

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2017

HIGHLIGHTS

- The Group reported revenue of HK\$21,192.4 million, representing an increase of 22% as compared that of HK\$17,354.8 million in last year.
- Profit attributable to shareholders of the Company was HK\$3,717.2 million, representing an increase of 15% as compared with that of HK\$3,227.0 million in the last year. Excluding the fair value gain on derivative financial instruments of HK\$39.6 million (2016: HK\$410.0 million), profit attributable to shareholders of the Company was HK\$3,677.6 million, representing an increase of 31% as compared with that of HK\$2,817.0 million (after excluding the fair value gain on derivative financial instruments) in last year.
- Basic and diluted earnings per share for the year were HK42.42 cents and HK41.53 cents respectively.
- Final cash distribution of HK7.5 cents per share is proposed for the year ended 31 December 2017. Full-year distributions are HK15.5 cents, excluding the aggregate fair value gains on derivative financial instruments and an investment property of HK\$52.4 million, the dividend payout ratio is 37%.
- Total daily design capacity for new projects secured for the year was 4,838,476 tons. Due to different reasons such as expiration of projects, the Group exited projects with aggregate daily design capacity of 618,700 tons during the year. As such, the net increase in total daily design capacity of the year was 4,219,776 tons. As at 31 December 2017, total daily design capacity was 31,387,820 tons (31 December 2016: 27,168,044 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 2017 and the consolidated statement of financial position of the Group as at 31 December 2017, with comparative figures for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
REVENUE	3	21,192,372	17,354,833
Cost of sales		(14,727,848)	(11,569,994)
Gross profit		6,464,524	5,784,839
Interest income		280,989	202,887
Other income and gains, net		1,006,587	1,121,589
Administrative expenses		(1,753,221)	(1,537,747)
Other operating expenses, net		(343,336)	(311,068)
PROFIT FROM OPERATING ACTIVITIES	4	5,655,543	5,260,500
Fair value gain on derivative financial instruments		39,554	410,039
Finance costs	5	(1,457,988)	(1,401,329)
Share of profits and losses of:			
Joint ventures		521,629	192,172
Associates		556,578	182,373
PROFIT BEFORE TAX		5,315,316	4,643,755
Income tax expense	6	(874,772)	(970,773)
PROFIT FOR THE YEAR		4,440,544	3,672,982
ATTRIBUTABLE TO:			
Shareholders of the Company		3,717,227	3,227,013
Holders of perpetual capital instruments		240,291	56,570
Non-controlling interests		483,026	389,399
		4,440,544	3,672,982
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8		
– Basic		HK42.42 cents	HK37.04 cents
– Diluted		HK41.53 cents	HK36.27 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017 HK\$'000	2016 HK\$'000
PROFIT FOR THE YEAR	4,440,544	3,672,982
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
– Exchange fluctuation reserve:		
Translation of foreign operations	2,285,123	(2,716,107)
Release upon disposal of subsidiaries	(12,478)	65,572
– Loss on revaluation of available-for-sales investments	(93,694)	–
	<u>2,178,951</u>	<u>(2,650,535)</u>
<i>Item not to be reclassified to profit or loss in subsequent periods:</i>		
– Gains on revaluation of a building upon transfer to investment property	107,493	–
– Share of other comprehensive income/(loss) of a joint venture	17,403	(14,606)
	<u>124,896</u>	<u>(14,606)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX	<u>2,303,847</u>	<u>(2,665,141)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>6,744,391</u></u>	<u><u>1,007,841</u></u>
ATTRIBUTABLE TO:		
Shareholders of the Company	5,365,065	1,216,828
Holders of perpetual capital instruments	614,259	(240,138)
Non-controlling interests	765,067	31,151
	<u><u>6,744,391</u></u>	<u><u>1,007,841</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

		2017	2016
	Notes	HK\$'000	HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment		3,841,866	2,831,452
Investment properties		1,083,677	755,326
Goodwill		3,303,632	3,312,200
Operating concessions		4,190,771	3,389,996
Other intangible assets		101,899	61,936
Investments in joint ventures		6,468,569	3,294,613
Investments in associates		4,184,775	2,390,062
Available-for-sale investments		1,245,004	693,611
Amounts due from contract customers		15,059,884	16,204,380
Receivables under service concession arrangements	9	33,322,895	22,638,167
Trade receivables	10	1,731,053	1,347,108
Prepayments, deposits and other receivables	11	2,115,819	2,046,779
Deferred tax assets		272,320	106,751
Total non-current assets		76,922,164	59,072,381
Current assets:			
Non-current assets held for sale		330,052	141,345
Inventories		135,370	90,847
Amounts due from contract customers		875,721	1,100,669
Receivables under service concession arrangements	9	2,614,866	1,933,078
Trade receivables	10	2,852,976	3,024,152
Prepayments, deposits and other receivables	11	6,744,944	4,415,085
Derivative financial instruments		–	214,150
Restricted cash and pledged deposits		46,150	134,526
Cash and cash equivalents		9,938,829	10,921,037
Total current assets		23,538,908	21,974,889
TOTAL ASSETS		100,461,072	81,047,270

CONSOLIDATED STATEMENT OF FINANCIAL POSITION **(CONTINUED)**

31 December 2017

		2017	2016
	Notes	HK\$'000	HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital		879,382	873,787
Reserves		19,905,341	15,627,355
		20,784,723	16,501,142
Perpetual capital instruments		6,623,082	6,305,025
Non-controlling interests		5,633,518	3,961,173
		12,256,600	10,266,198
TOTAL EQUITY		33,041,323	26,767,340
Non-current liabilities:			
Other payables and accruals	12	570,507	344,625
Bank and other borrowings		21,443,596	16,662,637
Corporate bonds		10,495,364	11,663,212
Notes payable		3,074,932	2,939,743
Finance lease payables		395,461	40,906
Provision for major overhauls		207,426	187,759
Deferred income		1,435,088	135,115
Deferred tax liabilities		2,103,997	1,691,342
Total non-current liabilities		39,726,371	33,665,339
Current liabilities:			
Trade payables	13	11,687,517	9,842,824
Other payables and accruals	12	6,769,636	5,234,492
Income tax payables		693,648	672,844
Bank and other borrowings		4,689,344	4,812,255
Corporate bonds		3,750,484	–
Finance lease payables		102,749	52,176
Total current liabilities		27,693,378	20,614,591
TOTAL LIABILITIES		67,419,749	54,279,930
TOTAL EQUITY AND LIABILITIES		100,461,072	81,047,270

