



**北京控股有限公司**

**BEIJING ENTERPRISES HOLDINGS LIMITED**

*(Incorporated in Hong Kong with limited liability under the Companies Ordinance)*

*(website: [www.behl.com.hk](http://www.behl.com.hk))*

**(Stock Code: 392)**

## **ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007**

### **HIGHLIGHTS**

- Revenue from continuing operations for the year amounted to approximately HK\$11.3 billion, representing an increase of 56% over last year.
- Profit attributable to shareholders of the Company amounted to approximately HK\$1.438 billion, representing an increase of 3.25 times over last year.
- Basic earnings per share amounted to HK\$1.67.
- A final dividend of HK30 cents per share is proposed for 2007.
- A final special dividend of HK10 cents per share is proposed for 2007.

### **RESULTS**

The Board of Directors of Beijing Enterprises Holdings Limited (the “Company”) is pleased to present the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2007, together with comparative figures for the previous year as follows:

## CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

		2007	2006
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>CONTINUING OPERATIONS:</b>			
REVENUE	2	11,299,856	7,246,920
Cost of sales		<u>(8,156,745)</u>	<u>(4,815,447)</u>
Gross profit		3,143,111	2,431,473
Gains on deemed disposal of interests in subsidiaries		–	146,957
Other income and gains, net		532,645	294,430
Selling and distribution costs		(888,992)	(834,775)
Administrative expenses		(891,415)	(858,241)
Dilution losses on share reforms of subsidiaries		–	(485,827)
Other operating expenses, net		<u>(86,166)</u>	<u>(231,440)</u>
PROFIT FROM OPERATING ACTIVITIES	3	1,809,183	462,577
Finance costs	4	(234,562)	(103,711)
Share of profits and losses of:			
Jointly-controlled entities		178,243	688
Associates		<u>261,009</u>	<u>64,644</u>
PROFIT BEFORE TAX		2,013,873	424,198
TAX	5	<u>(290,970)</u>	<u>(169,823)</u>
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		1,722,903	254,375
<b>DISCONTINUED OPERATIONS:</b>			
Profit for the year from discontinued operations	3	<u>80,827</u>	<u>353,875</u>
PROFIT FOR THE YEAR		<u><u>1,803,730</u></u>	<u><u>608,250</u></u>

	<i>Notes</i>	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>ATTRIBUTABLE TO:</b>			
Shareholders of the Company:			
Continuing operations		<b>1,357,553</b>	100,216
Discontinued operations		<b>80,827</b>	238,452
		<b>1,438,380</b>	338,668
Minority interests		<b>365,350</b>	269,582
		<b>1,803,730</b>	608,250
<b>DIVIDENDS:</b>			
	6		
Interim		<b>227,706</b>	62,250
Proposed final		<b>455,576</b>	124,500
		<b>683,282</b>	186,750
<b>EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>			
	7		
Basic:			
– For profit for the year		<b>HK\$1.67</b>	HK\$0.54
– For profit from continuing operations		<b>HK\$1.58</b>	HK\$0.16
Diluted:			
– For profit for the year		<b>HK\$1.67</b>	HK\$0.54
– For profit from continuing operations		<b>HK\$1.57</b>	HK\$0.16

# CONSOLIDATED BALANCE SHEET

31 December 2007

	<i>Notes</i>	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>ASSETS</b>			
Non-current assets:			
Property, plant and equipment		<b>17,060,957</b>	7,681,882
Investment properties		<b>334,262</b>	272,904
Prepaid land premiums		<b>837,507</b>	302,757
Goodwill		<b>7,044,321</b>	44,177
Other intangible assets		<b>1,445,241</b>	1,450,584
Interests in jointly-controlled entities		<b>3,302,725</b>	1,921
Interests in associates		<b>881,268</b>	519,854
Prepayments, deposits and other receivables		<b>22,094</b>	130,008
Restricted cash and pledged deposits		–	2,200
Available-for-sale investments		<b>290,424</b>	352,914
Deferred tax assets		<b>161,227</b>	663
		<hr/>	<hr/>
Total non-current assets		<b>31,380,026</b>	10,759,864
Current assets:			
Prepaid land premiums		<b>18,832</b>	8,086
Inventories		<b>2,342,259</b>	1,648,707
Amounts due from customers for contract work		<b>178</b>	–
Trade and bills receivables	8	<b>1,120,439</b>	458,313
Prepayments, deposits and other receivables		<b>1,538,517</b>	1,644,518
Financial assets at fair value through profit or loss		<b>39,250</b>	9,706
Taxes recoverable		<b>35,196</b>	27,258
Restricted cash and pledged deposits		<b>131,800</b>	59,305
Cash and cash equivalents		<b>8,072,484</b>	2,708,395
		<hr/>	<hr/>
Total current assets		<b>13,298,955</b>	6,564,288
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>44,678,981</b>	17,324,152

