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 2016

HIGHLIGHTS

- The Group reported revenue of HK$17,354.8 million, representing an increase of 29% as compared with that of HK$13,503.0 million in last year.

- Profit attributable to shareholders of the Company was HK$3,227.0 million, representing an increase of 31% as compared with that of HK$2,455.4 million in last year.

- EBITDA amounted to HK$6,346.7 million, representing an increase of 30% as compared with that of HK$4,898.9 million in the last year.

- Basic and diluted earnings per share for the year were HK37.04 cents and HK36.27 cents respectively.

- Final cash distribution of HK6.0 cents per share is proposed for the year ended 31 December 2016. Full-year distributions are HK11.9 cents, excluding the aggregate fair value gains on derivative financial instruments and an investment property of HK$453.9 million, the dividend payout ratio is 37%.

- Total daily design capacity for new projects secured for this year was 4,547,994 tons. During the year, the Group completed the entrusted operation projects with aggregate daily design capacity of 792,200 tons. As such, the net increase in total daily design capacity of this year was 3,755,794 tons. The Group also terminated the acquisition of Golden State Water Group Corporation with aggregate daily design capacity of 1,211,000 tons during the year. As at 31 December 2016, total daily design capacity was 27,168,044 tons (31 December 2015: 24,623,250 tons). In addition, the Group signed a water environmental comprehensive renovation PPP project in Beijing Tongzhou recently. The project involves various sewage treatment projects with aggregate daily capacity of 2 million 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 2016 and the consolidated statement of financial position of the Group as at 31 December 2016, with comparative figures for the year ended 31 December 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	**2016** ***HK$'000***	2015 *HK$'000*
REVENUE	*3*	**17,354,833**	13,502,957
Cost of sales		**(11,569,994)**	(8,536,057)
Gross profit		**5,784,839**	4,966,900
Interest income		**202,887**	315,781
Other income and gains, net		**1,121,589**	454,638
Administrative expenses		**(1,537,747)**	(1,225,728)
Other operating expenses, net		**(311,068)**	(248,054)
PROFIT FROM OPERATING ACTIVITIES	*4*	**5,260,500**	4,263,537
Fair value gain on derivative financial instruments		**410,039**	253,714
Finance costs	*5*	**(1,401,329)**	(1,146,708)
Share of profits and losses of:			
Joint ventures		**192,172**	162,795
Associates		**182,373**	12,221
PROFIT BEFORE TAX		**4,643,755**	3,545,559
Income tax expense	*6*	**(970,773)**	(777,766)
PROFIT FOR THE YEAR		**3,672,982**	2,767,793
ATTRIBUTABLE TO:			
Shareholders of the Company		**3,227,013**	2,455,370
Non-controlling interests:			
Holders of perpetual capital instruments		**56,570**	–
Other non-controlling interests		**389,399**	312,423
		445,969	312,423
		3,672,982	2,767,793
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*8*		
– Basic		**HK37.04 cents**	HK28.17 cents
– Diluted		**HK36.27 cents**	HK27.50 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**3,672,982**	2,767,793
OTHER COMPREHENSIVE LOSS		
Items to be reclassified to profit or loss in subsequent periods:		
– Exchange differences on translation of foreign operations	**(2,650,535)**	(1,622,744)
Items not to be reclassified to profit or loss in subsequent periods:		
– Share of other comprehensive loss of a joint venture	**(14,606)**	(35,107)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX	**(2,665,141)**	(1,657,851)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,007,841**	1,109,942
ATTRIBUTABLE TO:		
Shareholders of the Company	**1,216,828**	1,050,776
Non-controlling interests:		
Holders of perpetual capital instruments	**(240,138)**	–
Other non-controlling interests	**31,151**	59,166
	(208,987)	59,166
	1,007,841	1,109,942

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets:			
Property, plant and equipment		**2,831,452**	1,379,801
Investment property		**755,326**	–
Goodwill		**3,312,200**	2,967,365
Operating concessions		**3,389,996**	2,421,012
Other intangible assets		**61,936**	37,290
Investments in joint ventures		**3,294,613**	3,563,399
Investments in associates		**2,390,062**	902,774
Derivative financial instruments		**–**	42,404
Available-for-sale investments		**693,611**	153,664
Amounts due from contract customers		**16,204,380**	11,495,709
Receivables under service concession arrangements	*9*	**22,638,167**	16,977,664
Trade receivables	*10*	**1,347,108**	665,352
Prepayments, deposits and other receivables	*11*	**2,046,779**	5,609,924
Deferred tax assets		**106,751**	122,388
Total non-current assets		**59,072,381**	46,338,746
Current assets:			
Non-current assets held for sale		**141,345**	226,647
Inventories		**90,847**	99,083
Amounts due from contract customers		**1,100,669**	1,311,629
Receivables under service concession arrangements	*9*	**1,933,078**	1,712,947
Trade receivables	*10*	**3,024,152**	2,959,325
Prepayments, deposits and other receivables	*11*	**4,415,085**	5,033,177
Derivative financial instruments		**214,150**	167,174
Restricted cash and pledged deposits		**134,526**	269,189
Cash and cash equivalents		**10,921,037**	6,373,831
Total current assets		**21,974,889**	18,153,002
TOTAL ASSETS		**81,047,270**	64,491,748

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital		**873,787**	872,295
Reserves		**15,627,355**	15,311,538
		16,501,142	16,183,833
Non-controlling interests			
Perpetual capital instruments		**6,305,025**	–
Other non-controlling interests		**3,961,173**	4,106,582
		10,266,198	4,106,582
TOTAL EQUITY		**26,767,340**	20,290,415
Non-current liabilities:			
Other payables and accruals	*12*	**344,625**	415,215
Bank and other borrowings		**16,662,637**	17,121,178
Corporate bonds		**11,663,212**	4,105,212
Notes payable		**2,939,743**	3,091,413
Finance lease payables		**40,906**	51,814
Provision for major overhauls		**187,759**	205,489
Deferred income		**135,115**	117,564
Deferred tax liabilities		**1,691,342**	1,320,597
Total non-current liabilities		**33,665,339**	26,428,482
Current liabilities:			
Trade payables	*13*	**9,842,824**	5,786,331
Other payables and accruals	*12*	**5,234,492**	4,817,755
Income tax payables		**672,844**	490,816
Bank and other borrowings		**4,812,255**	6,015,190
Corporate bonds		**–**	599,674
Finance lease payables		**52,176**	63,085
Total current liabilities		**20,614,591**	17,772,851
TOTAL LIABILITIES		**54,279,930**	44,201,333
TOTAL EQUITY AND LIABILITIES		**81,047,270**	64,491,748

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 requirements of the Hong Kong Company Ordinance. They have been prepared under the historical cost convention, except for investment property, available-for-sale listed equity investment and derivative financial instruments 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 2016. 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 using consistent accounting policies. 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.

