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北控水務集團有限公司

BEIJING ENTERPRISES WATER GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 371)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

HIGHLIGHTS

- The Group reported revenue of HK\$8,925.9 million, representing an increase of 39% as compared with that of HK\$6,406.5 million in last year.
- The Group delivered strong results in year 2014. Profit attributable to shareholders of the Company was HK\$1,794.4 million, representing an increase of 65% as compared with that of HK\$1,084.3 million in last year.
- Equity-settled share option expense amounted to HK\$115.7 million (2013: HK\$105.8 million). Profit attributable to shareholders of the Company before the equity-settled share option expense was HK\$1,910.1 million, representing an increase of 60% as compared with that of last year of HK\$1,190.1 million.
- EBITDA amounted to HK\$3,960.4 million, representing an increase of 65% as compared with that of last year of HK\$2,407.5 million.
- Basic and diluted earnings per share for the year were HK20.76 cents and HK20.30 cents respectively.
- Final cash distribution of HK4.8 cents per share is proposed for the year ended 31 December 2014. Full-year distributions are HK7.8 cents with payout ratio of 38%.
- Total daily design capacity for new projects secured for this year was 4,651,900 tons. During the year, the Group disposed of 11 sewage treatment projects and 1 water supply project in Shandong and Guizhou with aggregate daily design capacity of 700,000 tons. The Group also signed a Public-Private Partnership (“PPP”) contract for Luoyang City Sewage Treatment Projects with daily design capacity of 900,000 tons to replace the previous non-operating entrustment operation contract with daily design capacity of 510,000 tons in year 2011. As such, the net increase in total daily design capacity for this year was 3,441,900 tons. As at 31 December 2014, total daily design capacity was 20,150,050 tons, representing an increase of 21% as compared with the capacity of 16,708,150 tons as at 31 December 2013.

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 2014 and the consolidated statement of financial position of the Group as at 31 December 2014, with comparative figures for the year ended 31 December 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	<i>Notes</i>	2014 HK\$'000	2013 <i>HK\$'000</i>
REVENUE	3	8,925,942	6,406,455
Cost of sales		(5,430,014)	(3,900,867)
Gross profit		3,495,928	2,505,588
Interest income		445,516	434,427
Other income and gains, net		608,156	199,727
Administrative expenses		(1,065,812)	(774,576)
Other operating expenses, net		(10,648)	(187,525)
PROFIT FROM OPERATING ACTIVITIES	4	3,473,140	2,177,641
Finance costs	5	(1,084,225)	(788,111)
Share of profits and losses of:			
Joint ventures		256,230	84,515
Associates		22,032	23,115
PROFIT BEFORE TAX		2,667,177	1,497,160
Income tax	6	(593,855)	(351,762)
PROFIT FOR THE YEAR		<u>2,073,322</u>	<u>1,145,398</u>
ATTRIBUTABLE TO:			
Shareholders of the Company		1,794,413	1,084,257
Non-controlling interests		278,909	61,141
		<u>2,073,322</u>	<u>1,145,398</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8		
– Basic		<u>HK20.76 cents</u>	<u>HK13.98 cents</u>
– Diluted		<u>HK20.30 cents</u>	<u>HK13.98 cents</u>

Details of the cash distributions declared and proposed out of contributed surplus account for the year are disclosed in note 7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
PROFIT FOR THE YEAR	2,073,322	1,145,398
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
– Exchange differences on translation of foreign operations	<u>(180,298)</u>	<u>315,486</u>
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>		
– Share of other comprehensive income/(loss) of a joint venture	(25,668)	11,636
– Fair value gain on revaluation of a portion of a building upon transfer to investment property, net of deferred tax of nil (2013 : HK\$4,996,000)	<u>–</u>	<u>14,989</u>
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	<u>(25,668)</u>	<u>26,625</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX	<u>(205,966)</u>	<u>342,111</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>1,867,356</u></u>	<u><u>1,487,509</u></u>
ATTRIBUTABLE TO:		
Shareholders of the Company	1,588,495	1,351,534
Non-controlling interests	<u>278,861</u>	<u>135,975</u>
	<u><u>1,867,356</u></u>	<u><u>1,487,509</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
ASSETS			
Non-current assets:			
Property, plant and equipment		1,242,995	378,641
Investment property		55,821	52,152
Goodwill		2,524,701	2,512,862
Operating concessions		2,285,523	2,522,985
Other intangible assets		28,432	25,787
Investments in joint ventures		3,106,768	2,898,072
Investments in associates		2,292	126,700
Available-for-sale investments		126,363	3,039
Amounts due from contract customers		6,817,293	5,360,692
Receivables under service concession arrangements	<i>9</i>	15,639,617	11,779,143
Trade and bills receivables	<i>10</i>	798,829	53,090
Prepayments, deposits and other receivables	<i>11</i>	3,854,676	3,173,449
Deferred tax assets		79,469	87,818
		<hr/>	<hr/>
Total non-current assets		36,562,779	28,974,430
Current assets:			
Land held for sale		79,747	1,091,317
Inventories		57,775	55,355
Amounts due from contract customers		40,317	26,970
Receivables under service concession arrangements	<i>9</i>	1,600,565	1,106,884
Trade and bills receivables	<i>10</i>	2,595,017	2,037,987
Prepayments, deposits and other receivables	<i>11</i>	4,309,629	5,323,645
Restricted cash and pledged deposits		304,126	57,047
Cash and cash equivalents		6,090,883	5,513,035
		<hr/>	<hr/>
Total current assets		15,078,059	15,212,240
		<hr/>	<hr/>
TOTAL ASSETS		51,640,838	44,186,670

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

31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital		870,743	843,598
Reserves		14,913,705	12,454,033
		15,784,448	13,297,631
Non-controlling interests		3,304,290	2,626,811
TOTAL EQUITY		19,088,738	15,924,442
Non-current liabilities:			
Other payables and accruals	<i>12</i>	340,404	475,919
Bank and other borrowings		12,529,842	8,294,065
Corporate bonds		4,492,307	4,486,411
Notes payable		2,523,639	2,522,527
Finance lease payable		–	5,862
Provision for major overhauls		247,018	197,760
Deferred income		70,486	66,684
Deferred tax liabilities		929,578	562,172
Total non-current liabilities		21,133,274	16,611,400
Current liabilities:			
Trade and bills payables	<i>13</i>	3,563,928	2,755,396
Other payables and accruals	<i>12</i>	3,470,715	4,565,940
Income tax payables		439,527	342,038
Bank and other borrowings		3,944,656	2,147,521
Corporate bonds		–	1,832,540
Finance lease payable		–	7,393
Total current liabilities		11,418,826	11,650,828
TOTAL LIABILITIES		32,552,100	28,262,228
TOTAL EQUITY AND LIABILITIES		51,640,838	44,186,670

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”) and accounting principles generally accepted in Hong Kong. The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention except for investment property which has 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 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Adjustments are made to bring in line any dissimilar accounting policies that may exist.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in HKFRS 10 *Consolidated Financial Statements*. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

1.2. Changes in accounting policies and disclosures

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	<i>Investment Entities</i>
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>
Amendment to HKFRS 2 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Definition of Vesting Condition¹</i>
Amendment to HKFRS 3 included in <i>Annual Improvements 2010- 2012 Cycle</i>	<i>Accounting for Contingent Consideration in a Business Combination¹</i>
Amendment to HKFRS 13 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Short-term Receivables and Payables</i>
Amendment to HKFRS 1 included in <i>Annual Improvements 2011-2013 Cycle</i>	<i>Meaning of Effective HKFRSs</i>

¹ Effective from 1 July 2014

The adoption of the above revised standards and new interpretation 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 not yet effective.