	<i>Notes</i>	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to shareholders of the Company:			
Issued capital		<b>113,894</b>	62,250
Reserves		<b>26,178,009</b>	8,683,955
Proposed final dividend	6	<b>455,576</b>	124,500
		<hr/>	<hr/>
		<b>26,747,479</b>	8,870,705
Minority interests		<b>4,689,457</b>	4,189,100
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b><u>31,436,936</u></b>	<b><u>13,059,805</u></b>
Non-current liabilities:			
Bank and other borrowings		<b>3,282,325</b>	566,998
Convertible bonds		–	464
Defined benefit plans		<b>223,772</b>	–
Other long term liabilities		<b>136,690</b>	21,570
Deferred tax liabilities		<b>49,354</b>	20,512
		<hr/>	<hr/>
Total non-current liabilities		<b><u>3,692,141</u></b>	609,544
Current liabilities:			
Trade and bills payables	9	<b>1,737,563</b>	733,615
Amounts due to customers for contract work		<b>20,468</b>	–
Other payables and accruals		<b>4,292,488</b>	1,036,140
Taxes payable		<b>858,110</b>	551,098
Bank and other borrowings		<b>2,641,275</b>	1,333,950
		<hr/>	<hr/>
Total current liabilities		<b><u>9,549,904</u></b>	3,654,803
		<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>		<b><u>13,242,045</u></b>	<b><u>4,264,347</u></b>
		<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>44,678,981</u></b>	<b><u>17,324,152</u></b>

*Notes:*

## **1.1 Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial assets which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2007. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company’s subsidiaries. For the acquisition of minority interests, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill or in the income statement as an excess over cost of acquisition, where appropriate.

## 1.2 Impact of New and Revised Hong Kong Financial Reporting Standards

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKFRS 7	<i>Financial Instruments: Disclosures</i>
HKAS 1 Amendment	<i>Capital Disclosures</i>
HK(IFRIC) – Int 8	<i>Scope of HKFRS 2</i>
HK(IFRIC) – Int 9	<i>Reassessment of Embedded Derivatives</i>
HK(IFRIC) – Int 10	<i>Interim Financial Reporting and Impairment</i>

## 1.3 Impact of issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	<i>Share-based Payment-Vesting Conditions and Cancellations<sup>1</sup></i>
HKFRS 3 (Revised)	<i>Business Combinations<sup>2</sup></i>
HKFRS 8	<i>Operating Segments<sup>1</sup></i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements<sup>1</sup></i>
HKAS 23 (Revised)	<i>Borrowing Costs<sup>1</sup></i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements<sup>2</sup></i>
HK(IFRIC) – Int 11	<i>HKFRS 2 – Group and Treasury Share Transactions<sup>2</sup></i>
HK(IFRIC) – Int 12	<i>Service Concession Arrangements<sup>3</sup></i>
HK(IFRIC) – Int 13	<i>Customer Loyalty Programmes<sup>4</sup></i>
HK(IFRIC) – Int 14	<i>HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction<sup>3</sup></i>

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2009*

<sup>2</sup> *Effective for annual periods beginning on or after 1 July 2009*

<sup>3</sup> *Effective for annual periods beginning on or after 1 March 2007*

<sup>4</sup> *Effective for annual periods beginning on or after 1 January 2008*

<sup>5</sup> *Effective for annual periods beginning on or after 1 July 2008*

## 2. Revenue and segment information

Revenue, which is also the Group's turnover, represents (1) the aggregate of the invoiced value of goods sold, net of value-added tax, consumption tax and government surcharges, and after allowances for returns and trade discounts; (2) the aggregate of revenue from toll revenue and the value of services rendered, net of business and consumption taxes and government surcharges; (3) an appropriate proportion of contract revenue of construction contracts, net of value-added tax, business tax and government surcharges; and (4) rental income.

### (a) Business segments

The following tables present revenue and profit for the Group's business segments for the years ended 31 December 2007 and 2006:

#### Year ended 31 December 2007

	Continuing operations					Discontinued operations					
	Piped gas operation	Brewery operation	Expressway and toll road operations	Water treatment operation	Corporate and others	Total	Retail operation	Others	Total	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:											
Sales to external customers	3,253,919	6,738,239	608,584	551,380	147,734	11,299,856	-	-	-	-	11,299,856
Intersegment sales	-	-	-	-	-	-	-	-	-	-	-
Other income and gains, net	27,021	94,496	2,188	2,838	104,655	231,198	-	-	-	-	231,198
<b>Total</b>	<b>3,280,940</b>	<b>6,832,735</b>	<b>610,772</b>	<b>554,218</b>	<b>252,389</b>	<b>11,531,054</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,531,054</b>
Segment results	<b>263,564</b>	<b>684,336</b>	<b>413,859</b>	<b>178,296</b>	<b>(32,319)</b>	<b>1,507,736</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,507,736</b>
Unallocated income and gains, net						301,447			80,827		382,274
Profit from operating activities						1,809,183			80,827		1,890,010
Finance costs						(234,562)			-		(234,562)
Share of profits and losses of:											
Jointly-controlled entities	178,243	-	-	-	-	178,243			-		178,243
Associates	-	(280)	-	-	261,289	261,009			-		261,009
Profit before tax						2,013,873			80,827		2,094,700
Tax						(290,970)			-		(290,970)
<b>Profit for the year</b>						<b>1,722,903</b>			<b>80,827</b>		<b>1,803,730</b>