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 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 POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of these revised HKFRSs has had no significant financial effect on these financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is 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 loans to joint ventures, interest income from non-controlling equity holders of subsidiaries, gain on bargain purchase of a subsidiary, gains on disposal of subsidiaries and a joint venture, fair value gain on derivative financial instruments, finance costs, share of profit of one associate, as well as head office and corporate income and expenses are excluded from such measurement.

Year ended 31 December 2016

	Sewage and reclaimed water treatment and construction services *HK$'000*	Water distribution services *HK$'000*	Technical and consultancy services and sales of machineries *HK$'000*	Total *HK$'000*
Segment revenue	**14,962,570**	**1,371,409**	**1,020,854**	**17,354,833**
Cost of sales	**(10,425,605)**	**(699,441)**	**(444,948)**	**(11,569,994)**
Gross profit	**4,536,965**	**671,968**	**575,906**	**5,784,839**
Segment results:				
The Group	**4,511,964**	**669,721**	**457,481**	**5,639,166**
Share of profits and losses of:				
Joint ventures	**66,203**	**125,969**	**–**	**192,172**
Associates	**5,345**	**–**	**–**	**5,345**
	4,583,512	**795,690**	**457,481**	**5,836,683**
Fair value gain on derivative financial instruments				**410,039**
Corporate and other unallocated income and expenses, net				**(378,666)**
Share of profit of an associate				**177,028**
Finance costs				**(1,401,329)**
Profit before tax				**4,643,755**
Income tax				**(970,773)**
Profit for the year				**3,672,982**
Profit for the year attributable to shareholders of the Company:				
Operating segments	**3,596,893**	**578,524**	**274,908**	**4,450,325**
Fair value gain on derivative financial instruments				**410,039**
Corporate and other unallocated items				**(1,633,351)**
				3,227,013

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 sales 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

Geographical information

	2016	2015
	HK$'000	*HK$'000*
Revenue from external customers:		
Mainland China	**16,026,894**	12,110,629
Elsewhere	**1,327,939**	1,392,328
	17,354,833	13,502,957

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

Information about major customers

During the year ended 31 December 2016, the Group had no transaction with any single (2015: Nil) external customer which contributed over 10% of the Group's total revenue for the year.

3. REVENUE

Revenue 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 value-added 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 contracts and sales of machineries, net of value-added tax and government surcharges; and (5) the imputed interest income under service concession arrangements.

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

	2016	2015
	HK$'000	*HK$'000*
Sewage and reclaimed water treatment services	**3,653,872**	3,515,103
Construction services	**11,308,698**	8,331,009
Water distribution services	**1,371,409**	881,024
Technical and consultancy services and sales of machineries	**1,020,854**	775,821
	17,354,833	13,502,957

Imputed interest income under service concession arrangements amounting to HK$1,659,158,000 (2015: HK$1,354,905,000) is included in the above revenue.

4. PROFIT FROM OPERATING ACTIVITIES

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

	2016	2015
	HK$'000	*HK$'000*
Cost of sewage and reclaimed water treatment services rendered	**1,494,420**	1,240,158
Cost of construction services	**8,816,154**	6,433,300
Cost of water distribution services	**667,375**	417,140
Cost of technical and consultancy services rendered and machineries sold	**444,948**	319,966
Depreciation	**147,312**	76,840
Amortisation of operating concessions*	**147,097**	125,493
Amortisation of other intangible assets*	**7,214**	4,308

* *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

	2016	2015
	HK$'000	*HK$'000*
Interest on bank and other loans	**969,949**	805,077
Interest on corporate bonds	**352,819**	217,334
Interest on notes payable	**173,167**	172,562
Interest on finance leases	**4,091**	4,214
Total interest expense	**1,500,026**	1,199,187
Increase in discounted amounts of provision for major overhauls arising from the passage of time	**11,653**	9,166
Total finance costs	**1,511,679**	1,208,353
Less: Interest included in cost of construction services	**(110,350)**	(61,645)
	1,401,329	1,146,708

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for the year ended 31 December 2016 as the Group did not generate any assessable profits arising in Hong Kong during the year (2015: Nil).

The income tax provisions in respect of operations in Mainland China and other countries 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.

	2016	2015
	HK$'000	*HK$'000*
Current – Mainland China	**604,088**	337,812
Current – Elsewhere	**17,497**	21,077
Underprovision/(Overprovision) in prior years	**1,033**	(23,330)
Deferred	**348,155**	442,207
Total tax expense for the year	**970,773**	777,766

7. CASH DISTRIBUTIONS

	2016	2015
	HK$'000	*HK$'000*
Interim – HK5.9 cents (2015: HK4.4 cents) per ordinary share	**513,949**	383,619
Proposed final – HK6.0 cents (2015: HK5.1 cents) per ordinary share	**524,388**	443,886
	1,038,337	827,505

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 2016 is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of 8,712,012,633 (2015: 8,714,976,582) 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 average 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:

	2016	2015
	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	**3,227,013**	2,455,370

	2016	2015
Number of ordinary shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**8,712,012,633**	8,714,976,582
Effect of dilution on weighted average number of ordinary shares		
– Share options which have dilutive effect	**185,509,807**	213,110,567
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**8,897,522,440**	8,928,087,149

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 arising from 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:

	2016	2015
	HK$'000	*HK$'000*
Billed:		
Within 3 months	**747,658**	662,753
4 to 6 months	**256,118**	211,827
7 to 12 months	**285,860**	221,404
Over 1 year	**216,476**	160,781
	1,506,112	1,256,765
Unbilled:		
Current portion	**426,966**	456,182
Non-current portion	**22,638,167**	16,977,664
	23,065,133	17,433,846
Total	**24,571,245**	18,690,611

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 sales of machineries. 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 will settle the amounts owed to the Group in a number of specified instalments covering periods ranging from 1 year to 25 years. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Apart from the trade receivables of certain construction services for comprehensive renovation projects which bear interest at rates ranging from 6.85% to 12.98% (2015: 6.85% 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:

