. 9 in Beijing. Profit attributable to shareholders of the Company was HK$374.4 million, of which profit of HK$298.1 million was contributed by subsidiaries and a profit of HK$76.3 million in aggregate was contributed by joint ventures and associates.

2.1.2b Overseas:

As at 31 December 2015, the Group had 13 water distribution plants in Portugal. Total daily design water distribution capacity in operation was 36,000 tons. The actual processing volume for the year is 12.6 million tons. Total revenue for the year was HK$189.8 million. Profit attributable to shareholders of the Company was HK$34.9 million.

2.2 Construction services for the water environmental renovation

2.2.1 Construction services for comprehensive renovation projects

The Group had 13 comprehensive renovation projects under construction during the year. The projects mainly located in Beijing Liangshuihe, Henan Luoyang, Foshan Gaoming, Guangxi Beihai, Yunnan Kunming, Sichuan Jianyang and Malaysia Pantai. Last year, the Group had four comprehensive renovation projects under construction in Guangxi Guigang, Hunan Zhuhui, Yunnan Yuxi and Malaysia Pantai.

Revenue from comprehensive renovation projects decreased by HK$235.2 million from last year of HK$2,124.9 million to HK$1,889.7 million this year. Revenue decreased was mainly due to the decrease in construction work for Malaysia Pantai Project. The Malaysia Pantai Project was approaching completion during this year. As such, the revenue contribution from this project has decreased in 2015.

According to the construction contracts, the Group charges an interest on the trade receivables from the customers with reference to certain mark-up on The People's Bank of China's lending rate for the year from the completion of the construction to time of the receipt of the trade receivables. Interest income from water environmental renovation projects attributable to shareholders of the Company was HK$104.6 million for this year (2014: HK$158.0 million).

Profit attributable to shareholders of the Company for the comprehensive renovation projects decreased by HK$186.3 million from last year of HK$582.5 million to HK$396.2 million this year.

2.2.2 Construction of BOT water projects

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

During the year, water plants under construction were mainly located in Shandong, Xinjiang, Heilongjiang, Hebei, Jiangsu and Henan. Total revenue for construction of BOT water projects was HK$6,441.3 million (2014: HK$2,457.8 million) and profit attributable to shareholders of the Company was HK$894.7 million (2014: HK$485.9 million). The increase in contribution from BOT projects during this year was mainly due to the construction work performed for projects located in Shandong, Xinjiang, and Henan.

2.3 Technical services and sale of machineries for the water environmental renovation

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

Revenue from the provision of technical services and sale of machineries was HK$775.8 million (2014: HK$280.7 million), representing 6% of the Group's total revenue. Profit attributable to shareholders of the Company was HK$264.4 million (2014: HK$114.1 million).

The increase was mainly due to the contribution from sale of machineries. This year, the Group starts to engage in the sale of related facilities for the water environmental renovation which contributed revenue of HK$246.1 million.

Apart from the sale of machineries the increase was also due to the contribution from provision of technical services by 南京市市政設計研究院有限責任公司 (Nanjing Municipal Design and Research Institute Co., Ltd^) which was acquired in second half of year 2014.

^ *For identification purpose only*

3. Financial analysis

3.1 Revenue

During the year, the Group recorded revenue of HK$13,503.0 million (2014: HK$8,925.9 million). The increase was mainly due to the increase in revenue from water treatment and construction services. Increase in revenue from water treatment services was mainly due to revenue contribution from BOT projects which commenced operation in second half of Year 2014 and current year. Increase in revenue from construction services was mainly due to increase in construction work for BOT projects in Henan, Shandong and Xinjiang.

3.2 Cost of sales

Cost of sales for the year amounted to HK$8,536.1 million, compared to last year of HK$5,430.0 million. The increase was mainly due to the increase in construction costs and operating costs of water plants amounted to HK$2,771.4 million and HK$99.3 million respectively. Cost of sales mainly included construction costs of HK$6,433.3 million and operating costs of water plants of HK$1,782.8 million. The construction costs mainly consisted of subcontracting charges. The increase in construction costs was mainly due to the increase in construction works for BOT projects. The operating costs of water plants, mainly included electricity charges of HK$637.5 million, staff costs of HK$497.7 million and major overhaul charges of HK$65.2 million; while the increase in operating costs was mainly due to increase in actual water processing volume. Major overhaul charges were the estimated expenditure to be incurred for the restoration of water plants before they are handed over to the grantor at the end of service arrangements. The amount was estimated based on discounted future cash outlays on major overhauls during the service concession periods. The amount was charged to profit or loss based on amortisation method during the service concession periods.