## Year ended 31 December 2006

	Continuing operations					Discontinued operations					Eliminations	Consolidated
	Piped gas operation	Brewery operation	Expressway and toll road operations	Water treatment operation	Corporate and others	Total	Retail operation	Others	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	-	5,476,877	530,542	518,696	720,805	7,246,920	6,049,966	273,105	6,323,071	-	-	13,569,991
Intersegment sales	-	-	-	-	-	-	-	-	-	-	-	-
Other income and gains, net	-	114,128	2,457	2,108	45,321	164,014	261,713	6,151	267,864	-	-	431,878
<b>Total</b>	<b>-</b>	<b>5,591,005</b>	<b>532,999</b>	<b>520,804</b>	<b>766,126</b>	<b>7,410,934</b>	<b>6,311,679</b>	<b>279,256</b>	<b>6,590,935</b>	<b>-</b>	<b>-</b>	<b>14,001,869</b>
Segment results	-	444,365	282,534	169,468	(194,355)	702,012	455,016	(83,981)	371,035	-	-	1,073,047
Unallocated income and gains, net						277,373			348,658			626,031
Unallocated expenses						(516,808)			-			(516,808)
Profit from operating activities						462,577			719,693			1,182,270
Finance costs						(103,711)			(11,182)			(114,893)
Share of profits and losses of:												
Jointly-controlled entities	-	-	-	-	688	688	(5,647)	-	(5,647)			(4,959)
Associates	-	(3,966)	-	-	68,610	64,644	129	(1,142)	(1,013)			63,631
Profit before tax						424,198			701,851			1,126,049
Tax						(169,823)			(347,976)			(517,799)
<b>Profit for the year</b>						<b>254,375</b>			<b>353,875</b>			<b>608,250</b>



#### 4. Finance costs

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	<b>186,856</b>	104,028
Interest on convertible bonds	<b>3</b>	1,270
Interest on other loans	<b>6,432</b>	3,594
Imputed interest for an interest-free amount due to holding company	<b>34,708</b>	–
Imputed interest for an interest-free other loan from a minority shareholder	<b>6,563</b>	6,001
	<hr/>	<hr/>
Total finance costs	<b>234,562</b>	114,893
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Continuing operations reported in the consolidated income statement	<b>234,562</b>	103,711
Discontinued operations	<b>–</b>	11,182
	<hr/>	<hr/>
	<b>234,562</b>	114,893
	<hr/> <hr/>	<hr/> <hr/>

## 5. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The income tax provision in respect of operations in Mainland China and overseas is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations in the Mainland China, certain of the Company's subsidiaries enjoy income tax exemptions and reductions.

	<b>Group</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Current – PRC:		
Hong Kong	<b>612</b>	95
Mainland China	<b>277,741</b>	494,830
Underprovision in prior years	–	130
Current – Overseas:		
Charge for the year	–	1,486
Underprovision in prior years	–	4
Deferred	<b>12,617</b>	21,254
	<hr/>	<hr/>
Total tax charge for the year	<b>290,970</b>	517,799
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Continuing operations reported in the consolidated income statement	<b>290,970</b>	169,823
Discontinued operations	–	347,976
	<hr/>	<hr/>
	<b>290,970</b>	517,799
	<hr/> <hr/>	<hr/> <hr/>

## 6. Dividends

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interim – HK\$0.10 (2006: HK\$0.10) per ordinary share	113,853	62,250
Interim special – HK\$0.10 (2006: Nil) per ordinary share	113,853	–
Proposed final – HK\$0.30 (2006: HK\$0.20) per ordinary share	341,682	124,500*
Proposed final special – HK\$0.10 (2006: Nil) per ordinary share	113,894	–
	<u>683,282</u>	<u>186,750</u>

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

\* *The actual final dividend paid for 2006 was HK\$125,288,000 due to additional shares issued during the period from 3 April 2007 and 21 June 2007, the date of closure of the register of members.*

## 7. Earnings per share attributable to shareholders of the Company

The calculation of basic earnings per share amounts is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to shareholders of the Company, where applicable, adjusted to reflect the effect of the exercise of the outstanding share options of Beijing Development (Hong Kong) Limited ("Beijing Development"), the convertible bonds issued by China Information Technology Development ("CIT Development", formerly Xteam Software International Limited) assuming the conversion of all outstanding convertible bonds of CIT Development and the weighted average number of ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options of the Company into ordinary shares. Beijing Development and CIT Development were both subsidiaries of the Company before Beijing Development became an associate of the Company during the year ended 31 December 2006. The exercise or conversion of all outstanding share options of CIT Development and all outstanding convertible bonds of Yanjing Brewery Company Limited ("Yanjing Brewery") did not have a diluting effect on the Group's basic earnings per share for the year ended 31 December 2007.