	2016	2015
	HK$'000	*HK$'000*
Billed:		
Within 3 months	**953,948**	674,939
4 to 6 months	**284,586**	61,879
7 to 12 months	**238,599**	52,169
Over 1 year	**1,545,968**	2,017,310
Balance with extended credit period	**43,094**	49,005
	3,066,195	2,855,302
Unbilled*	**1,305,065**	769,375
	4,371,260	3,624,677
Portion classified as current assets	**(3,024,152)**	(2,959,325)
Non-current portion	**1,347,108**	665,352

* *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

	2016	2015
	HK$'000	*HK$'000*
Prepayments	**141,657**	52,042
Deposits and other debtors	**4,293,382**	7,101,476
Advances to subcontractors and suppliers	**1,325,117**	1,946,270
Due from joint ventures	**306,763**	236,136
Due from associates	**247,407**	116
Due from related parties	**299,719**	1,451,490
	6,614,045	10,787,530
Impairment	**(152,181)**	(144,429)
	6,461,864	10,643,101
Portion classified as current assets	**(4,415,085)**	(5,033,177)
Non-current portion	**2,046,779**	5,609,924

12. OTHER PAYABLES AND ACCRUALS

	2016	2015
	HK$'000	*HK$'000*
Accruals	**665,530**	413,485
Other liabilities	**2,644,205**	1,247,128
Receipts in advance	**369,001**	1,378,743
Due to subcontractors	**610,517**	1,134,785
Due to joint ventures	**602,833**	560,388
Due to associates	**–**	171
Due to related parties	**478,142**	350,863
Other taxes payables	**208,889**	147,407
	5,579,117	5,232,970
Portion classified as current liabilities	**(5,234,492)**	(4,817,755)
Non-current portion	**344,625**	415,215

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:

	2016	2015
	HK$'000	*HK$'000*
Within 3 months	**4,285,337**	2,129,973
4 to 6 months	**992,009**	870,743
7 months to 1 year	**1,687,788**	420,418
1 to 2 years	**1,389,036**	1,296,471
2 to 3 years	**855,638**	341,849
Over 3 years	**321,900**	197,788
Balance with extended credit period	**311,116**	529,089
	9,842,824	5,786,331

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

14. EVENT AFTER THE REPORTING PERIOD

On 28 February 2017, the Company agreed to subscribe by way of cash in the registered capital of Beijing Enterprises Group Finance Co., Ltd.* ("BG Finance", 北京控股集團財務有限公司). As at 28 February 2017, BG Finance was directly held by Beijing Enterprises Group Company Limited*(北京控股集團有限公司, a substantial shareholder of the Company), Beijing Gas Group Company Limited*(北京市燃氣集團有限責任公司, an indirect wholly-owned subsidiary of Beijing Enterprises Holdings Limited ("BEHL", a substantial shareholder of the Company)), and Beijing Yanjing Brewery Co., Ltd.*(北京燕京啤酒股份有限公司, an indirect non-wholly owned subsidiary of BEHL) as to 41%, 39% and 20%. The Company shall pay to BG Finance an amount of RMB150,000,000 (equivalent to approximately HK$169,530,000), of which RMB134,330,000 (equivalent to approximately HK$151,820,000) will be injected into BG Finance as registered capital and RMB15,670,000 (equivalent to approximately HK$17,710,000) will be its capital reserve, being the total consideration of the capital subscription. Following the capital subscription, the Group will hold 6.69% equity interest in the enlarged registered capital of BG Finance. Further details of the transaction are set out in the Company's announcement dated 28 February 2017. As at the date of approval of these financial statements, the transaction has not been completed.

15. OTHER FINANCIAL INFORMATION

The net current assets and total assets less current liabilities of the Group as at 31 December 2016 amounted to HK$1,360,298,000 (2015: HK$380,151,000) and HK$60,432,679,000 (2015: HK$46,718,897,000), respectively.

* *For identification purpose only*

FINAL DISTRIBUTION

The Board proposed to pay final distribution of HK6.0 cents for the financial year ended 31 December 2016 (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 Thursday, 1 June 2017, payable to shareholders of the Company whose names appear on the register of members of the Company on Thursday, 8 June 2017.

CLOSURES OF REGISTER OF MEMBERS

For Annual General Meeting

The register of members will be closed from Monday, 29 May 2017 to Thursday, 1 June 2017 (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 Thursday, 1 June 2017, 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 Friday, 26 May 2017.

For Entitlement to Proposed Final Distribution

The register of members will be closed from Wednesday, 7 June 2017 to Thursday, 8 June 2017 (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 Tuesday, 6 June 2017. 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 Thursday, 22 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year attributable to shareholders of the Company increased by 31% to HK$3,227.0 million. Revenue increased by 29% to HK$17,354.8 million as a result of increase in revenue contribution from construction services for comprehensive renovation projects and 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	3,494.9	20%	58%	1,661.7	37%
– Joint ventures and associates				18.8	–
				1,680.5	37%
Overseas					
– Subsidiaries	159.0	1%	19%	16.5	1%
	3,653.9	21%		1,697.0	38%
Water distribution services					
China					
– Subsidiaries	1,164.5	7%	52%	409.3	9%
– Joint ventures and associates				126.0	3%
				535.3	12%
Overseas					
– Subsidiaries	206.9	1%	30%	43.2	1%
	1,371.4	8%		578.5	13%
Subtotal	5,025.3	29%		2,275.5	51%

		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%[§]	4,612.3	27%	22%	717.8	16%
	– Interest income	–	–	–	68.8	2%
		4,612.3	27%	22%	786.6	18%
	Construction of BOT water projects					
	– China	6,111.4	35%	23%	1,085.7	24%
	– Overseas	584.9	3%	6%*	27.6	1%
		6,696.3	38%	22%	1,113.3	25%
	Subtotal	11,308.6	65%		1,899.9	43%
3.	**Technical services and sale of machineries for the water environmental renovation**	1,020.9	6%	56%	274.9	6%
	Business results	17,354.8	100%		4,450.3	100%
	Fair value gain on derivative financial instruments				410.0	
	Others[#]				(1,633.3)	
	Total				3,227.0	

Others included head office and other corporate expense, net, of HK$368.1 million, share of profit of an associate of HK$177.0 million, equity-settled share option expense of HK$40.9 million and finance costs of HK$1,401.3 million.