NOTES:

1.1. BASIS OF PRESENTATION

Despite that the Group had net current liabilities of HK\$4.2 billion and capital commitments of approximately HK\$23.4 billion (comprising the Group's capital commitments and the Group's share of joint ventures' own capital commitments) in aggregate as at 31 December 2017, the directors consider that the Group will have adequate funds available to enable it to operate as a going concern, based on the Group's cash flow projection which, inter alia, take into account the historical operating performance of the Group and the following:

- (a) the existing banking facilities available to the Group as at the date of approval of these financial statements and on the assumption that such facilities will continue to be available from the Group's principal bankers;
- (b) certain of the above-mentioned total capital commitments are expected to be fulfilled by the Group after 2017 with reference to the terms of respective agreements and the current status of the projects;
- (c) the completion of placement of new shares of HK\$2,655 million before expense, in February 2018, further details of which are disclosed in note 14 to this announcement; and
- (d) the Company will consider equity financing when necessary.

Accordingly, these financial statements have been prepared on the going concern basis which assumes, inter alia, the realisation of assets and satisfaction of liabilities in the normal course of business.

1.2. 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 properties, 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 2017. 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 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.

1.3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
<i>Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements.

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, gain on bargain purchase of subsidiaries, gain on disposal of subsidiaries and joint ventures, fair value gain on derivative financial instruments, finance costs, share of profits of associates, as well as head office and corporate income and expenses are excluded from such measurement.

Year ended 31 December 2017

	Sewage and reclaimed water treatment and construction services <i>HK\$'000</i>	Water distribution services <i>HK\$'000</i>	Technical and consultancy services and sales of machineries <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	18,014,084	1,839,719	1,338,569	21,192,372
Cost of sales	(13,196,154)	(1,000,125)	(531,569)	(14,727,848)
Gross profit	<u>4,817,930</u>	<u>839,594</u>	<u>807,000</u>	<u>6,464,524</u>
Segment results:				
The Group	4,767,476	760,433	572,698	6,100,607
Share of profits and losses of:				
Joint ventures	347,799	173,830	–	521,629
Associates	16,482	–	–	16,482
	<u>5,131,757</u>	<u>934,263</u>	<u>572,698</u>	<u>6,638,718</u>
Fair value gain on derivative financial instruments				39,554
Corporate and other unallocated income and expenses, net				(445,064)
Share of profits of associates				540,096
Finance costs				<u>(1,457,988)</u>
Profit before tax				5,315,316
Income tax expense				<u>(874,772)</u>
Profit for the year				<u>4,440,544</u>
Profit for the year attributable to shareholders of the Company:				
Operating segments	<u>3,936,255</u>	<u>690,071</u>	<u>506,190</u>	5,132,516
Fair value gain on derivative financial instruments				39,554
Corporate and other unallocated items				<u>(1,454,843)</u>
				<u>3,717,227</u>

Year ended 31 December 2016

	Sewage and reclaimed water treatment and construction services <i>HK\$'000</i>	Water distribution services <i>HK\$'000</i>	Technical and consultancy services and sales of machineries <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	14,962,570	1,371,409	1,020,854	17,354,833
Cost of sales	<u>(10,425,605)</u>	<u>(699,441)</u>	<u>(444,948)</u>	<u>(11,569,994)</u>
Gross profit	<u>4,536,965</u>	<u>671,968</u>	<u>575,906</u>	<u>5,784,839</u>
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	<u>5,345</u>	<u>–</u>	<u>–</u>	<u>5,345</u>
	<u>4,583,512</u>	<u>795,690</u>	<u>457,481</u>	<u>5,836,683</u>
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				<u>(1,401,329)</u>
Profit before tax				4,643,755
Income tax expense				<u>(970,773)</u>
Profit for the year				<u>3,672,982</u>
Profit for the year attributable to shareholders of the Company:				
Operating segments	<u>3,596,893</u>	<u>578,524</u>	<u>274,908</u>	4,450,325
Fair value gain on derivative financial instruments				410,039
Corporate and other unallocated items				<u>(1,633,351)</u>
				<u>3,227,013</u>

Geographical information

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue from external customers:		
Mainland China	20,286,300	16,026,894
Elsewhere	<u>906,072</u>	<u>1,327,939</u>
	<u>21,192,372</u>	<u>17,354,833</u>

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 2017, revenue of approximately HK\$2,821,366,000 was derived from sewage and reclaimed water treatment and construction services segment to a single customer from which over 10% of the Group's total revenue for the year was derived.

During the year ended 31 December 2016, there was no single external customer for which over 10% of the Group's total revenue for that year was derived.

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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Sewage and reclaimed water treatment services	4,031,739	3,653,872
Construction services	13,982,345	11,308,698
Water distribution services	1,839,719	1,371,409
Technical and consultancy services and sales of machineries	1,338,569	1,020,854
	<u>21,192,372</u>	<u>17,354,833</u>

Imputed interest income under service concession arrangements amounting to HK\$1,682,833,000 (2016: HK\$1,659,158,000) is included in the above revenue.

4. PROFIT FROM OPERATING ACTIVITIES

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Cost of sewage and reclaimed water treatment services rendered	1,795,832	1,494,420
Cost of construction services	11,288,660	8,816,154
Cost of water distribution services	928,827	667,375
Cost of technical and consultancy services rendered and machineries sold	531,569	444,948
Depreciation	209,016	147,312
Amortisation of operating concessions*	182,960	147,097
Amortisation of other intangible assets*	<u>13,211</u>	<u>7,214</u>

* *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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on bank and other loans	895,772	969,949
Interest on corporate bonds	490,758	352,819
Interest on notes payable	171,011	173,167
Interest on finance leases	<u>8,848</u>	<u>4,091</u>
Total interest expense	1,566,389	1,500,026
Increase in discounted amounts of provision for major overhauls arising from the passage of time	<u>14,085</u>	<u>11,653</u>
Total finance costs	1,580,474	1,511,679
Less: Interest included in cost of construction services	<u>(122,486)</u>	<u>(110,350)</u>
	<u><u>1,457,988</u></u>	<u><u>1,401,329</u></u>

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for the year ended 31 December 2017 as the Group did not generate any assessable profits arising in Hong Kong during the year (2016: 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.