The exercise of the outstanding share options of each of Beijing Development and CIT Development and the conversion of all outstanding convertible bonds of Yanjing Brewery did not have a diluting effect or had an anti-dilutive effect on the Group's basic earnings per share for the year ended 31 December 2006.

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

	<b>2007</b>	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Earnings:</b>		
Profit for the year attributable to shareholders of the Company, used in the basic earnings per share calculation		
From continuing operations	<b>1,357,553</b>	100,216
From discontinued operations	<b>80,827</b>	238,452
	<hr/>	<hr/>
	<b>1,438,380</b>	338,668
Decrease in share of profit of Beijing Development by the Company as a result of the exercise of all outstanding share options of Beijing Development	<b>(1,568)</b>	–
Decrease in share of profit of Beijing Development as a result of the dilution of interest in CIT Development assuming the full conversion of all outstanding convertible bonds issued by CIT Development	<b>(1,481)</b>	–
	<hr/>	<hr/>
Profit for the year attributable to shareholders of the Company, used in the diluted earnings per share calculation	<b>1,435,331</b>	338,668
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Continuing operations	<b>1,354,504</b>	100,216
Discontinued operations	<b>80,827</b>	238,452
	<hr/>	<hr/>
	<b>1,435,331</b>	338,668
	<hr/> <hr/>	<hr/> <hr/>
<b>Number of ordinary shares:</b>		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	<b>859,604,521</b>	622,500,000
Effect of dilution of share options-weighted average number of ordinary shares	<b>1,804,079</b>	2,704,167
	<hr/>	<hr/>
Weighted average number of ordinary shares used in diluted earnings per share calculation	<b>861,408,600</b>	625,204,167
	<hr/> <hr/>	<hr/> <hr/>

## 8. Trade and bills receivables

The various group companies have different credit policies, depending on the requirements of their markets and the businesses which they operate. Aged analyses of trade and bills receivables are prepared and closely monitored in order to minimise any credit risk associated with the receivables.

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

	<b>Group</b>	
	<b>2007</b>	2006
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within one year	<b>1,036,039</b>	439,738
One to two years	<b>34,907</b>	8,485
Two to three years	<b>17,612</b>	5,139
Over three years	<b>31,881</b>	4,951
	<b><u>1,120,439</u></b>	<u>458,313</u>

## 9. Trade and bills payables

An aged analysis of the Group's trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	<b>Group</b>	
	<b>2007</b>	2006
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within one year	<b>1,334,249</b>	709,773
One to two years	<b>392,436</b>	15,451
Two to three years	<b>3,947</b>	1,948
Over three years	<b>6,931</b>	6,443
	<b><u>1,737,563</u></b>	<u>733,615</u>

## 10. Event after the balance sheet date

**(a) Disposal of equity interests in Everbest Islands Limited (“Everbest”), Beijing Shun Xing Winery Co., Ltd. (“Shun Xing”) and Beijing Feng Shou Winery Co., Ltd. (“Feng Shou”).**

Pursuant to a sale and purchase agreement dated 7 April 2008 entered into between the Company and Beijing Enterprises Group (BVI) Company Limited (“BE Group (BVI)”, the holding company of the Company), the Company agreed to sell all of its 100% equity interests in Everbest (a company which holds 75% equity interest in Beijing Long Qing Xia Tourism Development Co., Ltd. (北京龍慶峽旅遊發展有限公司)), 51% equity interest in Shun Xing and 51% equity interest in Feng Shou to BE Group (BVI) at a total consideration of HK\$241,562,165. Upon the completion of the transactions, these companies will cease to be subsidiaries of the Company and the Group will no longer engage in any tourism service business and wine production.

**(b) Acquisition of Shang Hua Holdings Limited (“Shang Hua”)**

Pursuant to the subscription agreement dated on 21 January 2008 entered between the Company, Shang Hua (stock code: 371) and Beijing Enterprises Environmental Construction Limited (北控環境建設有限公司) (“BE Environmental”, formerly Lucky Crown Management Limited) a wholly owned subsidiary of the Company, the Company, Shang Hua and BE Environmental agreed the following terms in relation to acquisition of equity interest in Shang Hua:

- (i) Shang Hua conditionally agreed to allot and issue to BE Environmental, and BE Environmental conditionally agreed to subscribe for 247,000,000 new shares of Shang Hua at a price of HK\$0.40 per new share;
- (ii) Shang Hua conditionally agreed to issue and BE Environmental conditionally agreed to purchase the zero coupon convertible bonds at the selling price of HK\$200 million, due in 2011; and
- (iii) Shang Hua conditionally agreed to grant certain call options to BE Environmental at a conversion price of HK\$0.40 per share, at a maximum total conversion amount of HK\$500 million, ending on 31 December 2009.

The acquisition was completed in March 2008 and Shang Hua became a subsidiary of the Group.