§ *Profit attributable to shareholders of the Company included share of profits of joint ventures and associates of HK$4.2 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	3,361.6	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 sales 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 comparison of the Group's financial results for the year ended 31 December 2016 and 2015 is set out in details below:

	Revenue				Profit attributable to shareholders of the Company			
	2016	2015	Increase/(Decrease)		**2016**	2015	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	**3,494.9**	3,361.6	**133.3**	**4%**	**1,661.7**	1,592.3	69.4	4%
– Joint ventures and associates					**18.8**	17.9	0.9	5%
GP ratio	***58%***	*64%*		**(6%)**	**1,680.5**	1,610.2	70.3	4%
Overseas								
– Subsidiaries	**159.0**	153.5	**5.5**	**4%**	**16.5**	6.1	10.4	170%
GP ratio	***19%***	*15%*		**4%**				
	3,653.9	3,515.1	**138.8**	**4%**	**1,697.0**	1,616.3	80.7	5%
Water distribution services								
China								
– Subsidiaries	**1,164.5**	691.3	**473.2**	**68%**	**409.3**	298.1	111.2	37%
– Joint ventures and associates					**126.0**	76.3	49.7	65%
GP ratio	***52%***	*57%*		**(5%)**	**535.3**	374.4	160.9	43%
Overseas								
– Subsidiaries	**206.9**	189.8	**17.1**	**9%**	**43.2**	34.9	8.3	24%
GP ratio	***30%***	*27%*		**3%**				
	1,371.4	881.1	**490.3**	**56%**	**578.5**	409.3	169.2	41%
Subtotal	**5,025.3**	4,396.2	**629.1**	**14%**	**2,275.5**	2,025.6	249.9	12%
2. Construction services for the water environmental renovation								
Construction services for comprehensive renovation projects								
– Projects with completion rate more than 10%	**4,612.3**	1,889.7	**2,722.6**	**144%**	**717.8**	291.6	426.2	146%
– Interest income	**–**	–	**–**	**–**	**68.8**	104.6	(35.8)	(34%)
	4,612.3	1,889.7	**2,722.6**	**144%**	**786.6**	396.2	390.4	99%
GP ratio	***22%***	*24%*		**(2%)**				
Construction of BOT water projects								
– China	**6,111.4**	5,912.6	**198.8**	**3%**	**1,085.7**	879.1	206.6	24%
– Overseas	**584.9**	528.7	**56.2**	**11%**	**27.6**	15.6	12.0	77%
	6,696.3	6,441.3	**255.0**	**4%**	**1,113.3**	894.7	218.6	24%
GP ratio	***22%***	*23%*		**(1%)**				
Subtotal	**11,308.6**	8,331.0	**2,977.6**	**36%**	**1,899.9**	1,290.9	609.0	47%
3. Technical services and sale of machineries for the water environmental renovation	**1,020.9**	775.8	**245.1**	**32%**	**274.9**	264.4	10.5	4%
GP ratio	***56%***	*59%*		**(3%)**				
Business results	**17,354.8**	13,503.0	**3,851.8**	**29%**	**4,450.3**	3,580.9	869.4	24%
Fair value gain on derivative financial instruments					**410.0**	253.7	156.3	62%
Others					**(1,633.3)**	(1,379.2)	(254.1)	(18%)
Total					**3,227.0**	2,455.4	771.6	31%

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, 4 autonomous regions and 2 municipalities all across Mainland China.

2.1 Water treatment services

As at 31 December 2016, the Group entered into service concession arrangements for a total of 452 water plants including 335 sewage treatment plants, 108 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 4,547,994 tons including Build-Operate-Transfer ("BOT") projects of 359,000 tons, Transfer-Operate-Transfer ("TOT") projects of 348,000 tons, Public-Private Partnership Project ("PPP") of 3,037,794 tons, entrustment operation projects of 342,000 tons, and 461,200 tons through mergers and acquisitions.

During the year, the Group completed the entrusted operation projects with aggregate daily design capacity of 792,200 tons. As such, the net increase in daily design capacity of this year was 3,755,794 tons. As at 31 December 2016, total daily design capacity was 27,168,044* tons.

In addition, the Group signed a water environmental comprehensive renovation PPP project in Beijing Tongzhou recently. The project involves various sewage treatment projects with aggregate daily capacity of 2 million tons.

* *On 29 July 2016, the Group decided to terminate the acquisition of Golden State Water Group Corporation after careful consideration of all the circumstances such as the volatility of the capital market. Projects relating to the transaction with aggregate daily design capacity of 1,211,000 tons were excluded in the total daily design capacity as at 31 December 2016. Further details of the termination are set out in the Company's announcement dated 29 July 2016.*

Analysis of projects on hand is as follows:

	Sewage treatment	Reclaimed water treatment	Water distribution	Seawater desalination	Total
(Tons)					
China					
In operation	9,957,250	497,200	5,704,400	–	16,158,850
Not yet commenced operation/Not yet transferred	4,674,700	544,500	5,420,794	50,000	10,689,994
Subtotal	14,631,950	1,041,700	11,125,194	50,000	26,848,844
Overseas					
In operation	55,200	228,000	36,000	–	319,200
Not yet commenced operation/Not yet transferred	–	–	–	–	–
Subtotal	55,200	228,000	36,000	–	319,200
Total	14,687,150	1,269,700	11,161,194	50,000	27,168,044
(Number of water plants)					
China					
In operation	207	5	59	–	271
Not yet commenced operation/Not yet transferred	104	2	36	1	143
Subtotal	311	7	95	1	414
Overseas					
In operation	24	1	13	–	38
Not yet commenced operation/Not yet transferred	–	–	–	–	–
Subtotal	24	1	13	–	38
Total	335	8	108	1	452

	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	43	3,259,200	1,079.9	916.4	555.9
– Western China	49	1,624,500	493.4	785.2	349.6
– Shandong	29	1,269,000	339.2	434.3	248.8
– Eastern China	51	2,950,750	846.2	847.4	304.8
– Northern China	40	1,351,000	359.8	511.6	221.4
	212	10,454,450	3,118.5	3,494.9	1,680.5
Overseas	25	283,200	31.5	159.0	16.5
Subtotal	237	10,737,650	3,150.0	3,653.9	1,697.0
Water distribution services:					
Mainland China	59	5,704,400	1,041.4	1,164.5	535.3
Overseas	13	36,000	12.7	206.9	43.2
Subtotal	72	5,740,400	1,054.1	1,371.4	578.5
Total	309	16,478,050	4,204.1	5,025.3	2,275.5