3.3 Gross profit margin

During the year, gross profit margin slightly decreased from last year of 39% to 37%.

Gross margin for sewage and reclaimed water treatment services:

Gross margin for sewage and reclaimed water treatment services in Mainland China was 64% (2014: 64%). Gross margin for sewage and reclaimed water treatment services in Overseas was 15% (2014: 13%).

Gross margin for water distribution services:

Gross margin for water distribution services in Mainland China was 57% (2014: 59%). Excluding the imputed interest income of the Plant No. 9, gross margin for water distribution services was 51% (2014: 50%). Gross margin for water distribution services in Overseas was 27% (2014: 26%).

Gross margin for construction services for comprehensive renovation projects:

Gross margin for construction services for comprehensive renovation projects increased from last year of 16% to 24% this year. Gross margin increased as the major comprehensive renovation projects (i.e. projects in Henan Luoyang and Sichuan Jianyang) for this year have a relatively higher average gross margin of around 30%.

Gross margin for construction of BOT water projects:

Gross margin for construction of BOT water projects in China maintained at 24% this year.

Gross margin for construction of BOT water projects in Overseas was 4%. This represents BOT construction gross profit margin for a reclaimed water project in Singapore. The Group is responsible for overall management of the construction services. The design and construction works are carried out by the project partner. As such, the gross margin for this project is lower than those in China.

Gross margin for technical services and sale of machineries for the water environmental renovation:

Gross margin for the technical services and sale of machineries for the water environmental renovation was 59% (2014: 70%). Decrease in gross margin was mainly because of the sale of machineries during this year. The gross margin of sale of machineries is relatively lower than the one for the technical services.

3.4 Other income and gains, net

The Group recorded other income and gains, net of HK$454.6 million during the year, compared to last year of HK$608.2 million. The amount for this year mainly included sludge treatment income of HK$51.6 million, government grants and subsidies of HK$101.2 million and value-added tax refund of HK$136.3 million.

3.5 Fair value gain on derivative financial instruments

On 9 December 2014, the Group entered into a subscription agreement with Beijing Enterprises Clean Energy Group Limited (the "BE Clean Energy", formerly known as "Jin Cai Holdings Company Limited"). The Group shall subscribe 17,721,519,000 shares at subscription price of HK$0.079. The total

consideration is approximately HK$1.4 billion, which shall be paid in five tranches within two years. After the completion of all the subscriptions and upon conversion of the preference shares into ordinary shares of BE Clean Energy, the Group shall hold equity interest of 34.95% in BE Clean Energy. The first tranche and second tranche of subscriptions with aggregate number of shares of 8,860,759,500 was completed during the year. The Group holds equity interests of 30.42% in BE Clean Energy as at 31 December 2015. No conversion of preference shares was noted in current year.

According to the accounting policy, the remaining three tranches of subscriptions with total number of shares of 8,860,759,500 are treated as a forward contract to subscribe for shares in BE Clean Energy. The Group needs to recognise the forward contract as a derivative financial instrument and the related gain or loss due to changes in fair value is required to be recognised in the consolidated statement of profit or loss of the Group. During this year, the Group recognised a fair value gain of HK$253.7 million on the forward contract.

The fair value gain or loss on the forward contract is non-cash in nature. It does not have any impact on the cashflow of the Group. After the subscription of shares, the forward contract shall be no longer existed. The fair value of the derivative financial instrument previously recognised shall be treated as investment cost of the associate and it will no longer be subject to fair value revaluation.

3.6 Administrative expenses

Administrative expenses for the year increased to HK$1,225.7 million, compared to last year of HK$1,065.8 million. The increase was mainly due to the increase in the staff costs of HK$101.4 million as a result of business expansion during the year. Excluded the equity-settled share option expense, the ratio of administrative expenses to total revenue decreased from 10.6% last year to 8.6%.

3.7 Other operating expenses, net

Other operating expenses increased from HK$10.6 million to HK$248.1 million this year. The increase was mainly due to the increase in the cost of sludge treatment and impairment of other receivables and amounts due from contract customers in current year.

3.8 Finance costs

Finance costs mainly represented interests on bank and other borrowings of HK$805.1 million (2014: HK$694.8 million) and interests on corporate bonds and notes payable of HK$389.9 million (2014: HK$410.4 million). The increase in finance costs was mainly due to increase in bank and other borrowings of HK$6,661.9 million during this year.

3.9 Income tax expense

Income tax expense for the year included the current PRC income tax of HK$337.8 million. The effective tax rate for the PRC operation was about 19% which was lower than the PRC standard income tax rate of 25% as some of the subsidiaries enjoyed tax concession benefit. Deferred tax charge for the year was HK$442.2 million.