(c) *Issuance of new A shares by Yanjing Brewery*

Pursuant to a circular issued by Yanjing Brewery, a subsidiary of the Company listed the Shenzhen Stock Exchange, on 23 January 2008, 80 million to 86 million of Yanjing Brewery's A shares with par value of RMB1 each would be issued to 10 designated shareholders on the condition that Beijing Yanjing Beer Corporation, a subsidiary of the Company and the holding company of Yanjing Brewery, must be one of the designated shareholders and should not hold less than 50% of the total issued shares of Yanjing Brewery. The share issue plan was approved at an extraordinary general meeting of Yanjing Brewery on 20 February 2008, and the shares are to be issued in May 2008 after the subscription price has been confirmed by the designated share.

**11. Other financial information**

The net current assets and total assets less current liabilities of the Group as at 31 December 2007 amounted to HK\$3,749,051,000 (2006: HK\$2,909,485,000) and HK\$35,129,077,000 (2006: HK\$13,669,349,000), respectively.

**DIVIDENDS**

The Directors of the Company recommended the payment of a final dividend of HK30 cents per share and a final special dividend of HK10 cents per share for the year ended 31 December 2007 payable to shareholders whose names appear on the register of members of the Company on Thursday, 26 June 2008. Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend and the final special dividend will be paid on or around 18, July 2008.

**MANAGEMENT DISCUSSION AND ANALYSIS**

The revenue of the Group was HK\$11.3 billion for the 2007, increased by 55.9% comparing to last year. Profit attributable to the shareholders of the Company was HK\$1.438 billion, jumped 325% compared to 2006 and marked a record high since the listing of the Company in 1997.

Stripping off the net exceptional gain of HK\$404 million arising from the deemed disposals of Beijing Development (Hong Kong) Limited ("Beijing Development") (stock code: 154) and China Information Technology Development Limited ("CIT Development") (formerly Xteam Software International Limited) (stock code: 8178) and disposal of existing shares of CIT Development, as well as property revaluation gains, net profits attributable to shareholders of the Group increased 73.5% to HK\$1,034 million mainly driven by consolidation of Beijing Gas Group Company Limited ("Beijing Gas") profit since 1 July 2007 and strong profit growth of Beijing Yanjing Brewery Co. Ltd. ("Yanjing Beer") and Beijing Capital Airport Expressway ("Airport Expressway").

Net profit before exceptional items contributed by each business segment during the year were as follows:

	<b>Net profit before exceptional items</b>	<b>Proportion</b>
	<i>HK'000</i>	<i>%</i>
Piped gas operation	339,200	34.9
Toll roads operations	309,010	31.8
Water treatment operation	154,430	15.9
Beer production operation	168,020	17.4
	<u>                    </u>	<u>                    </u>

## **I. Business Review**

### *Piped gas operations*

After the completion of acquisition of Beijing Gas on 29 June 2007, the Company officially consolidated its results since 1 July 2007. Actual volume sold by natural gas distribution segment of Beijing Gas in Beijing during the second half of 2007 was approximately 1.67 billion cubic metres which brought operating revenue of approximately HK\$3.25 billion and contributed a profit of HK\$161 million to the Group.

Volume sold by natural gas distribution segment of Beijing Gas for the year of 2007 was 3.7 billion cubic meters and the operating revenue was HK\$6.91 billion. As at the end of 2007, Beijing Gas has a trunk pipeline network system with five pressure levels ranging from high to low pressure levels in Beijing, which is comprised of various major facilities, such as pipelines of 7,551 km, five citygates and four spherical gas-holder stations. Gas distribution capacity of the main trunk pipeline network reaches 12 billion cubic meters per year.

The total volume of gas transported by Beijing Hua You Natural Gas Company Limited (“Hua You”), in which 40% interests are owned by Beijing Gas, amounted to approximately 8.86 billion cubic metres, representing an increase of over 44% as compared with 2006. Net profit after tax for the second half of 2007 attributable to Beijing Gas was HK\$178 million. The maximum annual transmission capability of Nos. 1 and 2 Shanxi-Beijing Gas Pipeline owned by Hua You is 15.3 billion cubic metres, which will be increased to 17 billion cubic metres through capacity enhancement.

Since the completion of the acquisition, Beijing Gas has played a significant role in financial performance of the Group in terms of profit contributions and asset scales, which realised our goal to transform the Group to an integrated enterprise focusing on public facilities and infrastructure.

### ***Toll road operations***

The traffic volume of Airport Expressway achieved a new record high of 55.94 million vehicles in 2007, representing an increase of 9.8% comparing with the year 2006. Average daily traffic flow reached over 153,000 vehicles.

Operating revenue in 2007 was approximately HK\$527 million and net profit attributable to the Group amounted to approximately HK\$289 million, representing an increase of 39% comparing with the corresponding period last year, which was mainly due to the increased toll revenue and the significant decrease of repair and maintenance expenses upon the completion of the major overhaul.

The traffic volume of Shenzhen Shiguan Road slightly decreased by 2.1% to about 9.60 million vehicles in 2007. Net profit attributable to the Group for the year ended 31 December 2007 was HK\$19.62 million, almost the same as last year.