	2017 HK\$'000	2016 <i>HK\$'000</i>
Current – Mainland China	539,951	604,088
Current – Elsewhere	30,198	17,497
Underprovision in prior years	1,124	1,033
Deferred	303,499	348,155
	<hr/>	<hr/>
Total tax expense for the year	874,772	970,773
	<hr/> <hr/>	<hr/> <hr/>

7. CASH DISTRIBUTIONS

	2017 HK\$'000	2016 <i>HK\$'000</i>
Interim – HK8.0 cents (2016: HK5.9 cents) per ordinary share	701,899	513,949
Proposed final – HK7.5 cents (2016: HK6.0 cents) per ordinary share	693,390	524,388
	<hr/>	<hr/>
	1,395,289	1,038,337
	<hr/> <hr/>	<hr/> <hr/>

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 2017 is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of 8,763,115,914 (2016: 8,712,012,633) 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:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Profit for the year attributable to shareholders of the Company, used in the basic and diluted earnings per share calculations	<u>3,717,227</u>	<u>3,227,013</u>
	2017	2016
Number of ordinary shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	8,763,115,914	8,712,012,633
Effect of dilution on weighted average number of ordinary shares – Share options which have dilutive effect	<u>187,622,076</u>	<u>185,509,807</u>
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	<u>8,950,737,990</u>	<u>8,897,522,440</u>

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:

	2017	2016
	HK\$'000	HK\$'000
Billed:		
Within 3 months	1,046,677	747,658
4 to 6 months	512,561	256,118
7 to 12 months	293,350	285,860
Over 1 year	536,088	216,476
	2,388,676	1,506,112
Unbilled:		
Current portion	226,190	426,966
Non-current portion	33,322,895	22,638,167
	33,549,085	23,065,133
Total	35,937,761	24,571,245

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 5.7% to 12.98% (2016: 6.85% to 12.98%), all 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Billed:		
Within 3 months	907,522	953,948
4 to 6 months	346,126	284,586
7 to 12 months	329,964	238,599
Over 1 year	1,711,348	1,545,968
Balance with extended credit period	<u>41,051</u>	<u>43,094</u>
	3,336,011	3,066,195
Unbilled*	<u>1,248,018</u>	<u>1,305,065</u>
	4,584,029	4,371,260
Portion classified as current assets	<u>(2,852,976)</u>	<u>(3,024,152)</u>
Non-current portion	<u><u>1,731,053</u></u>	<u><u>1,347,108</u></u>

* *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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Prepayments	308,380	141,657
Deposits and other debtors	4,787,120	4,293,382
Advances to subcontractors and suppliers	1,650,612	1,325,117
Due from joint ventures	1,843,393	306,763
Due from associates	233,059	247,407
Due from related parties	<u>248,203</u>	<u>299,719</u>
	9,070,767	6,614,045
Impairment	<u>(210,004)</u>	<u>(152,181)</u>
	8,860,763	6,461,864
Portion classified as current assets	<u>(6,744,944)</u>	<u>(4,415,085)</u>
Non-current portion	<u><u>2,115,819</u></u>	<u><u>2,046,779</u></u>

12. OTHER PAYABLES AND ACCRUALS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Accruals	884,420	665,530
Other liabilities	2,984,304	2,644,205
Receipts in advance	574,645	369,001
Due to subcontractors	906,429	610,517
Due to joint ventures	1,187,697	602,833
Due to associates	48,312	–
Due to related parties	397,069	478,142
Other taxes payables	357,267	208,889
	<u>7,340,143</u>	<u>5,579,117</u>
Portion classified as current liabilities	<u>(6,769,636)</u>	<u>(5,234,492)</u>
Non-current portion	<u>570,507</u>	<u>344,625</u>

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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 3 months	5,375,901	4,285,337
4 to 6 months	1,194,027	992,009
7 months to 1 year	1,967,296	1,687,788
1 to 2 years	1,206,914	1,389,036
2 to 3 years	966,760	855,638
Over 3 years	819,153	321,900
Balance with extended credit period	<u>157,466</u>	<u>311,116</u>
	<u>11,687,517</u>	<u>9,842,824</u>

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

14. EVENTS AFTER THE REPORTING PERIOD

1. On 24 January 2018, the Company entered into a placing agreement with China International Capital Corporation Hong Kong Securities Limited, Daiwa Capital Markets Hong Kong Limited, Deutsche Bank AG, Hong Kong Branch, Haitong International Securities Company Limited and UBS AG, Hong Kong Branch (the “Placing Agents”) in relation to the placing of new shares (the “Placing Agreement”). Pursuant to the Placing Agreement, the Placing Agents have conditionally agreed with the Company to place, through the Placing Agents, on a fully underwritten basis, 450,000,000 new shares to not less than six placees at the placing price of HK\$5.9 per new share (the “Placing”). The gross proceeds of the Placing is HK\$2,655 million.

Further details of this transaction are set out in the Company’s announcement dated 24 January 2018 and 1 February 2018. As at the date of this announcement, the Placing has been completed.

2. On 24 January 2018, the Company entered into a subscription agreement (the “Subscription Agreement”) with Beijing Enterprises Environmental Construction Limited (the “Subscriber”). Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 169,491,525 new shares. Subject to the approval of independent shareholders at the special general meeting to be held on 29 March 2018, the Subscription shares will be issued at the subscription price of HK\$5.9 per new share (the “Subscription”). The gross proceeds of the Subscription will be HK\$1,000 million.

Further details of this transaction are set out in the Company’s announcement dated 24 January 2018. As at the date of this announcement, the Subscription has not been completed.

15. OTHER FINANCIAL INFORMATION

The net current liabilities and total assets less current liabilities of the Group as at 31 December 2017 amounted to HK\$4,154,470,000 (2016: net current assets of HK\$1,360,298,000) and HK\$72,767,694,000 (2016: HK\$60,432,679,000), respectively.