* *Excluded entrustment operation contracts*

2.1.1 Sewage and reclaimed water treatment services

2.1.1a Mainland China

As at 31 December 2016, the Group had 207 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 9,957,250 tons (31 December 2015: 8,467,450 tons) and 497,200 tons (31 December 2015: 497,200 tons) respectively. The average daily processing volume is 8,857,006 tons and average daily treatment rate is 86%. The actual average contracted tariff charge of water treatment was approximately RMB1.01 per ton (31 December 2015: RMB1.03 per ton) for water plants. The actual aggregate processing volume for the year was 3,118.5 million tons, of which 3,051.7 million tons was contributed by subsidiaries and 66.8 million tons was contributed by joint ventures. Total revenue for the year was HK$3,494.9 million. Net profit attributable to shareholders of the Company was HK$1,680.5 million, of which HK$1,661.7 million was contributed by subsidiaries and HK$18.8 million was contributed by joint ventures and associates. The information of sewage and reclaimed water treatment services in Mainland China is as follows:

<u>Southern China</u>

Plants in Southern China were mainly located in Guangdong Province, Hunan Province, Fujian Province and Shaanxi Province. As at 31 December 2016, there were 43 sewage treatment plants with total daily design capacity of 3,259,200 tons, representing an increase of 181,300 tons or 6% as compared with last year. The actual aggregate processing volume for the year amounted to 1,079.9 million tons. The operating revenue and profit attributable to shareholders of the Company were HK$916.4 million and HK$555.9 million respectively during the year.

<u>Western China</u>

Plants in Western China were mainly located in Yunnan Province, Guangxi Province, Sichuan Province and Guizhou Province. As at 31 December 2016, there were 49 sewage treatment plants with total daily design capacity of 1,624,500 tons, representing an increase of 59,000 tons per day or 4% as compared with last year. The actual processing volume for the year was 493.4 million tons. The operating revenue of HK$785.2 million was recorded during the year. Profit attributable to shareholders of the Company amounted to HK$349.6 million.

Shandong

There were 29 plants in Shandong region. The total daily design capacity of Shandong region is 1,269,000 tons, representing an increase of 77,000 tons per day or 6% as compared with last year. The actual processing volume for the year was 339.2 million tons contributing operating revenue of HK$434.3 million during the year. Profit attributable to shareholders of the Company was HK$248.8 million.

Eastern China

There were 51 water plants in Eastern China which were mainly located in Zhejiang, Jiangsu and Anhui Province. As at 31 December 2016, the total daily design capacity of Eastern China had increased by 927,500 tons to 2,950,750 tons or 46% as compared with last year. The actual processing volume for the year amounted to 846.2 million tons and operating revenue was HK$847.4 million during the year. Profit attributable to shareholders of the Company was HK$304.8 million.

Northern China

Currently, the Group has 40 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 245,000 tons to 1,351,000 tons or 22% as compared with last year. The projects achieved actual processing volume of 359.8 million tons for the year. The operating revenue was HK$511.6 million during the year. Profit attributable to shareholders of the Company was HK$221.4 million.

2.1.1b Overseas:

As at 31 December 2016, the Group had 24 sewage treatment plants in Portugal and a reclaimed water plant in Singapore. Total daily design capacity in operation was 283,200 tons. The actual processing volume for the year is 31.5 million tons. Total revenue for the year was HK$159.0 million. Profit attributable to shareholders of the Company was HK$16.5 million.

2.1.2 Water distribution services

2.1.2a Mainland China:

As at 31 December 2016, the Group had 59 water distribution plants in operation. Total daily design capacity in operation was 5,704,400 tons (31 December 2015: 3,961,000 tons). The plants were located in Guizhou Province, Fujian Province, Guangdong Province, Hunan Province, Hebei Province, Shandong Province, Henan Province, Guangxi Province and Inner Mongolia Autonomous Region. The actual average contracted tariff charge of water distribution is approximately RMB1.86 per ton (2015: RMB1.78 per ton). The aggregate actual processing volume is 1,041.4 million tons, of which 588.2 million tons was contributed by subsidiaries, which recorded revenue of HK$1,164.5 million and 453.2 million tons was contributed by joint ventures and an associate. Imputed interest income of HK$64.5 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$535.3 million, of which profit of HK$409.3 million was contributed by subsidiaries and a profit of HK$126.0 million in aggregate was contributed by joint ventures and associates.

2.1.2b Overseas:

As at 31 December 2016, 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 12.7 million tons. Total revenue for the year was HK$206.9 million. Profit attributable to shareholders of the Company was HK$43.2 million.

2.2 ***Construction services for the water environmental renovation***

2.2.1 Construction services for comprehensive renovation projects

The Group had 20 comprehensive renovation projects under construction during the year. The projects mainly located in Beijing Liangshuihe, Beijing Xiaotaihouhe, Henan Luoyang, Foshan Gaoming, Foshan Sanshui, Yunnan Yuxi, Sichuan Suining, Inner Mongolia Wuhai and Malaysia Terengganu. Last year, the Group had 13 comprehensive renovation projects under construction in Beijing Liangshuihe, Henan Luoyang, Foshan Gaoming, Guangxi Beihai, Yunnan Kunming, Sichuan Jianyang and Malaysia Pantai.

Revenue from comprehensive renovation projects increased by HK$2,722.6 million from last year of HK$1,889.7 million to HK$4,612.3 million this year. Revenue increased was mainly due to the new commencement of construction work for Sichuan Suining, Inner Mongolia Wuhai and Beijing Xiaotaihouhe Projects and increase in contribution work for Beijing Liangshuihe and Henan Luoyang Projects.

According to the construction contracts, the Group charges an interest on the trade receivables from the customers with reference to certain mark-up on The People's Bank of China's lending rate for the 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$68.8 million for this year (2015: HK$104.6 million).

Profit attributable to shareholders of the Company for the comprehensive renovation projects increased by HK$390.4 million from last year of HK$396.2 million to HK$786.6 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 Beijing, Shandong, Jiangsu, Xinjiang and Henan provinces. Total revenue for construction of BOT water projects was HK$6,696.3 million (2015: HK$6,441.3 million) and profit attributable to shareholders of the Company was HK$1,113.3 million (2015: HK$894.7 million). The increase in contribution from BOT projects during this year was mainly due to the construction work performed for projects located in Beijing, Xinjiang and Henan.

2.3 Technical services and sales 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 sales of machineries was HK$1,020.9 million (2015: HK$775.8 million), representing 6% of the Group's total revenue. Profit attributable to shareholders of the Company was HK$274.9 million (2015: HK$264.4 million).

Increase in revenue was mainly due to the contribution from provision of technical services by 淮安市水利勘測設計研究院有限公司 (Huaian Research Institute of Water Investigation and Design Co. Limited^) which was acquired during the year.