### ***Water treatment operation***

For the year of 2007, profit attributable to the Group from Beijing No. 9 Water Treatment Plant concession was HK\$154 million, representing an increase of over 7% as compared with 2006. The concession of water treatment brings stable cash flows to the Group every year.

### ***Beer production operation***

The sales volume of Yanjing Brewery, was 4.07 million metric litres in 2007, representing an increase of 14% comparing with the corresponding period of 2006. The market share on nationwide basis remained over 12%. The revenue from the brewery operation increased about 23% to HK\$6.74 billion in 2007. Net profit attributable to the Group was HK\$168 million, which increased significantly by 63% as compared with last year. Although the costs of raw materials for beer production, energy and labour kept mounting, by virtue of strength of its brand and sale network, the selling prices of Yanjing Brewery's major products had been increased and well received by consumers, which mitigated the cost pressure. In addition, gross margin remained steady due to the consistent efforts to optimise product structure, enlarge market share of premium beer and increase the consumption of domestic barley.

## *Other*

Beijing Development remained as the Group's IT flagship. Smart Card (市政交通一卡通) issuance volume, of which 43% is owned by Beijing Development, has exceeded 16 million, indicating that the card has become the major electronic payment platform for public transport in Beijing. Research and development are being carried out to explore more value-added services and to expand revenue sources. In addition, CIT Development, in which 30.41% interests is held by Beijing Development, had already made substantial profit contribution by newly injected value-added services of mobile communication.

Net profit of Beijing Development attributable to the Group was approximately HK\$150 million in 2007, 22 times higher than last year. Profit increase was mainly derived from deemed disposal arising from placing of new shares by CIT Development and the disposal of shares of CIT Development, being held by Beijing Development. The information technology business of Beijing Development remained stable. Smart Card was still at the stage of determining its operating commercial terms and had not yet contributed any profits.

## **II. Prospect**

### *Piped gas operations*

The sales of natural gas in Beijing will have stable and continuous growth in future. The major driving forces include commencement of new natural gas driven power plant and new industrial users. In the long run, Beijing will develop into a metropolitan city with 18 million to 20 million population, which will increase the long term consumption of natural gas. In addition, natural gas network to be built in new satellite cities outside the Sixth Ring Road in Beijing will also further increase the demand of natural gas.

In respect of gas transmission, Hua You is actively expanding its long pipeline network and enlarging the transmission capacity of Nos. 1 and 2 Shanxi-Beijing Gas Transmission Pipeline. With the continuous economic development of the Capital and Bohai circle, more medium and large cities within the region will adopt natural gas as a clean energy. The transmission volume of Hua You will grow rapidly with continuous increase in transmission revenue. The strong cash flow could provide actual support to its expansion plan and capital expenditure.

In respect of exploring new gas resources, Beijing Gas will inject RMB1.86 billion to Inner Mongolia Datang International Keqi Coal-based Gas Company Limited for 33% equity interests. The total investment will amount to RMB18.78 billion, with a planned output of 4 billion-cubic metres of natural gas per annum.

### ***Toll road operations***

Terminal 3 of Beijing Capital Airport has commenced operation in late March 2008. The auxiliary line of the South Link Expressway of the Beijing Capital Airport (“South Link Expressway”) also started operation. As the South Link Expressway shares part of the traffic volume of the Airport Expressway, passengers using the new terminals had been diverted to South Link Expressway’s toll station which affects the revenue of Tianzhu Toll Station (天竺收費站), one of the main operating station currently operated by the Group.

To cope with the diversion of South Link Expressway, the Group actively involves in the investment of South Link Expressway project. Currently, the Group has reached an intention of cooperation with Beijing Capital Highway Development Co., Ltd. (北京市首都公路發展有限責任公司) in respect of the investment of South Link Expressway project and reported the cooperation proposal to Beijing Municipal Committee of Communications (“BMCC”). BMCC intended to grant the operating concession of South Link Expressway together with North Link Expressway of the Beijing Capital Airport and Second Airport Passway Project (機場第二通道項目) to the Beijing Capital Airport North Link Expressway Company Limited (北京首都機場北線高速公路有限責任公司) in order to unify the operations and management. Currently, BMCC carries out further study on the proposal and will consult opinions from relevant departments.

### ***Water treatment operations***

The Group has completed the acquisition of Shang Hua and duly changed its name into Beijing Enterprises Water Group Limited. The listed company will be used as a platform by the Group for future investment and development of new water related projects. As the PRC is in shortage of fresh water, the Group is very optimistic to the future water price. It is believed that local government will speed up the investment and operation of water projects such as water treatment and waste water processing, which provides new opportunities to the Group.