FINAL DISTRIBUTION

The Board proposed to pay final distribution of HK7.5 cents for the financial year ended 31 December 2017 (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 Friday, 1 June 2018, payable to shareholders of the Company whose names appear on the register of members of the Company on Friday, 8 June 2018.

CLOSURES OF REGISTER OF MEMBERS

For Annual General Meeting

The register of members will be closed from Tuesday, 29 May 2018 to Friday, 1 June 2018 (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 Friday, 1 June 2018, 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 Monday, 28 May 2018.

For Entitlement to Proposed Final Distribution

The register of members will be closed from Thursday, 7 June 2018 to Friday, 8 June 2018 (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 Wednesday, 6 June 2018. 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 Friday, 22 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year attributable to shareholders of the Company increased by 15% to HK\$3,717.2 million. Revenue increased by 22% to HK\$21,192.4 million as a result of increase in revenue contribution from construction services for comprehensive renovation 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	3,425.1			1,517.0	
– Subsidiaries (with ABN arrangement*)	315.3			157.6	
– Joint ventures and associates				35.1	
	3,740.4	18%	55%	1,709.7	33%
Overseas					
– Subsidiaries	291.3	1%	26%	47.7	1%
	4,031.7	19%		1,757.4	34%
Water distribution services					
China					
– Subsidiaries	1,611.2	8%	48%	466.9	9%
– Joint ventures				173.8	3%
				640.7	12%
Overseas					
– Subsidiaries	228.5	1%	31%	49.3	1%
	1,839.7	9%		690.0	13%
Subtotal	5,871.4	28%		2,447.4	47%

* These subsidiaries partially disposed their receivables under service concession arrangements for the issuance of an asset-backed note ("ABN arrangement") in April 2017.

	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% [§]	7,335.3	35%	14%	992.9	20%
– Interest income	–	–	–	52.6	1%
	7,335.3	35%	14%	1,045.5	21%
Construction of BOT water projects					
– China	6,647.1	31%	25%	1,133.4	22%
– Overseas	–	–	–	–	–
	6,647.1	31%	25%	1,133.4	22%
Subtotal	13,982.4	66%		2,178.9	43%
3. Technical services and sale of machineries for the water environmental renovation	1,338.6	6%	60%	506.2	10%
Business results	<u>21,192.4</u>	<u>100%</u>		<u>5,132.5</u>	<u>100%</u>
Fair value gain on derivative financial instruments				39.6	
Others [#]				(1,454.9)	
Total				<u>3,717.2</u>	

[#] Others included head office and other corporate expense, net, of HK\$276.8 million, share of profit of associates of HK\$540.1 million, equity-settled share option expense of HK\$19.9 million, finance costs of HK\$1,458.0 million and profit attributable to holders of perpetual capital instruments of HK\$240.3 million.

[§] Profit attributable to shareholders of the Company included share of profits of joint ventures and associates of HK\$263.4 million.

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	
	<i>HK\$'M</i>	%		<i>HK\$'M</i>	%
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				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	<u>17,354.8</u>	<u>100%</u>			<u>4,450.3</u>	<u>100%</u>
Fair value gain on derivative financial instruments					410.0	
Others [#]					(1,633.3)	
Total					<u>3,227.0</u>	

[#] Others included head office and other corporate expense, net, of HK\$311.5 million, share of profit of an associate of HK\$177.0 million, equity-settled share option expense of HK\$40.9 million, finance costs of HK\$1,401.3 million and profit attributable to holders of perpetual capital instruments of HK\$56.6 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 comparison of the Group's financial results for the year ended 31 December 2017 and 2016 is set out in details below:

	Revenue				Profit attributable to shareholders of the Company			
	2017 HK\$'M	2016 HK\$'M	Increase/(Decrease) HK\$'M	%	2017 HK\$'M	2016 HK\$'M	Increase/(Decrease) HK\$'M	%
1. Water treatment services								
Sewage and reclaimed water treatment services								
China								
– Subsidiaries	3,425.1	3,072.3	352.8	11%	1,517.0	1,425.2	91.8	6%
– Subsidiaries (with ABN arrangement)	315.3	422.6	(107.3)	(25%)	157.6	236.5	(78.9)	(33%)
– Joint ventures and associates					35.1	18.8	16.3	87%
	3,740.4	3,494.9	245.5	7%	1,709.7	1,680.5	29.2	2%
GP ratio	55%	58%		(3%)				
Overseas								
– Subsidiaries	291.3	159.0	132.3	83%	47.7	16.5	31.2	189%
GP ratio	26%	19%		7%				
	4,031.7	3,653.9	377.8	10%	1,757.4	1,697.0	60.4	4%
Water distribution services								
China								
– Subsidiaries	1,611.2	1,164.5	446.7	38%	466.9	409.3	57.6	14%
– Joint ventures					173.8	126.0	47.8	38%
					640.7	535.3	105.4	20%
GP ratio	48%	52%		(4%)				
Overseas								
– Subsidiaries	228.5	206.9	21.6	10%	49.3	43.2	6.1	14%
GP ratio	31%	30%		1%				
	1,839.7	1,371.4	468.3	34%	690.0	578.5	111.5	19%
Subtotal	5,871.4	5,025.3	846.1	17%	2,447.4	2,275.5	171.9	8%
2. Construction services for the water environmental renovation								
Construction services for comprehensive renovation projects								
– Projects with completion rate more than 10%	7,335.3	4,612.3	2,723.0	59%	992.9	717.8	275.1	38%
– Interest income	–	–	–	–	52.6	68.8	(16.2)	(24%)
	7,335.3	4,612.3	2,723.0	59%	1,045.5	786.6	258.9	33%
GP ratio	14%	22%		(8%)				
Construction of BOT water projects								
– China	6,647.1	6,111.4	535.7	9%	1,133.4	1,085.7	47.7	4%
– Overseas	–	584.9	(584.9)	(100%)	–	27.6	(27.6)	(100%)
	6,647.1	6,696.3	(49.2)	(1%)	1,133.4	1,113.3	20.1	2%
GP ratio	25%	22%		3%				
Subtotal	13,982.4	11,308.6	2,673.8	24%	2,178.9	1,899.9	279.0	15%
3. Technical services and sale of machineries for the water environmental renovation								
GP ratio	1,338.6	1,020.9	317.7	31%	506.2	274.9	231.3	84%
	60%	56%		4%				
Business results	21,192.4	17,354.8	3,837.6	22%	5,132.5	4,450.3	682.2	15%
Fair value gain on derivative financial instruments					39.6	410.0	(370.4)	(90%)
Others					(1,454.9)	(1,633.3)	(178.4)	(11%)
Total					3,717.2	3,227.0	490.2	15%

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 21 provinces, 5 autonomous regions and 2 municipalities all across Mainland China.