3.10 Property, plant and equipment

Property, plant and equipment increased by HK$136.8 million which was mainly due to the recognition for construction of Build-Own-Operate ("BOO") projects in Guangxi in current year.

3.11 Investment property

Last year balance represented a portion of a building located in Beijing which the Group held to earn rental income. Such amount was transferred to non-current assets held for sale in this year as the Group intended to sell the building.

3.12 Non-current assets held for sale

Last year balance represented the cost of a piece of land located in Sichuan Province. In this year, the Group intended to sell certain buildings which were previously classified as investment property and property, plant and equipment. The carrying values of these buildings were classified as non-current assets held for sale in current year and resulted in the increase.

3.13 Receivables

The Group's total receivables of HK$35,122.6 million (2014: HK$27,491.6 million) included:

By accounting nature:

	2015			2014		
	Non-current	**Current**	**Total**	Non-current	Current	Total
	HK$'M	***HK$'M***	***HK$'M***	*HK$'M*	*HK$'M*	*HK$'M*
(i) Amounts due from contract customers	**11,495.7**	**1,311.6**	**12,807.3**	6,817.3	40.3	6,857.6
(ii) Receivables under service concession arrangements	**16,977.7**	**1,712.9**	**18,690.6**	15,639.6	1,600.6	17,240.2
(iii) Trade receivables	**665.4**	**2,959.3**	**3,624.7**	798.8	2,595.0	3,393.8
Total	**29,138.8**	**5,983.8**	**35,122.6**	23,255.7	4,235.9	27,491.6

(i) Amounts due from contract customers of HK$12,807.3 million represent the balances of accumulated construction costs incurred to date plus recognised accumulated gross profits exceeding progress billings arising from BOT projects and comprehensive renovation projects during the phase of construction. Total balance increased by HK$5,949.7 million (non-current portion increased by HK$4,678.4 million and current portion increased by HK$1,271.3 million), which was mainly due to the recognition of construction revenue for projects in Xinjiang, Henan, Shandong and Liangshuihe;

(ii) Receivables under service concession arrangements of HK$18,690.6 million represent the fair value of the specified amount that the grantor contractually guarantees to pay under service concession contracts arising from BOT and TOT projects in operation. The increase in balance by HK$1,450.4 million (non-current portion increased by HK$1,338.1 million and current portion increased by HK$112.3 million) was mainly due to (i) acquisition of water treatment projects of which amounted for an increase in receivables of HK$588 million and (ii) completion of TOT project in Luoyang which accounted for an increase in receivables of HK$575 million; and

(iii) Trade receivables of HK$3,624.7 million mainly arose from the provision of construction services for comprehensive renovation projects, technical and consultancy services and sewage treatment equipment trading. Increase in balance of HK$230.9 million (non-current portion decreased by HK$133.4 million and current portion increased by HK$364.3 million) was mainly due to the reclassification of receivables for Guangxi and Guizhou project from amounts due from contract customers to trade receivables.

By business nature:

	2015	2014
	HK$'M	*HK$'M*
Water treatment services by BOT and TOT projects	**29,046.0**	21,673.5
Construction services of comprehensive renovation projects	**5,508.5**	5,432.4
Technical and consultancy services and other businesses	**568.1**	385.7
Total	**35,122.6**	27,491.6

Total receivables, which relates to the BOT and TOT projects, recognised under the service concession agreements in accordance with the HK(IFRIC)-Int 12 *Service Concession Arrangements* were HK$29,046.0 million (2014: HK$21,673.5 million). Total receivables for the construction service of comprehensive renovation projects were HK$5,508.5 million (2014: HK$5,432.4 million). Total receivables for technical and consultancy services and other businesses were HK$568.1 million (2014: HK$385.7 million).

3.14 Operating concessions

Operating concessions represents rights that the Group can charge users under service concession contracts. It is a non-guarantee receipt right to receive cash because the chargeable amounts are contingent on the extent that the users use the service. The balance arises from BOT and TOT projects in operation.

3.15 Investments in joint ventures

Investments in joint ventures increased by HK$456.6 million, mainly due to the capital injection in a joint venture during the year.

3.16 Investments in associates

Investments in associates increased by HK$900.5 million, mainly due to the acquisition of 30.42% interest and convertible preference shares issued by BE Clean Energy during the year.

3.17 Prepayments, deposits and other receivables

Prepayments, deposits and other receivables increased by HK$2,478.8 million (non-current portion increased by HK$1,755.2 million and current portion increased by HK$723.6 million), mainly due to the payment of a deposit for purchasing a new office building in the PRC and increase in deposits for bidding of projects.