### ***Beer production operation***

Yanjing beer is among the leaders in Mainland China in terms of branding and market share. To further consolidate its strengths, Yanjing Brewery (“Yanjing Brewery”) has obtained approval from the shareholders to offer new shares and raise RMB1.9 billion. The proceeds will be used in regions with core competitive strength such as Guangxi and Inner Mongolia to satisfy the rapid growing demand, technological improvement in beer production lines in provinces such as Zhejiang, Hunan, Guangdong, Xinjiang and Hubei, expand the capacity and at the same time raise the technology level and enhance the product structure. In addition, Yanjing Brewery will establish malt production bases in Xinjiang and Inner Mongolia which will use quality domestic malt as raw materials to further lower production cost and enhance operation results.

## **III. Financial Review**

### ***Revenue***

The revenue of the Group’s continuing operations in 2007 was approximately HK\$11.3 billion, which jumped 55.9% as compared with that of HK\$7.25 billion in 2006. This was mainly driven by the consolidation of Beijing Gas’ revenue of HK\$3.25 billion in the second half of 2007. Yanjing Beer’s revenue also grew strongly by 23% to HK\$6.74 billion. Other business contributed an aggregate of not more than 12% of the total revenue.

### ***Cost of sales***

Cost of sales increased by 69.4% to HK\$8.16 billion, mainly due to consolidation of the results of natural gas distribution business in Beijing since 1 July 2007. The cost of sales for gas distribution business mainly included purchase cost of natural gas as well as depreciation expense of piped line network.

### ***Gross profit margin***

Overall gross profit margin was 27.8% compared to 33.6% in 2006. The decline in gross profit margin was due to consolidation of the gas distribution business since 1 July 2007. Natural gas distribution business had average gross margin of approximately 15.8%, which is lower than the higher margin brewery business due to different direct cost structure. The gross margin of gas distribution business tend to be lower in the second half year due to lower volume of sales and relatively fixed depreciation expense.

### ***Other income and gains, net***

This mainly comprised interest income of HK\$99 million, gain on deemed disposal of interests in associates of HK\$61 million, fair value gain on investment properties of HK\$56 million, investment related gain of HK\$42 million, exchange gain of HK\$33 million and other miscellaneous income etc.

### ***Selling and distribution costs***

Selling and distribution costs of the Group's continuing operations in 2007 increased by 6.5% to HK\$889 million mainly due to consolidation of natural gas distribution business since 1 July 2007. The proportion of selling and distribution costs for gas distribution business was lower than that of brewery business due to much higher advertisement expenses for consumer products business.

### ***Administrative expenses***

Administrative expenses of the Group's continuing operations in 2007 was HK\$891 million, increased by 3.9% comparing to HK\$858 million in 2006. The increase was mainly due to consolidation of the natural gas distribution business since 1 July 2007. The moderate increase was due to relatively lower proportion of administration costs for gas distribution business comparing to brewery business.

### ***Finance costs***

Finance costs of the Group's continuing operations for the year 2007 was HK\$235 million, increased by 126% comparing to HK\$104 million in 2006. The significant increase was mainly due to drawdown of a syndicated loan amounting to HK\$2.1 billion which was used to complete the acquisition of Beijing Gas.

### ***Share of profits and losses of jointly-controlled entities***

This substantially represents the 40% share of the profit after taxation of Hua You since 1 July 2007. Hua You is 40% owned by Beijing Gas and 60% owned by PetroChina Limited. The primary business of Hua You is natural gas transmission which supplies to city gas operators along the two long piped lines owned by Hua You.

### *Share of profits and losses of associates*

The Group's share of profit of associates jumped more than three times to HK\$261 million in 2007. It was mainly attributed to exceptional profits amounting to approximately HK\$184 million arising from disposal and deemed disposal of equity interests in CIT Development recorded in the books of Beijing Development plus a net revaluation gain of an investment property of HK\$103 million on investment properties contributed by BMEI Co., Ltd, an associate of the Group.

### *Tax*

Effective income tax rate declined significantly to approximately 18.5% mainly due to the fact that the net exceptional gains derived from deemed disposal of shares in Beijing Development together with certain property revaluation gain recorded in the headquarter were capital in nature and not subject to tax. In addition, the dilution loss on share reform of Yanjing Brewery which was not deductible for PRC income tax purpose artificially increased the effective tax rate last year.

### *Profit for the year from continuing operations*

As a result of the above factors, net profits from continuing operations for year ended 31 December 2007 was HK\$1,723 million against HK\$254 million in 2006.

### *Profit from discontinuing operations*

This mainly represents the prior year dividends declared by Wangfujing Department Stores (Group) Company Limited entitled to the Company in 2007.

## **IV. Financial Position of the Group**

### *Cash and bank borrowings*

As at 31 December 2007, cash and bank deposits held by the Group amounted to HK\$8.2 billion. At the year end date, the Group had a strong net working capital of HK\$3.7 billion. The Group maintains sufficient banking facilities for its working capital requirement and has plenty of room to gear up its balance sheet should significant investment opportunities arise.