2.1 Water treatment services

As at 31 December 2017, the Group entered into service concession arrangements and entrustment agreements for a total of 782 water plants including 655* sewage treatment plants, 112 water distribution plants, 14 reclaimed water treatment plants and 1 seawater desalination plant. Total daily design capacity for new projects secured for the year was 4,838,476 tons including Build-Operate-Transfer ("BOT") projects of 677,750 tons, Transfer-Operate-Transfer ("TOT") projects of 10,000 tons, Design-Build-Own-Operate ("DBOO") projects of 50,000 tons, Public-Private Partnership ("PPP") projects of 3,240,726 tons, entrustment operation projects of 365,000 tons, and 495,000 tons through mergers and acquisitions.

Due to different reasons such as expiration of projects, the Group exited projects with aggregate daily design capacity of 618,700 tons during the year. As such, the net increase in daily design capacity of the year was 4,219,776 tons. As at 31 December 2017, total daily design capacity was 31,387,820 tons.

* *Water plants with daily capacity of 2,000 tons or lower were classified as town-size water plants. During the year, the Group entered into service concession arrangements for 263 town-size sewage treatment plants with aggregate daily capacity of 86,176 tons.*

Analysis of projects on hand is as follows:

	Sewage treatment	Reclaimed water treatment	Water distribution	Seawater desalination	Total
<i>(Tons)</i>					
China					
In operation	11,059,750	617,200	6,555,600	–	18,232,550
Not yet commenced operation/Not yet transferred	<u>6,445,976</u>	<u>929,000</u>	<u>5,267,094</u>	<u>50,000</u>	<u>12,692,070</u>
Subtotal	<u>17,505,726</u>	<u>1,546,200</u>	<u>11,822,694</u>	<u>50,000</u>	<u>30,924,620</u>
Overseas					
In operation	199,200	228,000	36,000	–	463,200
Not yet commenced operation/Not yet transferred	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Subtotal	<u>199,200</u>	<u>228,000</u>	<u>36,000</u>	<u>–</u>	<u>463,200</u>
Total	<u>17,704,926</u>	<u>1,774,200</u>	<u>11,858,694</u>	<u>50,000</u>	<u>31,387,820</u>
<i>(Number of water plants)</i>					
China					
In operation	231	7	73	–	311
Not yet commenced operation/Not yet transferred	<u>399</u>	<u>6</u>	<u>26</u>	<u>1</u>	<u>432</u>
Subtotal	<u>630</u>	<u>13</u>	<u>99</u>	<u>1</u>	<u>743</u>
Overseas					
In operation	25	1	13	–	39
Not yet commenced operation/Not yet transferred	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Subtotal	<u>25</u>	<u>1</u>	<u>13</u>	<u>–</u>	<u>39</u>
Total	<u>655</u>	<u>14</u>	<u>112</u>	<u>1</u>	<u>782</u>

	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	3,346,700	1,096.0	886.3	469.2
– Western China	51	1,754,500	527.5	786.6	363.7
– Shandong	32	1,462,000	399.1	432.3	207.8
– Eastern China	63	3,362,750	1,018.0	956.4	412.8
– Northern China	46	1,751,000	507.1	678.8	256.2
	238	11,676,950	3,547.7	3,740.4	1,709.7
Overseas	26	427,200	152.8	291.3	47.7
Subtotal	264	12,104,150	3,700.5	4,031.7	1,757.4
Water distribution services:					
Mainland China	73	6,555,600	1,403.6	1,611.2	640.7
Overseas	13	36,000	13.4	228.5	49.3
Subtotal	86	6,591,600	1,417.0	1,839.7	690.0
Total	350	18,695,750	5,117.5	5,871.4	2,447.4

* *Excluded entrustment operation contracts*

2.1.1 Sewage and reclaimed water treatment services

2.1.1a Mainland China

As at 31 December 2017, the Group had 231 sewage treatment plants and 7 reclaimed water plants in operation in Mainland China. Total daily design capacity in operation of sewage treatment plants and reclaimed water plants reached to 11,059,750 tons (31 December 2016: 9,957,250 tons) and 617,200 tons (31 December 2016: 497,200 tons) respectively. The average daily processing volume is 9,882,175 tons and average daily treatment rate is 87%. The actual average contracted tariff charge of water treatment was approximately RMB1.08 per ton (31 December 2016: RMB1.01 per ton) for water plants. The actual aggregate processing volume for the year was 3,547.7 million tons, of which 3,325.4 million tons was contributed by subsidiaries and 222.3 million tons was contributed by joint ventures. Total revenue for the year was HK\$3,740.4 million. Net profit attributable to shareholders of the Company was HK\$1,709.7 million, of which HK\$1,674.6 million was contributed by subsidiaries and HK\$35.1 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 and Shaanxi Province. As at 31 December 2017, there were 46 sewage treatment plants with total daily design capacity of 3,346,700 tons, representing an increase of 87,500 tons or 3% as compared with last year. The actual aggregate processing volume for the year amounted to 1,096.0 million tons. The operating revenue and profit attributable to shareholders of the Company were HK\$886.3 million and HK\$469.2 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 2017, there were 51 sewage treatment plants with total daily design capacity of 1,754,500 tons, representing an increase of 130,000 tons per day or 8% as compared with last year. The actual processing volume for the year was 527.5 million tons. The operating revenue of HK\$786.6 million was recorded during the year. Profit attributable to shareholders of the Company amounted to HK\$363.7 million.