^ *For identification purpose only*

3. Financial analysis

3.1 Revenue

During the year, the Group recorded revenue of HK$17,354.8 million (2015: HK$13,503.0 million). The increase was mainly due to the increase in revenue from construction services. Increase in revenue from construction services was mainly due to increase in construction work for comprehensive renovation projects and BOT projects in Beijing, Xinjiang and Henan.

3.2 Cost of sales

Cost of sales for the year amounted to HK$11,570.0 million, compared to last year of HK$8,536.1 million. The increase was mainly due to the increase in construction costs and operating costs of water plants amounted to HK$2,382.9 million and HK$526.1 million respectively. Cost of sales mainly included construction costs of HK$8,816.2 million and operating costs of water plants of HK$2,308.9 million. The construction costs mainly consisted of subcontracting charges. The increase in construction costs was mainly due to the increase in construction works for comprehensive renovation projects and BOT projects. The operating costs of water plants, mainly included electricity charges of HK$613.5 million, staff costs of HK$667.6 million and major overhaul charges of HK$109.9 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 37% to 33%.

Gross margin for sewage and reclaimed water treatment services:

Gross margin for sewage and reclaimed water treatment services in Mainland China decreased to 58% (2015: 64%). The decrease in gross margin was mainly due to the value-added tax ("VAT") imposed on the sewage and reclaimed water treatment business which is started in the second half of last year. The Group is entitled to refund 70% of the net VAT paid for the sewage treatment services and 50% of the net VAT paid for the reclaimed water services. The VAT refund is recognised in other income and gains, net. Gross margin for sewage and reclaimed water treatment services in Overseas increased to 19% (2015: 15%). The increase was mainly due to the commencement of operation of a reclaimed water plant in Singapore which generated a relatively higher gross margin during this year.

Gross margin for water distribution services:

Gross margin for water distribution services in Mainland China was 52% (2015: 57%). Excluding the imputed interest income of the Plant No. 9, gross margin for water distribution services was 50% (2015: 51%). Gross margin for water distribution services in Overseas was 30% (2015: 27%). The slight increase in gross margin for water distribution services in Overseas was due to tariff increment for the Portugal project.

Gross margin for construction services for comprehensive renovation projects:

Gross margin for construction services for comprehensive renovation projects slightly decreased from last year of 24% to 22% this year. Gross margin decreased as the major comprehensive renovation projects (i.e. projects in Inner Mongolia and Malaysia) for this year have a relatively lower average gross margin.

Gross margin for construction of BOT water projects:

Gross margin for construction of BOT water projects in China was 23% (2015: 24%).

Gross margin for construction of BOT water projects in Overseas was 6% (2015: 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 sales of machineries for the water environmental renovation:

Gross margin for the technical services and sales of machineries for the water environmental renovation was 56% (2015: 59%). Gross margin slightly decreased as the sales of machineries generated a lower gross margin.

3.4 Other income and gains, net

The Group recorded other income and gains, net of HK$1,121.6 million during the year, compared to last year of HK$454.6 million. The amount for this year mainly included sludge treatment income of HK$146.4 million, government grants and subsidies of HK$181.3 million, pipeline installation income of HK$137.5 million and VAT refund of HK$320.3 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"). 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 tranche 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 2015. The third and fourth tranche of subscription with total number of shares of 7,088,607,600 was completed during the year. 7,930,590,553 preference shares were converted into ordinary shares during the year.

According to the accounting policy, the remaining tranche of subscriptions with total number of shares of 1,772,151,900 shall be treated as forward contracts to subscribe the shares of BE Clean Energy. The Group shall recognise the forward contracts as derivative financial instruments with net changes recognised in the consolidated statement of profit or loss of the Group. During this year, the Group recognised a fair value gain of HK$410.0 million on the forward contracts.

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

3.6 Administrative expenses

Administrative expenses for the year increased to HK$1,537.7 million, compared to last year of HK$1,225.7 million. The increase was mainly due to the increase in staff related expenses of HK$220.1 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 remained at the same level of last year of 8.6%.

3.7 Other operating expenses, net

Other operating expenses increased from HK$248.1 million to HK$311.1 million in this year. The increase was mainly due to the increase in the pipeline installation cost during the year.

3.8 Finance costs

Finance costs mainly represented interests on bank and other borrowings of HK$969.9 million (2015: HK$805.1 million) and interests on corporate bonds and notes payable of HK$526.0 million (2015: HK$389.9 million). The increase in finance costs was mainly due to the increase in corporate bonds of HK$6,958.3 million. Also, there was an increase in market interest rate as compared with last year.

3.9 Share of profits of associates

Share of profits of associates increased to HK$182.4 million, compared to last year of HK$12.2 million. The increase was mainly due to increase in share of profits of BE Clean Energy of HK$166.6 million.

3.10 Income tax expense

Income tax expense for the year included the current PRC income tax of HK$604.1 million. The effective tax rate for the PRC operation was about 18% 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$348.2 million.

3.11 Profit attributable to holders of perpetual capital instruments

Amount represented the coupon payments of perpetual bonds. Perpetual bonds with aggregate principal amount of RMB5,600 million were issued during the year.

3.12 Property, plant and equipment

Property, plant and equipment increased by HK$1,451.7 million which was mainly due to the addition of a new office building and acquisition of Build-Own-Operate ("BOO") projects in Sichuan and Henan in current year.

3.13 Investment property

Investment property represented a portion of a building located in Beijing which the Group held to earn rental income during the year. The investment property was stated at fair value. Fair value gain of HK$43.9 million was recognised in statement of profit or loss during the year. There was no such item in last year.