2. Operating segment information

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

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

Year ended 31 December 2014

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

Year ended 31 December 2013

	Sewage and reclaimed water treatment and construction services <i>HK\$'000</i>	Water distribution services <i>HK\$'000</i>	Technical and consultancy services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	5,905,149	383,690	117,616	6,406,455
Cost of sales	(3,705,198)	(178,376)	(17,293)	(3,900,867)
Gross profit	<u>2,199,951</u>	<u>205,314</u>	<u>100,323</u>	<u>2,505,588</u>
Segment results:				
The Group	2,107,342	171,944	91,029	2,370,315
Share of profits and losses of:				
Joint ventures	10,084	74,431	–	84,515
Associates	23,115	–	–	23,115
	<u>2,140,541</u>	<u>246,375</u>	<u>91,029</u>	2,477,945
Corporate and other unallocated income and expenses, net				(192,674)
Finance costs				<u>(788,111)</u>
Profit before tax				1,497,160
Income tax				<u>(351,762)</u>
Profit for the year				<u>1,145,398</u>
Profit/(loss) for the year attributable to shareholders of the Company:				
Operating segments	<u>1,736,805</u>	<u>232,164</u>	<u>78,936</u>	2,047,905
Corporate and other unallocated items				<u>(963,648)</u>
				<u>1,084,257</u>

Geographical information

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers:		
Mainland China	7,676,405	5,405,040
Malaysia	709,815	668,571
Elsewhere	539,722	332,844
	<u>8,925,942</u>	<u>6,406,455</u>

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

Information about major customers

During the year ended 31 December 2013, the Group had transactions with two external customers of the sewage and reclaimed water treatment and construction services segment which contributed over 10% of the Group's total revenue for the year. During the year ended 31 December 2014, there was no single external customer which contributed over 10% of the Group's total revenue for the year. A summary of revenue from the major external customer is set out below:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer 1	N/A*	1,200,579
Customer 2	N/A*	666,239
	<u>N/A</u>	<u>1,866,818</u>

* *The corresponding revenue of these customers is not disclosed as they did not contribute over 10% of the Group's total gross revenue for the current year.*

3. Revenue

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

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Sewage and reclaimed water treatment services*	3,249,895	2,140,852
Construction services	4,582,660	3,764,297
Water distribution services*	812,641	383,690
Technical and consultancy services	280,746	117,616
	<u>8,925,942</u>	<u>6,406,455</u>

* *Imputed interest income under service concession arrangements amounting to HK\$1,185,868,000 (2013: HK\$700,941,000) is included in the revenue derived from "Sewage and reclaimed water treatment services" and "Water distribution services" above.*

4. Profit from operating activities

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Cost of sewage and reclaimed water treatment services rendered	1,199,906	609,249
Cost of construction services	3,661,892	3,012,239
Cost of water distribution services	346,019	175,042
Cost of technical and consultancy services rendered	84,659	17,293
Depreciation	68,297	33,983
Amortisation of operating concessions*	137,538	87,044
Amortisation of other intangible assets*	3,124	1,226
	<u>3,124</u>	<u>1,226</u>

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

5. Finance costs

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest on bank loans and other loans wholly repayable within five years	686,016	452,398
Interest on other loans	8,827	8,204
Interest on corporate bonds	253,596	226,820
Interest on notes payable	156,808	101,134
Interest on a finance lease	743	1,077
	<hr/>	<hr/>
Total interest expense	1,105,990	789,633
Increase in discounted amounts of provision for major overhauls arising from the passage of time	7,380	7,698
	<hr/>	<hr/>
Total finance costs	1,113,370	797,331
<i>Less:</i> Interest included in cost of construction services	(29,145)	(9,220)
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	1,084,225	788,111
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6. Income tax

No provision for Hong Kong profits tax, Singapore corporate income tax and Indonesia corporate tax has been made for the year ended 31 December 2014 as the Group did not generate any assessable profits arising in Hong Kong, Singapore and Indonesia during the year (2013: Nil).

The income tax provisions in respect of operations in Mainland China, Portugal and Malaysia are calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of Mainland China, a number of the Company's subsidiaries enjoy income tax exemptions and reductions, by reasons that (1) these companies are engaged in the operations of sewage and reclaimed water treatment; and/or (2) they have operations in the Western region of Mainland China that are qualified for a 15% concessionary corporate income tax rate for a prescribed period of time pursuant to the "Circular of the State Council on Policies and Measures Concerning the Large-scale Development of China's Western Regions" (Guo Fa [2000] No. 33) issued by the State Council of Mainland China.

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – PRC:		
Hong Kong	–	–
Mainland China	338,147	241,893
Current – Malaysia	15,406	10,445
Current – Portugal	4,464	3,021
Under/(Over)-provision in prior years	22,634	(13,178)
Deferred	213,204	109,581
	<hr/>	<hr/>
Total tax expense for the year	593,855	351,762
	<hr/> <hr/>	<hr/> <hr/>

7. Cash distributions

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim – HK3.0 cents (2013: HK2.5 cents) per ordinary share	261,148	192,150
Proposed final – HK4.8 cents (2013: HK2.7 cents) per ordinary share	417,989	233,702
	<hr/>	<hr/>
	679,137	425,852
	<hr/> <hr/>	<hr/> <hr/>

The proposed final cash distribution out of contributed surplus account 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 2014 is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of 8,642,996,316 (2013: 7,755,621,562) ordinary shares in issue during the year.

The calculation of the diluted earnings per share amounts for the year ended 31 December 2014 is based on the profit for the year attributable to shareholders of the Company and the weighted average number of ordinary shares after adjustment for the effect of deemed exercise of all dilutive share options at the beginning of the year. No adjustment has been made to the basic earnings per share amount presented for year ended 31 December 2013 in respect of a dilution as the impact of the share options outstanding during that year had no diluting effect on the basic earnings per share amount presented.