Shandong

There were 32 plants in Shandong region. The total daily design capacity of Shandong region is 1,462,000 tons, representing an increase of 193,000 tons per day or 15% as compared with last year. The actual processing volume for the year was 399.1 million tons contributing operating revenue of HK\$432.3 million during the year. Profit attributable to shareholders of the Company was HK\$207.8 million.

Eastern China

There were 63 water plants in Eastern China which were mainly located in Zhejiang, Jiangsu and Anhui Province. As at 31 December 2017, the total daily design capacity of Eastern China had increased by 412,000 tons to 3,362,750 tons or 14% as compared with last year. The actual processing volume for the year amounted to 1,018.0 million tons and operating revenue was HK\$956.4 million during the year. Profit attributable to shareholders of the Company was HK\$412.8 million.

Northern China

Currently, the Group has 46 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 400,000 tons to 1,751,000 tons or 30% as compared with last year. The projects achieved actual processing volume of 507.1 million tons for the year. The operating revenue was HK\$678.8 million during the year. Profit attributable to shareholders of the Company was HK\$256.2 million.

2.1.1b Overseas:

As at 31 December 2017, the Group had 24 sewage treatment plants in Portugal, a sewage treatment plant in Macau and a reclaimed water plant in Singapore. Total daily design sewage treatment capacity in operation was 427,200 tons. The actual processing volume for the year is 152.8 million tons, of which 87.3 million tons was contributed by subsidiaries and 65.5 million tons was contributed by a joint venture. Total revenue for the year was HK\$291.3 million. Profit attributable to shareholders of the Company was HK\$47.7 million.

2.1.2 Water distribution services

2.1.2a Mainland China:

As at 31 December 2017, the Group had 73 water distribution plants in operation. Total daily design capacity in operation was 6,555,600 tons (31 December 2016: 5,704,400 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 RMB2.14 per ton (2016: RMB1.86 per ton). The aggregate actual processing volume is 1,403.6 million tons, of which 762.2 million tons was contributed by subsidiaries, which recorded revenue of HK\$1,611.2 million and 641.4 million tons was contributed by joint ventures. Imputed interest income of HK\$45.3 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\$640.7 million, of which profit of HK\$466.9 million was contributed by subsidiaries and a profit of HK\$173.8 million in aggregate was contributed by joint ventures.

2.1.2b Overseas:

As at 31 December 2017, 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 13.4 million tons. Total revenue for the year was HK\$228.5 million. Profit attributable to shareholders of the Company was HK\$49.3 million.

2.2 Construction services for the water environmental renovation

2.2.1 Construction services for comprehensive renovation projects

The Group had 18 comprehensive renovation projects under construction during the year. The projects mainly located in Henan Luoyang, Foshan Sanshui, Yunnan Yuxi, Sichuan Suining, Inner Mongolia, Chengdu Jianyang, Yunnan Ling Qang, Malaysia Terengganu, Sichuan Luzhou and Beijing Tongzhou. Last year, the Group had 20 comprehensive renovation projects under construction in Beijing Liangshuihe, Beijing Xiantaihouhe, Henan Luoyang, Foshan Gaoming, Foshan Sanshui, Yunnan Yuxi, Sichuan Suining, Inner Mongolia Wuhai and Malaysia Terengganu.

Revenue from comprehensive renovation projects increased by HK\$2,723.0 million from last year of HK\$4,612.3 million to HK\$7,335.3 million this year. Revenue increased was mainly due to the new commencement of construction work for Sichuan Luzhou, Henan Luoyang and Inner Mongolia and increase in contribution work for Chengdu Jianyang.

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\$52.6 million for this year (2016: HK\$68.8 million).

Profit attributable to shareholders of the Company for the comprehensive renovation projects increased by HK\$258.9 million from last year of HK\$786.6 million to HK\$1,045.5 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 Guangdong, Shandong, Zhejiang, Hunan and Henan provinces. Total revenue for construction of BOT water projects was HK\$6,647.1 million (2016: HK\$6,696.3 million) and profit attributable to shareholders of the Company was HK\$1,133.4 million (2016: HK\$1,113.3 million).

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\$1,338.6 million (2016: HK\$1,020.9 million), representing 6% of the Group's total revenue. Profit attributable to shareholders of the Company was HK\$506.2 million (2016: HK\$274.9 million).

Increase in revenue was mainly due to the increase in contribution from provision of technical services.

3. Financial analysis

3.1 Revenue

During the year, the Group recorded revenue of HK\$21,192.4 million (2016: HK\$17,354.8 million). The increase was mainly due to the increase in revenue from construction services for comprehensive renovation projects. The increase in revenue from construction services was mainly due to the construction work for comprehensive renovation projects in Sichuan Luzhou, Sichuan Chengdu, Henan Luoyang and Inner Mongolia.

3.2 Cost of sales

Cost of sales for the year amounted to HK\$14,727.8 million, compared to last year of HK\$11,570.0 million. The increase was mainly due to the increase in construction costs and operating costs of water plants amounted to HK\$2,472.5 million and HK\$598.7 million respectively. Cost of sales mainly included construction costs of HK\$11,288.7 million and operating costs of water plants of HK\$2,907.6 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 during the year. The operating costs of water plants, mainly included electricity charges of HK\$721.7 million, staff costs of HK\$910.9 million and major overhaul charges of HK\$126.0 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 33% to 31%.

Gross margin for sewage and reclaimed water treatment services:

Gross margin for sewage and reclaimed water treatment services in Mainland China decreased to 55% (last year: 58%). The decrease was mainly due to the decrease in imputed interest income from certain water plants as a result of the partially disposal of the receivables under service concession arrangements of these water plants for the issuance of an asset-backed note with a principal amount of RMB2.1 billion during the year. Gross margin for sewage and reclaimed water treatment services in Overseas increased to 26% (last year: 19%). The increase was mainly due to the commencement of operation of a reclaimed water plant in Singapore in the second half of last year, 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 48% (last year: 52%). Excluding the imputed interest income of the Plant No. 9, gross margin for water distribution services decreased to 46% (last year: 50%). The decrease was mainly due to the newly acquired projects which generated a relatively lower gross margin during the year. Gross margin for water distribution services in Overseas was 31% (last year: 30%).