3.18 Cash and cash equivalents

Cash and cash equivalents increased by HK$282.9 million, mainly due to drawndown of bank loans during the year. Please refer to Note 3.20.

3.19 Other payables and accruals

Other payables and accruals increased by HK$1,421.8 million (non-current portion increased by HK$74.8 million and current portion increased by HK$1,347.0 million), mainly due to the consideration payables of HK$241.9 million for the acquisition of projects and the increase in receipts in advance by HK$822.0 million during the year.

3.20 Bank and other borrowings

Bank and other borrowings increased by HK$6,661.9 million (non-current portion increased by HK$4,591.4 million and current portion increased by HK$2,070.5 million). Increase in bank and other borrowings was mainly utilised to finance for the acquisition and construction of various water projects in the PRC.

3.21 Corporate bonds and notes payable

The increase was mainly due to the issuance of notes payable with principal amount of HK$700 million and the issuance of bond with principal amount of RMB200 million during the year.

3.22 Trade payables

The increase in trade payables by HK$2,222.4 million was mainly due to increase in trade payables to subcontractors for construction services of BOT projects during the year.

3.23 Liquidity and financial resources

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

As at 31 December 2015, the Group's cash and cash equivalents amounted to HK$6,373.8 million (31 December 2014: HK$6,090.9 million).

The Group's total borrowings amounted to HK$31,047.6 million (31 December 2014: HK$23,490.4 million) and comprised bank and other borrowings of HK$23,136.4 million (31 December 2014: HK$16,474.5 million), finance lease payable of HK$114.9 million (31 December 2014: Nil), notes payable of HK$3,091.4 million (31 December 2014: HK$2,523.6 million) and corporate bonds of HK$4,704.9 million (31 December 2014: HK$4,492.3 million). All the corporate bonds and notes payable bear interest at fixed rates. Over 80% of bank and other borrowings bear interest at floating rates.

As at 31 December 2015, the Group had banking facilities amounting to HK$23.8 billion, of which HK$7.7 billion had not been utilised. The banking facilities are of 1 to 10 years term.

The Group's total equity amounted to HK$20,290.4 million (31 December 2014: HK$19,088.7 million).

The net gearing ratio as defined as sum of bank and other borrowings, notes payable and corporate bonds, net of cash and cash equivalents, divided by the total equity was 1.22 as at 31 December 2015 (31 December 2014: 0.91). The increase in the net gearing ratio as at 31 December 2015 was mainly due to the increase in bank and other borrowings. The corresponding proceeds were mainly utilised for the acquisition and construction of various water projects in the PRC.

3.24 Capital expenditures

During the year, the Group's total capital expenditures were HK$7,788.5 million (2014: HK$4,005.5 million), of which HK$398.8 million was paid for the acquisition of property, plant and equipment and intangible assets; HK$6,021.3 million was spent on construction and acquisition of water plants and HK$1,368.4 million represented the consideration for acquisition of equity interests in associates, subsidiaries and an available for sale investment.

4. Future outlook

4.1 Development Strategy

In 2016, the Group continues to reform and simplify the management structure aiming at revitalising its inherent vitality. We change the current organizational structure from a relatively interventionist mode with centralised control to a decentralised and horizontal mode, in order to facilitate the comprehensive development of our regional division. Being persistent in quantitative strategic growth, we will gradually lead to a resource-conscious, rather than opportunity-led, and strategy-oriented expansion that will be the new order of the day. Having adopted the open policy on cooperation with other ventures, we could bring up the ecosystem to a whole industry chain. We target to best utilise all kinds of resources and ensure better allocation of resources to each segment.

To achieve its yearly goals, the Group will coordinate and speed up the growth of its core businesses, namely urban water service and water environment renovation, by pouring resources into and securing new Public-Private-Partnership ("PPP") projects, so as to integrate these businesses into an integrated investment and business unit. Delicacy management of projects in hand will be reinforced so as to improve their efficiency. We continue to nurture and boost new businesses such as overseas operations, membrane technology and industrial wastewater treatment, and clean energy. The environmental hygiene business will be expanded on a nationwide scale while the seawater desalination project in Beijing will enter preliminary planning. The Group will not only enhance the competitiveness in design capability as well as technology and its application but also build up its culture, human resources, branding as well as other intangible strengths.

4.2 Future Development

During the Thirteenth Five-Year Plan phase, the central government aims at improving the development of ecological civilisation in China. Driven by the environmental renovation policies, there continues to be room for exponential growth for the environmental protection industry. The nationwide implementation of the PPP model will continue to promote government procurement of and social participation in utility services, which will further fuel the environmental protection industry. As the assessment of environmental renovation project will focus on effectiveness, technical requirements for environmental protection enterprises and emission standards will continue to raise.