The calculation of the diluted earnings per share amount for the year ended 31 December 2014 is based on the following data:

2014
HK\$'000

Earnings

Profit for the year attributable to shareholders of the Company, used in the basic earnings per share calculation	<u><u>1,794,413</u></u>
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2014

Number of ordinary shares

Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	8,642,996,316
Effect of dilution on weighted average number of ordinary shares – Share options which have dilutive effect	<u>194,529,832</u>

Weighted average number of ordinary shares, used in the diluted earnings per share calculation	<u><u>8,837,526,148</u></u>
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9. Receivables under service concession arrangements

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

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Billed:		
Within 3 months	615,957	517,938
4 to 6 months	211,904	143,144
7 to 12 months	169,100	115,892
Over 1 year	122,591	89,404
	1,119,552	866,378
Unbilled:		
Current portion	481,013	240,506
Non-current portion	15,639,617	11,779,143
	16,120,630	12,019,649
Total	17,240,182	12,886,027

10. Trade and bills receivables

The Group's trade and bills receivables arise from the provision of construction services for comprehensive renovation projects, water distribution services under Build-Own-Operate basis, technical and consultancy services and sewage treatment equipment trading. The Group's trading terms with its customers are mainly on credit and each customer has a maximum credit limit. The various group companies have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. The credit period granted to customers is generally one month to three months, except for customers of the construction services for comprehensive renovation projects, which would settle the amounts owed to the Group in a number of specified instalments covering periods ranging from 1 year to 25 years. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Apart from the trade and bills receivables of certain construction services for comprehensive renovation projects which bear interest at rates ranging from 8.10% to 12.98% (2013: 5.85% to 8.65%), trade and bills receivables are non-interest-bearing.

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Billed:		
Within 3 months	177,068	294,270
4 to 6 months	17,199	30,533
7 to 12 months	76,068	114,248
Over 1 year	1,780,032	1,545,995
Balance with extended credit period	<u>51,673</u>	<u>53,059</u>
	2,102,040	2,038,105
Unbilled*	<u>1,291,806</u>	<u>52,972</u>
	3,393,846	2,091,077
Portion classified as current assets	<u>(2,595,017)</u>	<u>(2,037,987)</u>
Non-current portion	<u><u>798,829</u></u>	<u><u>53,090</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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Prepayments	51,442	44,971
Deposits and other debtors	4,217,363	4,320,878
Advances to subcontractors and suppliers	1,928,508	2,772,812
Due from joint ventures	654,334	106,475
Due from associates	78	1,740
Due from related parties	<u>1,366,385</u>	<u>1,333,124</u>
	8,218,110	8,580,000
Impairment	<u>(53,805)</u>	<u>(82,906)</u>
	8,164,305	8,497,094
Portion classified as current assets	<u>(4,309,629)</u>	<u>(5,323,645)</u>
Non-current portion	<u><u>3,854,676</u></u>	<u><u>3,173,449</u></u>

12. Other payables and accruals

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Accruals	380,767	263,228
Other liabilities	889,521	1,062,681
Receipts in advance	556,787	734,426
Due to subcontractors	1,445,792	2,275,591
Due to joint ventures	125,485	226,087
Due to associates	–	1,488
Due to related parties	348,006	410,750
Other taxes payables	64,761	67,608
	<u>3,811,119</u>	<u>5,041,859</u>
Portion classified as current liabilities	<u>(3,470,715)</u>	<u>(4,565,940)</u>
	<u>340,404</u>	<u>475,919</u>
Non-current portion	<u>340,404</u>	<u>475,919</u>

13. Trade and bills payables

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 3 months	758,432	240,638
4 to 6 months	698,993	684,000
7 months to 1 year	243,421	243,758
1 to 2 years	554,964	566,122
2 to 3 years	459,658	72,052
Over 3 years	175,083	137,902
Balance with extended credit period	673,377	810,924
	<u>3,563,928</u>	<u>2,755,396</u>

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

14. Comparative amounts

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

15. Other financial information

The net current assets and total assets less current liabilities of the Group as at 31 December 2014 amounted to HK\$3,659,233,000 (2013: HK\$3,561,412,000) and HK\$40,222,012,000 (2013: HK\$32,535,842,000), respectively.

FINAL DISTRIBUTION

The Board proposed to pay final distribution of HK4.8 cents for the financial year ended 31 December 2014 (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, 21 May 2015, payable to shareholders of the Company whose names appear on the register of members of the Company on Friday, 29 May 2015.

CLOSURES OF REGISTER OF MEMBERS

For Annual General Meeting

The register of members will be closed from Tuesday, 19 May 2015 to Thursday, 21 May 2015 (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, 21 May 2015, 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, Hong Kong for registration not later than 4:00 p.m. on Monday, 18 May 2015.

For Entitlement to Proposed Final Distribution

The register of members will be closed from Thursday, 28 May 2015 to Friday, 29 May 2015 (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, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 27 May 2015. 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, 12 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group delivered strong results in year 2014. Profit for the year attributable to shareholders of the Company increased by 65% to HK\$1,794.4 million. Revenue increased by 39% to HK\$8,925.9 million as a result of increase in revenue contribution from water treatment services and construction services for BOT projects.

1. Financial highlights

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

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

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

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

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

The 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	2,030.2	32%	70%	981.8	47%
– Joint ventures				4.7	1%
				986.5	48%
Overseas					
– Subsidiaries	110.7	1%	16%	5.1	1%
	2,140.9	33%		991.6	49%
Water distribution services					
China					
– Subsidiaries	266.0	4%	66%	139.9	6%
– Joint ventures				74.4	4%
				214.3	10%
Overseas					
– Subsidiaries	117.7	2%	26%	17.9	1%
	383.7	6%		232.2	11%
Subtotal	2,524.6	39%		1,223.8	60%

	Revenue		GP ratio		Profit attributable to shareholders of the Company	
	HK\$'M	%		%	HK\$'M	%
2. Construction services for the water environmental renovation						
Construction services for comprehensive renovation projects						
– Project with completion rate under 10%	–	–	–	–	–	–
– Project with completion rate more than 10% [§]	2,881.9	45%	23%		499.3	24%
– Interest income	–	–	–		177.9	9%
	2,881.9	45%	23%		677.2	33%
Construction of BOT water projects	882.4	14%	11%		68.0	3%
Subtotal	<u>3,764.3</u>	<u>59%</u>			<u>745.2</u>	<u>36%</u>
3. Technical services for the water environmental renovation	<u>117.6</u>	<u>2%</u>	85%		<u>78.9</u>	<u>4%</u>
Business results	<u><u>6,406.5</u></u>	<u><u>100%</u></u>			<u><u>2,047.9</u></u>	<u><u>100%</u></u>
Others[#]					<u>(963.6)</u>	
Total					<u><u>1,084.3</u></u>	

[#] Others included head office and other corporate expenses, net, of HK\$69.7 million, equity-settled share option expense of HK\$105.8 million and finance costs of HK\$788.1 million.

[§] Profit attributable to shareholders of the Company included share of profits of joint ventures of HK\$28.5 million.