The Group's bank and other borrowings amounted to HK\$5.9 billion as at 31 December 2007, which mainly comprised of five year syndicated loans amounting to HK\$2.1 billion and short term working capital loans HK\$2.6 billion carried in the PRC subsidiaries. Around 35.4% of the bank loans were denominated in Hong Kong dollars with the majority of remaining balance in Renminbi. The Group was in a net cash position of HK\$2.3 billion as at 31 December 2007.

### ***Liquidity and Capital Resources***

During the first half of the year, the Group drew down syndicated loan of HK\$2.1 billion to complete the acquisition of the Beijing Gas. Upon completion of the Beijing Gas transaction, the downstream gas distribution business started to contribute to the operating cash flow of the Group and significantly increased its liquidity. Riding on very favorable capital market conditions in the second half of the year 2007, the Company successfully placed 100 million of new shares to investors and raised net proceeds of approximately HK\$3.65 billion. This new proceeds significantly boosts the liquidity of the Group and supports continuous capital expenditure in the future.

During the year under review, the Company had issued 411,250,000 new shares at HK\$18.48 to acquire the Beijing Gas. In addition, the Company further issued 100 million of new shares at HK\$37.1 to support its future capital requirements. As at the end of 2007, the issued capital of the Company has increased to 1,138,940,000 shares and shareholders equity jumped to HK\$26.7 billion. Total equity was HK\$31.4 billion comparing to HK\$13.1 billion as at the end of 2006. With much higher capitalisation and much stronger balance sheets, the Group will be able to weather any storm in the market.

Given the primarily cash nature business of gas distribution, toll roads, brewery and water concession, the Group is benefiting from very strong recurring cash flow and is well positioned to capture investment opportunities in the future.

### ***Cashflow***

The Group derived net cash inflow of HK\$2.4 billion from its operating activities during the year. Net cash outflow on investing activities including purchases of fixed assets, acquisition of subsidiaries etc was HK\$3.3 billion. As mentioned above, the Group had raised significant capital through issue of new shares and new borrowings. Net cash inflow from financing activities for the year was HK\$6.1 billion.

## **EMPLOYEES**

At 31 December 2007, the Group had 34,400 employees. The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group's employee remuneration policy and package are periodically reviewed by the management. Apart from pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

## **COMPLIANCE WITH THE “CODE ON CORPORATE GOVERNANCE PRACTICES”**

Save as disclosed below, the directors believe that the Company complied with the code provisions (the “Code Provisions”) as set out in Appendix 14 “Code on Corporate Governance Practices” to the Listing Rules for the year ended 31 December 2007.

### **Code Provision A.1.1**

Code Provision A.1.1 stipulates that members of the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals and such regular board meetings will normally involve the active participation, either in person or through other electronic means of communication.

Three board meetings were held during the year and not on a regular basis. Directors consider it is more efficient to hold board meetings to address emerging issues as appropriate. Sufficient measures will be taken to ensure that the Company's corporate governance practices are no less exacting than those in this Code.

### **Code Provision A.4.1**

The non-executive directors of the Company are not appointed for specific terms, which deviates from the requirement of Code Provision A.4.1. However, in view of the fact that non-executive directors are subject to retirement by rotation in accordance with the Company's Articles of Association, the Company considers that there are sufficient measures to ensure that the corporate governance standard of the Company is not less exacting than that of the Code Provisions.

## **COMPLIANCE WITH THE “MODEL CODE”**

The Company has adopted Appendix 10 “Model Code” to the Listing Rules to govern securities transactions by the directors. After having made specific enquiry to all directors, all directors confirm that they complied with the “Model Code” during the year ended 31 December 2007.

## **AUDIT COMMITTEE**

The Audit Committee comprises three Independent Non-executive Directors of the Company Mr. Wu Jiesi, Mr. Robert A. Theleen and Mr. Lam Hoi Ham (the Chairman of the Committee). The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and internal controls of the Company. The annual results have been reviewed and approved by the Audit Committee of the Company.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Monday, 23 June 2008 to Thursday, 26 June 2008 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the proposed final dividend and final special dividend and for attending the forthcoming annual general meeting of the Company to be held on Thursday, 26 June 2008, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s Share Registrar, Tricor Tengis Limited, 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 20 June 2008.

## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year.

## **PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the Company's website ([www.behl.com.hk](http://www.behl.com.hk)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report and the notice of annual general meeting will be sent to all shareholders and will be published on the websites of the Company and the Stock Exchange in due course.

As at the date of this announcement, the board of directors of the Company comprises:

### *Executive Directors*

Mr. Yi Xi Qun, Mr. Zhang Hong Hai, Mr. Li Fu Cheng, Mr. Bai Jin Rong, Mr. Zhou Si, Mr. Liu Kai, Mr. Guo Pu Jin, Mr. E Meng, Mr. Lei Zhen Gang, Mr. Jiang Xin Hao and Mr. Tam Chun Fai.

### *Independent Non-Executive Directors*

Mr. Wu Jiesi, Mr. Robert A. Theleen and Mr. Lam Hoi Ham.

On behalf of the Board

**Yi Xi Qun**

*Chairman*

Hong Kong, 8 April 2008