3.14 Amounts due from contract customers, receivable under service concession arrangements and trade receivables

The Group's total amounts due from contract customers, receivable under service concession arrangements and trade receivables of HK$46,247.7 million (2015: HK$35,122.6 million) included:

By accounting nature:

	2016			2015		
	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	**16,204.4**	**1,100.7**	**17,305.1**	11,495.7	1,311.6	12,807.3
(ii) Receivables under service concession arrangements	**22,638.2**	**1,933.1**	**24,571.3**	16,977.7	1,712.9	18,690.6
(iii) Trade receivables	**1,347.1**	**3,024.2**	**4,371.3**	665.4	2,959.3	3,624.7
Total	**40,189.7**	**6,058.0**	**46,247.7**	29,138.8	5,983.8	35,122.6

(i) Amounts due from contract customers of HK$17,305.1 million represent the balances of accumulated construction costs incurred to date plus recognised accumulated gross profits exceeding progress billings arising from comprehensive renovation projects during the phase of construction. Total balance increased by HK$4,497.8 million (non-current portion increased by HK$4,708.7 million and current portion decreased by HK$210.9 million), which was mainly due to the recognition of construction revenue for projects in Henan, Guangdong, Beijing and Inner Mongolia;

(ii) Receivables under service concession arrangements of HK$24,571.3 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. The increase in balance by HK$5,880.7 million (non-current portion increased by HK$5,660.5 million and current portion increased by HK$220.2 million) was mainly due to (i) the acquisition of water plants through business combination resulting in an increase in receivables by HK$1,943 million in aggregate; (ii) recognition of construction revenue of HK$1,649 million in accordance with HK (IFRIC) – Int 12 for the construction of water plants under the BOT Arrangements; and (iii) commencement of business operations of various plants under service concession arrangements resulting in an increase in receivables by HK$1,912 million; and

(iii) Trade receivables of HK$4,371.3 million mainly arose from the provision of construction services for comprehensive renovation projects, technical and consultancy services and sewage treatment equipment trading. The balance increased by HK$746.6 million (non-current portion increased by HK$681.7 million and current portion increased by HK$64.9 million).

By business nature:

	2016	2015
	HK$'M	*HK$'M*
Water treatment services by BOT and TOT projects	**36,432.7**	29,046.0
Construction services of comprehensive renovation projects	**8,852.1**	5,508.5
Technical and consultancy services and other businesses	**962.9**	568.1
Total	**46,247.7**	35,122.6

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$36,432.7 million (2015: HK$29,046.0 million). Total receivables for the construction service of comprehensive renovation projects were HK$8,852.1 million (2015: HK$5,508.5 million). Total receivables for technical and consultancy services and other businesses were HK$962.9 million (2015: HK$568.1 million).

3.15 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. The increase was mainly due to commencement of operations of BOT and TOT project.

3.16 Investments in joint ventures

Investments in joint ventures decreased by HK$268.8 million, mainly due to the disposal of joint ventures in Dalian during the year.

3.17 Investments in associates

Investments in associates increased by HK$1,487.3 million, mainly due to the subscriptions of preference share of BE Clean Energy and conversions of subsidiaries to associates as a result of partial disposal of interest in subsidiaries during the year.

3.18 Prepayments, deposits and other receivables

Prepayments, deposits and other receivables decreased by HK$4,181.2 million (non-current portion decreased by HK$3,563.1 million and current portion decreased by HK$618.1 million), mainly due to the reallocation of the deposit for purchasing a new office building to property, plant and equipments and decrease in bidding deposits during the year.

3.19 Cash and cash equivalents

Cash and cash equivalents increased by HK$4,547.2 million, mainly due to the proceeds from the perpetual bonds issued during the year.

3.20 Other payables and accruals

Other payables and accruals increased by HK$346.1 million (non-current portion decreased by HK$70.6 million and current portion increased by HK$416.7 million). This increase was mainly due to the net impact of (1) increase in other liabilities of HK$1,397.1 million and (2) decrease in receipts in advance of HK$1,009.7 million. The increase in other liabilities was mainly due to the consideration payables for several acquisitions and TOT projects during the year.

3.21 Bank and other borrowings

Bank and other borrowings decreased by HK$1,661.4 million (non-current portion decreased by HK$458.5 million and current portion decreased by HK$1,202.9 million). Decrease in bank and other borrowings was mainly due to the repayments using proceeds from the corporate bonds issued during the year.

3.22 Corporate bonds and notes payable

The increase was mainly due to the issuance of corporate bonds with principal amount of RMB4,700 million and RMB2,000 million respectively during the year.

3.23 Trade payables

The increase in trade payables by HK$4,056.5 million was mainly due to increase in trade payables to subcontractors for construction services of BOT and comprehensive renovation projects during the year.

3.24 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 2016, the Group's cash and cash equivalents amounted to HK$10,921.0 million (31 December 2015: HK$6,373.8 million).

The Group's total borrowings amounted to HK$36,170.9 million (31 December 2015: HK$31,047.6 million) comprised bank and other borrowings of HK$21,474.9 million (31 December 2015: HK$23,136.4 million), finance lease payables of HK$93.1 million (31 December 2015: HK$114.9 million), notes payable of HK$2,939.7 million (31 December 2015: HK$3,091.4 million) and corporate bonds of HK$11,663.2 million (31 December 2015: HK$4,704.9 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 2016, the Group had banking facilities amounting to HK$24.4 billion, of which HK$10.0 billion have not been utilised. The banking facilities are of 1 to 10 years term.

The Group's total equity amounted to HK$26,767.3 million (31 December 2015: HK$20,290.4 million).

The gearing ratio as defined as sum of bank and other borrowings, finance lease payables, notes payable and corporate bonds, net of cash and cash equivalents, divided by the total equity was 0.94 as at 31 December 2016 (31 December 2015: 1.22). The decrease in the gearing ratio as at 31 December 2016 was mainly due to the increase in total equity arising from the issue of perpetual bonds during the year. The corresponding proceeds were mainly utilised for the acquisition and construction of various water projects in the PRC.

3.25 Capital expenditures

During the year, the Group's total capital expenditures were HK$9,267.2 million (2015: HK$7,788.5 million), of which HK$1,283.3 million was paid for the acquisition of property, plant and equipment and intangible assets; HK$6,513.0 million was spent on construction and acquisition of water plants and HK$1,470.9 million represented the consideration for acquisition of equity interests in associates, subsidiaries, joint ventures and available-for-sale investments.

4. Future outlook

4.1 Developmental Strategy

In 2017, the Company will strictly adhere to the Group's Thirteenth Five-Year Strategic Objectives and work towards an ecological enterprise by setting up the Company's own ecological system. The Company will also endeavour to grasp the huge opportunities in the PPP segment and secure more water environment projects.

As to the core businesses, the Group will foster the restructuring of its investment system and enhance the investment team for the water environment business with a focus on its major markets. It will also innovate the investment model by making better use of the PPP business model and actively applying the innovative approach of financial-industrial integration. Moreover, regional reform will be furthered with an aim to boost the strength and promote better integration of the regional network which now covers the central, eastern, western, southern and northern part of China.

As to the emerging businesses, the Group aims to maintain the rapid growth of the environmental and hygiene business, achieve breakthrough in the development of the membrane and industrial wastewater treatment business. It also establishes a strategic layout for the clean energy business mainly featuring photovoltaic power with a number of other clean energy as a supplement, and enhances the integrated strength of the design business. In addition, the Group will continue to conduct the preliminary preparation of the seawater desalination project in Beijing in respect of the seawater desalination business, while the overseas business will be further expanded in order to achieve breakthrough in terms of business volume.