The comparison of the Group's financial results for the year ended 31 December 2014 and 2013 is set out in details below:

	Revenue				Profit attributable to shareholders of the Company			
	2014 HK\$'M	2013 HK\$'M	Increase/(Decrease) HK\$'M	%	2014 HK\$'M	2013 HK\$'M	Increase/(Decrease) HK\$'M	%
1. Water treatment services								
Sewage and reclaimed water treatment services								
China								
– Subsidiaries	3,066.2	2,030.2	1,036.0	51%	1,390.1	981.8	408.3	42%
– Joint ventures and associates					15.1	4.7	10.4	221%
<i>GP ratio</i>	64%	70%	(6)%		1,405.2	986.5	418.7	42%
Overseas								
– Subsidiaries	183.7	110.7	73.0	66%	6.7	5.1	1.6	31%
<i>GP ratio</i>	13%	16%	(3)%					
	3,249.9	2,140.9	1,109.0	52%	1,411.9	991.6	420.3	42%
Water distribution services								
China								
– Subsidiaries	590.0	266.0	324.0	122%	246.7	139.9	106.8	76%
– Joint ventures					86.7	74.4	12.3	17%
<i>GP ratio</i>	59%	66%	(7)%		333.4	214.3	119.1	56%
Overseas								
– Subsidiaries	222.6	117.7	104.9	89%	38.4	17.9	20.5	115%
<i>GP ratio</i>	26%	26%	–					
	812.6	383.7	428.9	112%	371.8	232.2	139.6	60%
Subtotal	4,062.5	2,524.6	1,537.9	61%	1,783.7	1,223.8	559.9	46%
2. Construction services for the water environmental renovation								
Construction services for comprehensive renovation projects								
– Project with completion rate under 10%	–	–	–	–	–	–	–	–
– Project with completion rate more than 10%	2,124.9	2,881.9	(757.0)	(26)%	424.5	499.3	(74.8)	(15)%
– Interest income	–	–	–	–	158.0	177.9	(19.9)	(11)%
<i>GP ratio</i>	16%	23%	(7)%		582.5	677.2	(94.7)	(14)%
Construction of BOT water projects	2,457.8	882.4	1,575.4	179%	485.9	68.0	417.9	615%
<i>GP ratio</i>	24%	11%	13%					
Subtotal	4,582.7	3,764.3	818.4	22%	1,068.4	745.2	323.2	43%
3. Technical services for the water environmental renovation	280.7	117.6	163.1	139%	114.1	78.9	35.2	45%
<i>GP ratio</i>	70%	85%	(15)%					
Business results	8,925.9	6,406.5	2,519.4	39%	2,966.2	2,047.9	918.3	45%
Others					(1,171.8)	(963.6)	(208.2)	(22)%
Total					1,794.4	1,084.3	710.1	65%

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 18 provinces, 2 autonomous region and 3 municipalities all across Mainland China.

2.1 Water treatment services

As at 31 December 2014, the Group enters into service concession arrangements for a total of 326 water plants including 250 sewage treatment plants, 69 water distribution plants, 6 reclaimed water treatment plants and 1 seawater desalination plant. Total daily design capacity for new projects secured for this year was 4,651,900 tons including Build-Operate-Transfer (“BOT”) projects of 1,944,200 tons, Transfer-Operate-Transfer (“TOT”) projects of 283,500 tons, Design-Build-Own-Operate (“DBOO”) project of 228,000 tons, Public-Private Partnership Project (“PPP”) of 900,000 tons, entrustment operation projects of 510,200 tons, and 786,000 tons through mergers and acquisitions.

During the year, the Group disposed of 11 sewage treatment projects and 1 water supply project in Shandong and Guizhou with aggregate daily design capacity of 700,000 tons. The Group also signed a PPP contract for Luoyang City Sewage Treatment Projects with daily design capacity of 900,000 tons to replace the previous non-operating entrustment operation contract with daily design capacity of 510,000 tons in year 2011. As such, the net increase in total daily design capacity for this year was 3,441,900 tons.

As at 31 December 2014, total daily design capacity was 20,150,050 tons, representing an increase of 21% as compared with the capacity of 16,708,150 tons as at 31 December 2013.

Analysis of projects on hand is as follows:

	Sewage treatment	Reclaimed water treatment	Water distribution	Seawater desalination	Total
<i>(Tons)</i>					
China					
In operation	7,523,950	418,000	3,420,000	–	11,361,950
Not yet start operation/ Not yet transfer	<u>4,132,000</u>	<u>282,500</u>	<u>3,923,200</u>	<u>50,000</u>	<u>8,387,700</u>
Subtotal	<u>11,655,950</u>	<u>700,500</u>	<u>7,343,200</u>	<u>50,000</u>	<u>19,749,650</u>
Overseas					
In operation	55,200	–	36,000	–	91,200
Not yet start operation/ Not yet transfer	<u>–</u>	<u>228,000</u>	<u>81,200</u>	<u>–</u>	<u>309,200</u>
Subtotal	<u>55,200</u>	<u>228,000</u>	<u>117,200</u>	<u>–</u>	<u>400,400</u>
Total	<u>11,711,150</u>	<u>928,500</u>	<u>7,460,400</u>	<u>50,000</u>	<u>20,150,050</u>
<i>(Number of water plants)</i>					
China					
In operation	173	4	26	–	203
Not yet start operation/ Not yet transfer	<u>53</u>	<u>1</u>	<u>27</u>	<u>1</u>	<u>82</u>
Subtotal	<u>226</u>	<u>5</u>	<u>53</u>	<u>1</u>	<u>285</u>
Overseas					
In operation	24	–	13	–	37
Not yet start operation/ Not yet transfer	<u>–</u>	<u>1</u>	<u>3</u>	<u>–</u>	<u>4</u>
Subtotal	<u>24</u>	<u>1</u>	<u>16</u>	<u>–</u>	<u>41</u>
Total	<u>250</u>	<u>6</u>	<u>69</u>	<u>1</u>	<u>326</u>

	Number of plants	Design capacity (Tons/Day)	Actual processing volume during the period (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	3,013,700	967.3	1,003.0	545.4
– Western China	40	1,482,000	511.4	562.5	295.6
– Shandong	23	1,027,000	318.8	471.8	165.6
– Eastern China	46	1,623,250	336.9	574.2	204.9
– Northern China	22	796,000	234.6	454.7	193.7
	177	7,941,950	2,369.0	3,066.2	1,405.2
Overseas	24	55,200	21.2	183.7	6.7
Subtotal	201	7,997,150	2,390.2	3,249.9	1,411.9
Water distribution services:					
Mainland China	26	3,420,000	589.3	590.0	333.4
Overseas	13	36,000	12.2	222.6	38.4
Subtotal	39	3,456,000	601.5	812.6	371.8
Total	240	11,453,150	2,991.7	4,062.5	1,783.7