The water service and environmental protection market will undergo a transformation. Upcoming new environmental policies will present ample market opportunities and bring an exponential growth for the black-and-malodorous water body treatment and the creation of "Sponge City". On the other hand, competition in the water service and environmental protection market will intensify due to more mergers and acquisitions as well as an influx of capital. The ability to offer turnkey solutions to local governments with an integrated industry-chain will be the key to corporate success.

Looking forward to 2016, the Group will grasp the growth opportunity in the industry provided by favourable national policies and actively adapt to market changes by focusing on reforms, quality growth and external cooperation. The Group will formulate a market investment system, maintain rapid growth, perfect its business structure, implement aggressive strategy, establish integrated industry-chain and thus achieve its yearly goals and lay the solid foundation for the next five-year plan.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group employed 7,905 employees. Total staff cost for the year ended 31 December 2015 was HK$1,247,212,000 (2014: HK$1,045,944,000). The Group's remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance. On 24 April 2013, the Company had granted 400,000,000 share options at an exercise price of HK$2.244 per share under a share option scheme adopted on 28 June 2011 for the Group's directors and employees (the "Scheme"). On 28 March 2014, the Company had granted an

independent non-executive director of the Company 2,000,000 share options at an exercise price of HK$5.18 per share under the Scheme. 15,524,000 share options were exercised and 5,160,000 share options were lapsed during the year ended 31 December 2015. No share option was cancelled during the year ended 31 December 2015. As at 31 December 2015, the Company had 357,680,000 share options outstanding which were granted on 24 April 2013 and 2,000,000 share options outstanding which were granted on 28 March 2014. The total outstanding share options represented approximately 4.12% of the Company's ordinary shares in issue as at 31 December 2015.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the year ended 31 December 2015, the Group had no significant investments and acquisitions of subsidiaries and affiliated companies.

CHARGES ON THE GROUP'S ASSETS

The secured bank and other borrowings, the corporate bonds and the notes payable of the Group as at 31 December 2015 are secured by:

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

(ii) mortgages over a land use right and certain buildings of the Group;

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

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

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

Save as disclosed above, at 31 December 2015, the Group did not have any charges on the Group's assets.

FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Company operates in the PRC with most of its transactions denominated and settled in RMB. Fluctuations of exchanges rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidation accounts. If RMB appreciates/depreciates against Hong Kong dollar, the Group would record a(n) increase/decrease in the Group's net asset value. Currently, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

CONTINGENT LIABILITIES

At 31 December 2015, a corporate guarantee at a maximum amount of RM49,162,000 (equivalent to HK$88,909,000) (31 December 2014: RM49,162,000 (equivalent to HK$108,972,000)) was given by a subsidiary of the Group to the government of Malaysia in respect of the specific performance of the duties by the Group under an arrangement on the design, construction and operation of an underground sewage water plant located in Malaysia (the "Malaysia Project"). The corporate guarantee remains in force and effects until 27 January 2019. Further details of the Malaysia Project are set out in the Company's announcements dated 4 July 2011 and 3 November 2011.

Save as disclosed above, at 31 December 2015, the Group did not have any significant contingent liabilities.

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

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

During the year ended 31 December 2015, in the opinion of the Board, the Company complied with all code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules except Code Provision A.1.1. The Company held three 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 Board has made resolutions by circulation of written resolutions from time to time. As there is no significant business development that needs to bring to the attention of the Board immediately, circulation of written materials to keep the Board informed throughout the year is considered to be sufficient. Such measure has been taken to ensure that there is efficient communications among the Directors.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by directors. Having made specific enquiry of all directors of the Company, the Company confirms that during the year ended 31 December 2015, all of its directors have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions by directors.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") comprises three independent non-executive directors of the Company, namely Mr. Shea Chun Lok Quadrant (the chairman of the Committee), Mr. Zhang Gaobo and Mr. Guo Rui. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and internal controls of the Company. The final results for the year ended 31 December 2015 have been reviewed and approved by the Audit Committee. The Audit Committee considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.

SCOPE OF WORK OF THE COMPANY'S AUDITORS IN RESPECT OF THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit of loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

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 2015 annual report and the notice of annual general meeting will be dispatched to shareholders in April 2016 and will be published on the websites of the Company and the Stock Exchange in due course.

APPRECIATION

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

By Order of the Board
Beijing Enterprises Water Group Limited
Li Yongcheng
Chairman

Hong Kong, 30 March 2016

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