In respect of technological research and development, the dual-centre approach, which comprises a technological research and development centre and a research institute for water environment, will be improved so as to boost the overall technological capability that helps to reinforce the brand of BEWG as a technological leader.

The Group will also ensure the proper implementation of its various functions by tightening risk control, enhancing capital management, promoting financing innovation and increasing capabilities in terms of informatisation, human resources, corporate culture, branding and public relations as well as health, safety and environment (HSE) management.

To ensure the effective implementation of its ecological strategies, the Company will take a dual approach in 2017. On the internal front, a resources platform and a sharing system are in place to encourage innovation, and restructuring is supported with open corporate culture and management system. Externally, the mode of co-operation will be changed from a simple contractual relationship to a cross-industry co-operative value network, which enables a sustainable relationship and an open and mutually beneficial co-operation, thereby creating a dynamic and decentralised community of interest.

4.2 Future Development

In light of the national strategy of promoting ecological civilisation, the government has been expanding the scope of environmental inspection, and environmental appraisal has become more comprehensive instead of focusing on any particular indicator. These developments have brought tremendous impetus to the growth of the environmental sector. In addition, against a backdrop of severe ecological crisis and the restructuring of the macro-economy, the environmental industry is expected to become a main pillar of economic growth given its power to improve the environment and attract substantial social capital.

On the other hand, the extensive promotion of the PPP model has not only offered huge opportunities for the environmental industry, but also helped to reform the industry by better regulating and nurturing the professionalism of its development. In such circumstances, companies with an established platform and integrated operations will be in a better position to tap the development potential.

In 2017, the Company will strictly adhere to the Group's Thirteenth Five-Year Strategic Objectives and make its best efforts in developing into a leading ecological enterprise with a whole new operating concept. Meanwhile, the Company will endeavour to grasp the huge opportunities, deepen internal reform and build up its strength so as to achieve yearly business goals and lay a solid groundwork for attaining a momentous and leapfrogging growth.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group employed 16,952 employees. Total staff cost for the year ended 31 December 2016 was HK$1,649,695,000 (2015: HK$1,247,212,000). 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. 34,214,000 share options were exercised, no share option was lapsed or cancelled during the year ended 31 December 2016. As at 31 December 2016, the Company had 323,466,000 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 3.72% of the Company's ordinary shares in issue as at 31 December 2016.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the year ended 31 December 2016, 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 2016 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 the Group's equity interests in certain subsidiaries; and/or

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

Save as disclosed above, at 31 December 2016, 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 2016, a corporate guarantee at a maximum amount of MYR49,162,000 (equivalent to HK$85,743,000) (31 December 2015: MYR49,162,000 (equivalent to HK$88,909,000)) 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 effective 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. In addition, bank guarantees in favour of employers in lieu of deposits for project bidding and project performance of HK$456,833,000 were given during the year.

Save as disclosed above, at 31 December 2016, the Group did not have any significant contingent liabilities.

PROPOSED AMENDMENTS TO BYE-LAWS

To cater for the increasing demand from investors holding securities in the Company through CCASS for attending general meetings of the Company in person or appointing proxies to vote on their behalf, and pursuant to the relevant requirements for continuous admission into CCASS, the Directors propose to seek the approval of the shareholders of the Company for the amendments to the bye-laws of the Company in order to provide for the appointment of multiple proxies or corporate representatives by a recognised clearing house (or its nominee(s)) which is a member of the Company to vote in the general meetings of the Company. A circular containing, inter alia, information on the proposed amendments to bye-laws 79 and 86A will be despatched to the shareholders of the Company.

CORPORATE GOVERNANCE

During the year ended 31 December 2016, 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 2016, 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 2016 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 or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2016 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.

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

The Company repurchased a total of 19,296,000 ordinary shares of the Company on the Stock Exchange for the year ended 31 December 2016 at an aggregate consideration of approximately HK$81,797,000 (before expense). All the repurchased shares were subsequently cancelled by the Company. Details of repurchase of such ordinary shares were as follows:

Month/year	**Number of ordinary shares repurchased**	**Price per Share**		**Aggregate Consideration paid**
		Highest	*Lowest*	*HK$*
January 2016	19,296,000	4.57	3.77	81,797,000

Redemption of USD500,000,000 4.625% Bonds Due 2018

For the year ended 31 December 2016, the Company redeemed USD20,000,000 from the principal amount of USD500,000,000 4.625% bonds due 2018 ("2018 Bonds") issued by a wholly-owned subsidiary of the Company during the period from September 2016 to December 2016 at the average redemption price equal to 105% of the outstanding principal amount of the 2018 Bonds, in which USD20,999,000 plus accrued interest was paid.

Redemption of CNY450,000,000 5.00% Bonds Due 2016

For the year ended 31 December 2016, the Company redeemed all the outstanding principal amount of CNY450,000,000 5.00% bonds due 2016 ("2016 Bonds") on the maturity date of the 2016 Bonds at the redemption price equal to 100% of the outstanding principal amount of the 2016 Bonds, in which CNY450 million plus accrued interest was paid.

Redemption of CNY50,000,000 5.00% Bonds Due 2016 (consolidated and formed a single series with the CNY450,000,000 5.00% bonds due 2016 issued on 30 June 2011)

For the year ended 31 December 2016, the Company redeemed all the outstanding principal amount of CNY50,000,000 5.00% bonds due 2016 ("Further 2016 Bonds") on the maturity date of the Further 2016 Bonds at the redemption price equal to 100% of the outstanding principal amount of the Further 2016 Bonds, in which CNY50 million plus accrued interest was paid.

Subsequent to the redemption of the respective 2016 Bonds and Further 2016 Bonds, they were cancelled and delisted from the official list of the Singapore Exchange Securities Trading Limited.

Save as the above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2016.

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 2016 annual report and the notice of annual general meeting will be dispatched to shareholders of the Company in April 2017 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 2017

As at the date of this announcement, the Board comprises ten executive directors, namely Mr. Li Yongcheng (Chairman), Mr. E Meng (Vice Chairman), Mr. Jiang Xinhao, Mr. Zhou Min (Chief Executive Officer), Mr. Li Haifeng, Mr. Zhang Tiefu, Ms. Qi Xiaohong, Mr. Ke Jian, Mr. Tung Woon Cheung Eric and Mr. Li Li 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.