2.1.1 Sewage and reclaimed water treatment services

2.1.1a Mainland China

As at 31 December 2014, the Group had 173 sewage treatment plants and 4 reclaimed water plants in operation in Mainland China. Total daily design capacity in operation of sewage treatment plants and reclaimed water plants reached to 7,523,950 tons (31 December 2013: 6,259,750 tons) and 418,000 tons (31 December 2013: 418,000 tons) respectively. The average daily processing volume is 6,825,763 tons and average daily treatment rate is 81%. The actual average contracted tariff charge of water treatment was approximately HK\$1.27 per ton for water plants. The actual aggregate processing volume for the year was 2,369.0 million tons, of which 2,212.3 million tons was contributed

by subsidiaries recorded a revenue of HK\$3,066.2 million for the year, and 156.7 million tons was contributed by joint ventures. Net profit attributable to shareholders of the Company was HK\$1,405.2 million, of which HK\$1,390.1 million was contributed by subsidiaries and HK\$15.1 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, Shaanxi Province and Hainan Province. As at 31 December 2014, there were 46 sewage treatment plants with total daily design capacity of 3,013,700 tons, representing an increase of 258,700 tons per day or 9% as compared with last year. The actual aggregate processing volume for the year amounted to 967.3 million tons. The operating revenue and profit attributable to shareholders of the Company were HK\$1,003.0 million and HK\$545.4 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 2014, there were 40 sewage treatment plants with total daily design capacity of 1,482,000 tons, representing a decrease of 169,500 tons per day or 10% as compared with last year. Decrease in daily design capacity was mainly due to the disposal of sewage projects in Guizhou. The actual processing volume for the year was 511.4 million tons. The operating revenue of HK\$562.5 million was recorded during the year. Profit attributable to shareholders of the Company amounted to HK\$295.6 million.

Shandong

There were 23 plants in Shandong region. The total daily design capacity of Shandong region is 1,027,000 tons, representing an increase of 575,000 tons per day or 127% as compared with last year. The actual processing volume for the year was 318.8 million tons contributing operating revenue of HK\$471.8 million during the year. Profit attributable to shareholders of the Company was HK\$165.6 million.

Eastern China

There were 46 water plants in Eastern China which were mainly located in Zhejiang, Jiangsu and Anhui Province. As at 31 December 2014, the total daily design capacity of Eastern China had increased by 415,000 tons to 1,623,250 tons or 34% as compared with last year. The actual processing volume for the year amounted to 336.9 million tons and operating revenue was HK\$574.2 million during the year. Profit attributable to shareholders of the Company was HK\$204.9 million.

Northern China

Currently, the Group has 22 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 185,000 tons to 796,000 tons or 30% as compared with last year. The projects achieved actual processing volume of 234.6 million tons for the year. The operating revenue was HK\$454.7 million during the year. Profit attributable to shareholders of the Company was HK\$193.7 million.

2.1.1b Overseas:

As at 31 December 2014, the Group had 24 sewage treatment plants in Portugal. Total daily design sewage treatment capacity in operation was 55,200 tons. The actual processing volume for the year is 21.2 million tons. Total revenue for the year was HK\$183.7 million. Profit attributable to shareholders of the Company was HK\$6.7 million.

2.1.2 Water distribution services

2.1.2a Mainland China:

As at 31 December 2014, the Group had 26 water distribution plants in operation. Total daily design capacity in operation was 3,420,000 tons (31 December 2013: 2,750,000 tons). The plants were located in Guizhou Province, Fujian Province, Shandong Province, Henan Province and Guangxi Province. The actual average contracted tariff charge of water distribution is approximately HK\$2.29 per ton. The aggregate actual processing volume is 589.3 million tons, of which 292.7 million tons was contributed by subsidiaries, which recorded revenue of HK\$590.0 million and 296.6 million tons was contributed by joint ventures. Imputed interest income of HK\$103.1 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\$333.4 million, of which profit of HK\$246.7 million was contributed by subsidiaries and a profit of HK\$86.7 million in aggregate was contributed by joint ventures.

2.1.2b Overseas:

As at 31 December 2014, 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 12.2 million tons. Total revenue for the year was HK\$222.6 million. Profit attributable to shareholders of the Company was HK\$38.4 million.

2.2 Construction services for the water environmental renovation

2.2.1 Construction services for comprehensive renovation projects

The Group had ten comprehensive renovation projects under construction during the year. The projects mainly located in Beijing Liangshuihe, Henan Luoyang, Foshan Gaoming, Hunan Zhuhui, Yunan Kunming, Yunan Yuxi and Malaysia Pantai. Last year, the Group had nine comprehensive renovation projects under construction which located in Guangxi Guigang, Guangxi Beihai, Yunan Kunming, Beijing, Guizhou Nanminghe and Malaysia Pantai.

Revenue from comprehensive renovation projects decreased by HK\$757.0 million from last year of HK\$2,881.9 million to HK\$2,124.9 million this year. Revenue decreased as several projects were completed and the construction work of new projects had just begun.

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 period 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\$158.0 million for this year (2013: HK\$177.9 million).

Profit attributable to shareholders of the Company for the comprehensive renovation projects decreased by HK\$94.7 million from last year of HK\$677.2 million to HK\$582.5 million this year. Profit attributable to shareholders of the Company decreased as several project were completed and the construction work of new projects has just begun.

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, Sichuan, Shandong, Yunnan, Liaoning, Guangxi, Jiangsu, Shanxi, Heilongjiang and Hunan provinces. Total revenue for construction of BOT water projects was HK\$2,457.8 million (2013: HK\$882.4 million) and profit attributable to shareholders of the Company was HK\$485.9 million (2013: HK\$68.0 million). The increase in contribution from BOT projects during this year was mainly due to the construction work performed for projects located in Beijing, Yunnan, Shandong and Hunan.

2.3 Technical services 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 was HK\$280.7 million (2013: HK\$117.6 million), representing 3% of the Group's total revenue. Profit attributable to shareholders of the Company was HK\$114.1 million (2013: HK\$78.9 million).

The increase was mainly due to the contribution from 南京市市政設計研究院有限責任公司 (Nanjing Municipal Design and Research Institute Co., Ltd[^], “Nanjing Municipal Design and Research Institute”), which was acquired during this year.

[^] For identification purpose only

3. Financial analysis

3.1 Revenue

During the year, the Group recorded revenue of HK\$8,925.9 million (2013: HK\$6,406.5 million). The increase was mainly due to the increase in revenue from water treatment and construction services. Increase in revenue from water treatment services was mainly due to revenue contribution from projects acquired in the last two years. Those projects contributed total revenue of approximately HK\$1,000.0 million. Increase in revenue from construction services was mainly due to increase in construction work for BOT project.

3.2 Cost of sales

Cost of sales for the year amounted to HK\$5,430.0 million, compared to last year of HK\$3,900.9 million. The increase was mainly due to the increase in construction costs and operating costs of water plants amounted to HK\$649.7 million and HK\$812.1 million respectively. Cost of sales mainly included construction costs of HK\$3,661.9 million and operating costs of water plants of HK\$1,683.5 million. The construction costs mainly consisted of subcontracting charges. The increase in construction costs was mainly due to the increase in construction works for BOT projects. The operating costs of water plants, mainly included electricity charges of HK\$534.0 million, staff costs of HK\$313.6 million and major overhaul charges of HK\$60.5 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 maintained at 39%, which is same as last year.

Gross margin for sewage and reclaimed water treatment services:

Gross margin for sewage and reclaimed water treatment services in Mainland China was 64% (2013: 70%). The margin for last year was higher as there was a write-back of provision for major overhaul of HK\$170.7 million. Excluding this factor, the gross margin for last year would be 62%. Gross margin for sewage and reclaimed water treatment services in Overseas was 13% (2013: 16%).