Gross margin for construction services for comprehensive renovation projects:

Gross margin for construction services for comprehensive renovation projects decreased from last year of 22% to 14% this year. Gross margin decreased as the major comprehensive renovation projects (e.g. projects in Inner Mongolia) for the 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 25% (last year: 23%).

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 60% (last year: 56%). The increase was mainly due to increase in income from provision of technical services.

3.4 Other income and gains, net

The Group recorded other income and gains, net of HK\$1,006.6 million during the year, compared to last year of HK\$1,121.6 million. The amount for this year mainly included sludge treatment income of HK\$124.4 million, government grants and subsidies of HK\$92.0 million, pipeline installation income of HK\$209.5 million, fair value gain on investment property of HK\$12.9 million, and VAT refund of HK\$327.6 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 2016. The final tranche of subscription with total number of shares of 1,772,151,900 was completed during the year. 4,516,761,897 preference shares were converted into ordinary shares during the year.

According to the accounting policy, the potential subscription shares 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 the year, the Group recognised a fair value gain of HK\$39.6 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\$1,753.2 million, compared to last year of HK\$1,537.7 million. The increase was mainly due to the increase in staff related expenses as a result of business expansion during the year.

3.7 Other operating expenses, net

Other operating expenses increased from HK\$311.1 million to HK\$343.3 million in the 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\$895.8 million (2016: HK\$969.9 million) and interests on corporate bonds and notes payable of HK\$661.8 million (2016: HK\$526.0 million). The increase in finance costs was mainly due to the issuance of corporate bonds with principal amounts of RMB1,300 million and MYR400 million during the year. 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\$556.6 million, compared to last year of HK\$182.4 million. The increase was mainly due to increase in share of profits of BE Clean Energy of HK\$321.5 million.

3.10 Share of profits of joint ventures

Share of profits of joint ventures increased to HK\$521.6 million, compared to last year of HK\$192.2 million. The increase was mainly contributed by the fund set up during the year for Chifeng project.

3.11 Income tax expense

Income tax expense for the year included the current PRC income tax of HK\$540.0 million. The effective tax rate for the PRC operation was about 17% 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\$303.5 million.

3.12 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 in the second half of last year.

3.13 Property, plant and equipment

Property, plant and equipment increased by HK\$1,010.4 million which was mainly due to the acquisition of Build-Own-Operate (“BOO”) projects in Inner Mongolia in current year.

3.14 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\$12.9 million was recognised in statement of profit or loss during the year.

3.15 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\$56,457.5 million (2016: HK\$46,247.7 million) included:

By accounting nature:

	Non-current HK\$’M	2017 Current HK\$’M	Total HK\$’M	Non-current HK\$’M	2016 Current HK\$’M	Total HK\$’M
(i) Amounts due from contract customers	15,059.9	875.7	15,935.6	16,204.4	1,100.7	17,305.1
(ii) Receivables under service concession arrangements	33,322.9	2,614.9	35,937.8	22,638.2	1,933.1	24,571.3
(iii) Trade receivables	1,731.1	2,853.0	4,584.1	1,347.1	3,024.2	4,371.3
Total	50,113.9	6,343.6	56,457.5	40,189.7	6,058.0	46,247.7

- (i) Amounts due from contract customers of HK\$15,935.6 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 decreased by HK\$1,369.5 million (non-current portion decreased by HK\$1,144.5 million and current portion decreased by HK\$225.0 million), which was mainly due to the disposal of Taizhou project to the fund during the year;
- (ii) Receivables under service concession arrangements of HK\$35,937.8 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\$11,366.5 million (non-current portion increased by HK\$10,684.7 million and current portion increased by HK\$681.8 million) was mainly due to the recognition of construction revenue in accordance with HK(IFRIC)-Int 12 for the construction of water plants under the BOT Arrangements; and
- (iii) Trade receivables of HK\$4,584.1 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\$212.8 million (non-current portion increased by HK\$384.0 million and current portion decreased by HK\$171.2 million).

By business nature:

	2017 HK\$'M	2016 <i>HK\$'M</i>
Water treatment services by BOT and TOT projects	40,544.6	36,432.7
Construction services of comprehensive renovation projects	14,706.7	8,852.1
Technical and consultancy services and other businesses	1,206.2	962.9
Total	<u>56,457.5</u>	<u>46,247.7</u>

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\$40,544.6 million (2016: HK\$36,432.7 million). Total receivables for the construction service of comprehensive renovation projects were HK\$14,706.7 million (2016: HK\$8,852.1 million). Total receivables for technical and consultancy services and other businesses were HK\$1,206.2 million (2016: HK\$962.9 million).

3.16 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.

3.17 Investments in joint ventures

Investments in joint ventures increased by HK\$3,174.0 million, mainly due to the capital injection to the joint ventures, share of profit and conversions of subsidiaries to joint ventures as a result of partial disposal of interest in subsidiaries during the year.

3.18 Investments in associates

Investments in associates increased by HK\$1,794.7 million, mainly due to the subscriptions of preference shares and share of profit of BE Clean Energy during the year.

3.19 Prepayments, deposits and other receivables

Prepayments, deposits and other receivables increased by HK\$2,398.9 million (non-current portion increased by HK\$69.0 million and current portion increased by HK\$2,329.9 million), mainly due to the increase in amounts due from joint ventures.

3.20 Other payables and accruals

Other payables and accruals increased by 1,761.0 million. The increase was mainly due to the increase in amounts due to joint ventures of HK\$584.9 million, increase in receipts in advance of HK\$205.6 million and increase in other liabilities of HK\$340.1 million.

3.21 Cash and cash equivalents

Cash and cash equivalents decreased by HK\$982.2 million, mainly due to the payments for acquisition and construction of various water projects in PRC.

3.22 Bank and other borrowings

Bank and other borrowings increased by HK\$4,658.0 million. Increase in bank and other borrowings was mainly utilised to finance for the acquisition and construction of various water project in the PRC.

3.23 Corporate bonds

Corporate bonds increased by HK\$2,582.6 million which was mainly due to the issuance of corporate bonds with principal amounts of RMB1,300 million and MYR400 million during the year.

3.24 Trade payables

The increase in trade payables by HK\$1,844.7 million was mainly due to increase in trade payables to subcontractors for construction services of comprehensive renovation projects during the year.