Gross margin for water distribution services:

Gross margin for water distribution services in Mainland China was 59% (2013: 66%). Excluding the imputed interest income of the Plant No. 9, gross margin for water distribution services was 50% (2013: 43%). The increase of gross margin for water distribution services was mainly due to higher profit margin achieved by newly acquired projects. Gross margin for water distribution services in Overseas was 26% (2013: 26%).

Gross margin for construction services for the water environmental renovation:

Gross margin for construction services for comprehensive renovation projects decreased from last year of 23% to 16% this year. Gross margin decreased as the major comprehensive renovation projects for this year has a relatively lower gross margin of around 16%. Last year, the major comprehensive renovation project was Nanminghe projects which has a higher gross margin of 34%.

Gross margin for construction of BOT water projects increased from last year of 11% to 24% this year. Gross margin increased as there was a change in valuation parameters to reflect the fair value of construction services more accurately.

Gross margin for technical services for the water environmental renovation:

Gross margin for the technical services for the water environmental renovation was 70% (2013: 85%). Gross margin decreased as the design services of Nanjing Municipal Design and Research Institute, a newly acquired company, has a lower gross margin.

3.4 Other income and gains, net

The Group recorded other income and gains, net of HK\$608.2 million during the year, compared to last year of HK\$199.7 million. The amount for this year mainly included sludge treatment income of HK\$63.7 million, government grants of HK\$56.5 million, gain on bargain purchase of subsidiaries of HK\$75.7 million, gain on disposal of land held for sale of HK\$164.3 million, gain on disposal of subsidiaries of HK\$100.9 million and foreign exchange gains, net of HK\$95.2 million.

3.5 Administrative expenses

Administrative expenses for the year was HK\$1,065.8 million, compared to last year of HK\$774.6 million. The increase was mainly due to the increase in staff costs of HK\$179.7 million, depreciation expenses of HK\$23.6 million, and equity-settled share option expense of HK\$9.9 million. Staff costs and depreciation expenses increased as a result of the business expansion during this year. Excluded the equity-settled share option expense, the ratio of administrative expenses to total revenue slightly increased from 10.4% last year to 10.6% this year because cost synergy of newly acquired companies has not been reflected during this year.

3.6 Other operating expenses, net

Other operating expenses decreased from HK\$187.5 million last year to HK\$10.6 million this year. The decrease was mainly due to a reversal of impairment of other receivables and trade receivables in this year. Last year, the amount included foreign exchange losses, net of HK\$40.0 million. However, foreign exchange gains, net was recorded this year. Please refer to Note 3.4.

3.7 Finance costs

Finance costs mainly represented interests on bank and other borrowings of HK\$694.8 million (2013: HK\$460.6 million) and interests on corporate bonds and notes payable of HK\$410.4 million (2013: HK\$328.0 million). The increase in finance costs was mainly due to the issuance of additional notes payable of RMB800 million on 8 November 2013 and drawdown of bank loan from Asian Development Bank in a principal of US\$405 million during the year. In addition, the borrowings of newly acquired business bears a relatively higher interest rate. Also, there was an increase in market interest rate as compared with last year.

3.8 Income tax

Income tax expense for the year included the current PRC income tax of HK\$338.1 million. The effective tax rate for the PRC operation was about 19% which was lower than the PRC standard income tax rate of 25% as some of the subsidiaries enjoyed tax concession benefit. Deferred tax charge for the year was HK\$213.2 million.

3.9 Property, plant and equipment

Property, plant and equipment increased by HK\$864.4 million which was mainly due to the acquisition of Nanjing Municipal Design and Research Institute and three new Build-Own-Operate (“BOO”) projects in Guigang, Dashatian and Anping.

3.10 Investment property

Investment property represents a portion of a building located in Beijing which the Group held to earn rental income. The investment property is stated at fair value.

3.11 Land held for sale

Land held for sale as at 31 December 2013 represented certain land use rights held under medium and long term leases and located in Liaoning Province and Sichuan Province. The balance decreased as the land located in Liaoning Province was sold during this year. The balance of HK\$79.7 million as at 31 December 2014 represented the cost of land located in Sichuan Province.

3.12 Receivables

The Group's total receivables of HK\$27,491.6 million (2013: HK\$20,364.8 million) included:

By accounting nature:

	2014			2013		
	Non-current HK\$'M	Current HK\$'M	Total HK\$'M	Non-current HK\$'M	Current HK\$'M	Total HK\$'M
(i) Amounts due from contract customers	6,817.3	40.3	6,857.6	5,360.7	27.0	5,387.7
(ii) Receivables under service concession arrangements	15,639.6	1,600.6	17,240.2	11,779.1	1,106.9	12,886.0
(iii) Trade and bills receivables	798.8	2,595.0	3,393.8	53.1	2,038.0	2,091.1
Total	23,255.7	4,235.9	27,491.6	17,192.9	3,171.9	20,364.8

- (i) Amounts due from contract customers of HK\$6,857.6 million represent the balances of accumulated construction costs incurred to date plus recognised accumulated gross profits exceeding progress billings arising from BOT projects and comprehensive renovation projects during the phase of construction. Total balance increased by HK\$1,469.9 million (non-current portion increased by HK\$1,456.6 million and current portion increased by HK\$13.3 million), which was mainly due to the recognition of construction revenue for new projects in Luoyang, Foshan, Dao Xiang Lake and Liangshui River;
- (ii) Receivables under service concession arrangements of HK\$17,240.2 million represent the fair value of the specified amount that the grantor contractually guarantees to pay under service concession contracts arising from BOT and TOT projects in operation. The increase in balance by HK\$4,354.2 million (non-current portion increased by HK\$3,860.5 million and current portion increased by HK\$493.7 million) was mainly due to the acquisition of Standard Water Group* which accounted for an increase in receivable balance of around HK\$2,595.0 million; and
- (iii) Trade and bills receivables of HK\$3,393.8 million mainly arose from the provision of construction services for comprehensive renovation projects, technical and consultancy services and sewage treatment equipment trading. Increase in balance of HK\$1,302.7 million (non-current portion increased by HK\$745.7 million and current portion increased by HK\$557.0 million) was mainly due to the reclassification of receivables for Nanminghe project from amounts due from contract customers to trade and bills receivables.

By business nature:

	2014	2013
	HK\$'M	HK\$'M
Water treatment services by BOT and TOT projects	21,673.5	15,142.9
Construction services of comprehensive renovation projects	5,432.4	4,868.5
Technical and consultancy services and other businesses	385.7	353.4
Total	<u>27,491.6</u>	<u>20,364.8</u>

* *Standard Water Group owns 36 water projects in the PRC with total daily design capacity of 1,521,000 tons. For further details of the acquisition transactions, please refer to the "Significant Investments and Acquisitions" section.*

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\$21,673.5 million (2013: HK\$15,142.9 million). Total receivables for the construction service of comprehensive renovation projects were HK\$5,432.4 million (2013: HK\$4,868.5 million). Total receivables for technical and consultancy services and other businesses were HK\$385.7 million (2013: HK\$353.4 million).

3.13 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. Decrease in balance was mainly due to the disposal of Jilin project during the year.

3.14 Investments in joint ventures

Investments in joint ventures increased by HK\$208.7 million, mainly due to the share of profits in joint ventures during the year.

3.15 Prepayments, deposits and other receivables

Prepayments, deposits and other receivables decreased by HK\$332.8 million (non-current portion increased by HK\$681.2 million and current portion decreased by HK\$1,014.0 million), mainly due to the net effect of increase in amounts due from joint ventures by HK\$547.9 million and decrease in advances to subcontractors and suppliers by HK\$844.3 million. Decrease in advances to subcontractors and suppliers was mainly due to the settlement with the corresponding amounts due to subcontractors during the year. Increase in amounts due from joint ventures was mainly due to the disposal of partial equity interest in project companies. The related amounts due from subsidiaries were reclassified as amounts due from joint ventures this year.

3.16 Cash and cash equivalents

Cash and cash equivalents increased by HK\$577.8 million, mainly due to drawdown of bank loans during the year. Please refer to Note 3.18.

3.17 Other payables and accruals

Other payables and accruals decreased by HK\$1,230.7 million (non-current portion decreased by HK\$135.5 million and current portion decreased by HK\$1,095.2 million), mainly due to the decrease in amounts due to subcontractors by HK\$829.8 million as a result of settlement with the corresponding advances to subcontractors and suppliers during the year.

3.18 Bank and other borrowings

Bank and other borrowings increased by HK\$6,032.9 million (non-current portion increased by HK\$4,235.8 million and current portion increased by HK\$1,797.1 million). Increase was due to drawdown of a bank loan of US\$405 million from Asia Development Bank and refinance of corporate bonds with principal amount of RMB1,450 million by bank loans. Also, there was additional bank loans from the newly acquired companies.

3.19 Corporate bonds and notes payable

The decrease in corporate bonds was mainly due to the repayment of corporate bonds with principal amount of RMB1,450 million during the year.

3.20 Trade and bills payables

The increase in trade and bills payables by HK\$808.5 million was mainly due to increase in trade payables to subcontractors as a result of increase in subcontracting charges for new water environmental renovation projects and the acquisition of Salcon Group* and Standard Water Group during the year.

3.21 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 2014, the Group's cash and cash equivalents amounted to HK\$6,090.9 million (31 December 2013: HK\$5,513.0 million).

* *Salcon Group owns 9 water projects in the PRC with total daily design capacity of 1,245,000 tons. For further details of the acquisition transactions, please refer to the "Significant Investments and Acquisitions" section.*

The Group's total borrowings amounted to HK\$23,490.4 million (31 December 2013: HK\$19,296.4 million) comprised bank and other borrowings of HK\$16,474.5 million (31 December 2013: HK\$10,441.6 million), finance lease payable of Nil (31 December 2013: HK\$13.3 million), notes payable of HK\$2,523.6 million (31 December 2013: HK\$2,522.5 million) and corporate bonds of HK\$4,492.3 million (31 December 2013: HK\$6,319.0 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 2014, the Group had banking facilities amounting to HK\$12.70 billion, of which HK\$858.0 million have not been utilised. The banking facilities are of 1 to 10 years term.

The Group's total equity amounted to HK\$19,088.7 million (31 December 2013: HK\$15,924.4 million). The increase was mainly due to the issuance of shares during the year. During the year, the Company issued 252,857,872 shares to Standard Water Ltd. for the acquisitions of Crystal Water Company Limited and China Water Holdings Pte. Ltd. For further details, please refer to the "Significant Investments and Acquisitions" section.

The gearing ratio as defined as sum of bank and other borrowings, finance lease payable, notes payable and corporate bonds, net of cash and cash equivalents, divided by the total equity was 0.91 as at 31 December 2014 (31 December 2013: 0.87). The slight increase in the gearing ratio as at 31 December 2014 was mainly due to the increase in bank and other borrowings as detailed in section 3.18. The corresponding proceeds were mainly utilised for the acquisition of various water projects in the PRC and refinance of corporate bonds with principal amount of RMB1,450 million.

3.22 Capital expenditures

During the year, the Group's total capital expenditures were HK\$4,005.5 million (31 December 2013: HK\$4,087.9 million), of which HK\$640.0 million was paid for the acquisition of property, plant and equipment and intangible assets; HK\$2,019.0 million was spent on construction and acquisition of water plants and HK\$1,346.5 million represented the consideration for acquisition of equity interests in subsidiaries, joint ventures and an available for sale investment.

4. Future outlook

4.1 Development Strategy

In 2015, the Group will position itself strategically as a “leading professional integrated water environment service provider” and pursue professionalisation based on its development strategies. The Group will seize the opportunities presented by the rapid growth of the environmental protection industry leveraging on its strategic planning, reform and innovation, as well as its corporate culture. To implement its comprehensive strategy in the water environmental industry in a timely manner, the Group will boost the development of its two main businesses. The Group will explore new business models and seek new sources of growth in areas with advantageous resources. It will strive to improve its management and control, implement strategic management and control systems, and inject vitality into the Group. Capitalising on its capital and technological strengths, it will enhance its technological competitiveness. It will also explore new cooperation mechanism and achieve high-end growth and integration, thereby providing guidance to and creating synergies with its business partners. Core strategies in three aspects, namely culture, talents and branding, will be implemented.

Overall, the Group will maintain a rapid development of its core businesses under the current scale, and will put more efforts and resources to enhance its management and control. We will formulate plans and measures namely “new management reform”, “new framework for business development”, “identification of new value of target markets”, “new marketing strategies”, “enhanced professionalism”, “new initiatives for reinforcing the three major strategies” and “new forms of co-operation” for the purpose of moving forward the core business. We will accelerate the “establishment of a management system with self-evolution, closed-loop management and virtuous cycle”.

4.2 Future development

From a macro point of view, the central government in China attaches great importance to the nurturing of ecological culture, as well as the mutual benefits to both the water and environmental protection industries which are now being propelled forward by a stream of favourable factors brought by the New Normal. The nurturing of ecological culture is placed in a prominent position, in a bid to create a five-in-one overall layout of integrating economic construction, political construction, cultural construction, social construction, and ecological culture.

In the long run, large-scale pollution treatment works will lead to an increasing scale of, and strict pollution control and stringent enforcement in accordance with the law will create additional market demand for, the water and environmental protection industries. The procurement of environmental services by the government will stimulate the advancement and upgrade of the industry. The diversifying sources of finance available to environmental protection projects will provide further impetus to the industry.

All in all, the door to momentous growth in the Chinese environmental protection industry has been opened.

In summary, the opportunities would outweigh the challenges in the forthcoming year. We strongly believe that it will be a year of harvest and growth for the Group in 2015.