3.25 Deferred Income

Deferred income increased by HK\$1,300.0 million which was mainly due to the recognition of deferred sewage water treatment income in relation to the issuance of an asset-backed note during the year.

3.26 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 2017, the Group's cash and cash equivalents amounted to HK\$9,938.8 million (31 December 2016: HK\$10,921.0 million).

The Group's total borrowings amounted to HK\$43,951.8 million (31 December 2016: HK\$36,170.9 million) comprised bank and other borrowings of HK\$26,132.9 million (31 December 2016: HK\$21,474.9 million), finance lease payables of HK\$498.2 million (31 December 2016: HK\$93.1 million), notes payable of HK\$3,074.9 million (31 December 2016: HK\$2,939.7 million) and corporate bonds of HK\$14,245.8 million (31 December 2016: HK\$11,663.2 million). All the corporate bonds and notes payable bear interest at fixed rates. Over 90% of bank and other borrowings bear interest at floating rates.

As at 31 December 2017, the Group had banking facilities amounting to HK\$34.8 billion, of which HK\$15.9 billion have not been utilised. The banking facilities are of 1 to 12 years term.

The Group's total equity amounted to HK\$33,041.3 million (31 December 2016: HK\$26,767.3 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 1.03 as at 31 December 2017 (31 December 2016: 0.94). The increase in the gearing ratio as at 31 December 2017 was mainly due to the decrease in cash and cash equivalent and increase in corporate bonds during the year. The corresponding funds were mainly utilised for the acquisition and construction of various water projects in the PRC.

3.27 Capital expenditures

During the year, the Group's total capital expenditures were HK\$10,190.7 million (2016: HK\$9,267.2 million), of which HK\$290.6 million was paid for the acquisition of property, plant and equipment and intangible assets; HK\$6,839.0 million was spent on construction and acquisition of water plants, HK\$3,061.1 million represented the consideration for acquisition of equity interests in associates, subsidiaries and available-for-sale investments and capital injections in joint ventures.

4. Future outlook

4.1 Developmental Strategy

The Group will thoroughly implement the national measures of establishing ecological civilisation in 2018, so as to expand and strengthen its two core businesses, namely urban water services and water environment comprehensive renovation in such extraordinary time of opportunity. It will also head towards an asset light enterprise by setting up asset management platform and operational management platform with the aims to enhance the core competitiveness across the enterprise and provide shareholders with a stable and growing return.

As to investment, it will continue its general approaches of maximising returns with prudence, monitoring and controlling risks and making ends meet with risk control as its priority. In terms of technological research and development, the Group will form an ecosystem of "operation technology" for better technology identification and carry out research and development and resource integration with different key objectives in order to nurture capability for environmental service which is in line with its asset-light approach. Regarding construction management, a platform will be set up to unite the procurement and management of resources such as works, equipment, materials and services. New technology and new management approach will be actively applied to improve the quality of construction.

4.2 Future Development

The report delivered at the 19th Party Congress has highlighted the importance of establishing ecological civilisation for the thousand-year sustainable development of the Chinese nation and comprehensively illustrated the strategic moves towards a beautiful China by stepping up structural reform on ecological civilisation and promoting green development. Together with the target of realising fundamental improvements to the ecological environment by 2035, such initiatives will create strategic opportunities for the environmental industry.

In addition, there has been an improvement in the quality of PPP models of the environmental industry Companies which possess renovation technology and are capable of providing comprehensive solutions will be in the best position to reap the benefits from the development.

In 2018, taking advantage of the favourable policy and market trends, the Group will accumulate purposely those useful and valuable resources in order to build up professional asset management and operational management platforms for the water service and environmental industries. It is committed to pursue quality and rapid growth in a progressive manner with its unique competitive edge brought by strategic synergy effect, so as to enjoy the fruitful results of the promising development of the industry with its shareholders as well as building up a green future.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed 15,356 employees. Total staff cost for the year ended 31 December 2017 was HK\$2,175,852,000 (2016: HK\$1,671,041,000). 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. 55,950,000 share options were exercised, no share option was lapsed or cancelled during the year ended 31 December 2017. As at 31 December 2017, the Company had 267,516,000 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 3.06% of the Company's ordinary shares in issue as at 31 December 2017.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the year ended 31 December 2017, 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 2017 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 certain land use rights and 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 2017, 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 2017, a corporate guarantee at a maximum amount of HK\$89,382,000 (MYR49,162,000) (31 December 2016: HK\$85,743,000 (MYR49,162,000)) 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\$793,076,000 (31 December 2016: HK\$456,833,000) were outstanding and corporate guarantees of HK\$2,039,409,000 were given to banks in connection with facilities granted to certain associates, joint ventures and independent third parties as at 31 December 2017.

Save as disclosed above, at 31 December 2017, the Group did not have any significant contingent liabilities.

CORPORATE GOVERNANCE

During the year ended 31 December 2017, 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, with deviation mentioned below.

Following the resignation of Ms. Hang Shijun as an independent non-executive director of the Company (“Ms. Hang”) on 30 March 2017, the number of independent non-executive directors of the Company had fallen below one-third of the Board as required under Rule 3.10A of the Listing Rules. The Company had complied with Rule 3.10A and Rule 3.11 of the Listing Rules within three months from the effective date of Ms. Hang’s resignation upon the effective of appointment of Dr. Lee Man Chun Raymond as an independent non-executive director of the Company on 30 June 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 2017, 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 2017 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 2017 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

Redemption of RMB200,000,000 5.00% Bonds Due 2018

For the year ended 31 December 2017, the Company redeemed and cancelled one year prior to the maturity date of the outstanding principal amount of RMB200,000,000 5.00% bonds due 2018 (“2018 Bonds”) guaranteed by a wholly-owned subsidiary of the Company and issued by a 60% owned subsidiary of the Company at the average redemption price equal to 100% of the outstanding principal amount of the 2018 Bonds, in which RMB200,000,000 plus accrued interest was paid.

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 2017.

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 2017 annual report and the notice of annual general meeting will be dispatched to shareholders of the Company in April 2018 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, 28 March 2018

As at the date of this announcement, the board of directors of the Company 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, Mr. Wang Kaijun and Dr. Lee Man Chun Raymond.