In 2015, the Group will implement strategic management and control systems, and inject vitality into the Group. Capitalising on its capital and technological strengths, it will enhance its technological competitiveness. It will also explore new cooperation mechanism and achieve high-end growth and integration, thereby providing guidance to and creating synergies with its business partners. Core strategies in three aspects, namely culture, talents and branding, will be implemented and the management of each of its businesses will be optimised constantly so as to enlarge and refine the Company's operations while delivering sustainable and healthy business growth.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group employed 5,467 employees. Total staff cost for the year ended 31 December 2014 was HK\$966,765,000 (2013: HK\$607,798,000). 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. 18,586,000 share options were exercised and 3,050,000 share options were lapsed during the year ended 31 December 2014. No share option was cancelled during the year ended 31 December 2014. As at 31 December 2014, the Company had 378,364,000 share options outstanding which were granted on 24 April 2013 and 2,000,000 share options outstanding which were granted on 28 March 2014. The total outstanding share options represented approximately 4.37% of the Company's ordinary shares in issue as at 31 December 2014.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

- (a) Pursuant to a sale and purchase agreement (the “Sale and Purchase Agreement”) entered into between the Company, Standard Water Ltd. (the “Vendor”), Crystal Water Company Limited (“Crystal Water”) and China Water Holdings Pte. Ltd. (“China Water Holdings”) (collectively the “Parties”) dated 6 September 2013, the Company agreed to acquire the entire equity interests in Crystal Water and China Water Holdings (jointly the “Standard Water Group”) from the Vendor at a consideration of RMB1,350,000,000 (equivalent to approximately HK\$1,697,760,000) in aggregate, subject to adjustments as stipulated in the Sale and Purchase Agreement.

On 27 January 2014, the Parties entered into a supplemental agreement (the “Supplemental Agreement”) to, among other things, (1) reduce the consideration to RMB1,250,485,000 (equivalent to approximately HK\$1,589,742,000); (2) revise the payment terms of the consideration; and (3) set out certain ancillary matters.

Pursuant to a settlement agreement dated 20 August 2014 entered into between the Parties, the Vendor agreed to pay to the Company (i) the final consideration payment amount of US\$3,300,000 (equivalent to approximately HK\$25,575,000); and (ii) other amount of HK\$159,373,000 (the “Other Amount”), as full and final discharge of the Vendor’s obligations under the Sale and Purchase Agreement and the Supplemental Agreement.

Further details of the acquisition transactions are set out in the Company’s announcements dated 6 September 2013, 27 January 2014, 20 August 2014 and 22 August 2014.

- (b) On 12 September 2013, the Company, Salcon Berhad and Salcon Water (Asia) Limited (jointly the “Salcon Vendors”) entered into a sale and purchase agreement (the “First Agreement”) pursuant to which the Company has conditionally agreed to acquire, and the Salcon Vendors have conditionally agreed to sell the entire shareholding interest of Salcon Fujian (HK) Limited, Salcon Zhejiang (HK) Limited, Salcon Linyi (HK) Limited and Salcon Shandong (HK) Limited (jointly the “Salcon Group”) at an initial consideration of RMB648,000,000 (equivalent to approximately HK\$814,924,800), subject to adjustments and upon and subject to the terms and conditions of the First Agreement. On the same day, the Company and Salcon Berhad also entered into a sale and purchase agreement (the “Second Agreement”) pursuant to which the Company has conditionally agreed to acquire, and Salcon Berhad has conditionally agreed to sell, the entire shareholding interest of Salcon Darco Environmental Pte. Ltd. and Salcon Jiangsu (HK) Limited (jointly the “Salcon Group”) at an initial consideration of RMB307,000,000 (equivalent to approximately HK\$386,083,200), subject to adjustments and upon and subject to the terms and conditions of the Second Agreement.

The transactions under the Second Agreement were completed in December 2013 and consideration was agreed at RMB321,069,000 (equivalent to approximately HK\$406,417,000). As at the date of this announcement, certain part of the transactions under the First Agreement have not been completed.

Further details of the acquisition transactions are set out in the Company's announcement dated 12 September 2013.

Save as disclosed above, the Group had no significant investments and acquisitions of subsidiaries and affiliated companies during the year ended 31 December 2014.

CHARGES ON THE GROUP'S ASSETS

The secured bank and other borrowings, the corporate bonds, the notes payable and a finance lease payable of the Group as at 31 December 2014 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 buildings given by a subsidiary of the Group;
- (iii) guarantees given by the Company and/or its subsidiaries;
- (iv) pledges over certain of the Group's equity interests in subsidiaries; and/or
- (v) pledges over certain of the Group's bank balances.

Save as disclosed above, at 31 December 2014, 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 the transactions denominated and settled in RMB. Currently, the Group has not used derivative financial instruments to hedge its foreign currency risk.

CONTINGENT LIABILITIES

At 31 December 2014, a corporate guarantee at a maximum amount of RM49,162,000 (equivalent to HK\$108,972,000) (2013: RM49,162,000 (equivalent to HK\$116,219,000)) was given by a subsidiary of the Group to the government of Malaysia in respect of the specific performance of the duties by the Group under an arrangement on the design, construction and operation of an underground sewage water plant located in Malaysia (the “Malaysia Project”). The corporate guarantee remains in force and effects until 27 January 2019. Further details of the Malaysia Project are set out in the Company’s announcements dated 4 July 2011 and 3 November 2011.

Save as disclosed above, at 31 December 2014, the Group did not have any significant contingent liabilities.

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

Redemption of CNY1,000,000,000 3.75% Bonds Due 2014

For the year ended 31 December 2014, the Company redeemed all the outstanding principal amount of CNY1,000,000,000 3.75% bonds due 2014 (“2014 Bonds”) on the maturity date of the 2014 Bonds at the redemption price equal to 100% of the outstanding principal amount of the 2014 Bonds, which was CNY1,000 million plus accrued interest.

Redemption of CNY450,000,000 3.75% Bonds Due 2014 (consolidated and formed a single series with the CNY1,000,000,000 3.75% bonds due 2014 issued on 30 June 2011)

For the year ended 31 December 2014, the Company redeemed all the outstanding principal amount of CNY450,000,000 3.75% bonds due 2014 (“Further 2014 Bonds”) on the maturity date of the Further 2014 Bonds at the redemption price equal to 100% of the outstanding principal amount of the Further 2014 Bonds, which was CNY450 million plus accrued interest.

Subsequently to the redemption of the respective 2014 Bonds and Further 2014 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 2014.

CORPORATE GOVERNANCE

During the year ended 31 December 2014, 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.

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 the directors. Having made specific enquiry of all directors of the Company, the Company confirms that during the year ended 31 December 2014, all the directors of the Company 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 Audit 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 2014 have been reviewed 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 set out in the preliminary announcement of the Group’s results for the year ended 31 December 2014 in respect of the Group’s consolidated statement of profit or loss and consolidated statement of financial position have been agreed by the Company’s auditors, to the amounts set out in the Group’s drafted consolidated financial statements for the year. The work performed by the Company’s auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company’s auditors on the preliminary announcement.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website (www.bewg.com.hk) and the website of the Stock Exchange (www.hkexnews.hk). The 2014 annual report and the notice of annual general meeting will be dispatched to shareholders in April 2015 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 2015

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