



北京控股有限公司

BEIJING ENTERPRISES HOLDINGS LIMITED

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

(Stock code: 392)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

HIGHLIGHTS

- Turnover from continuing operations for the year amounted to approximately HK\$7.25 billion, representing an increase of 15.7% over last year.
- Profit attributable to shareholders of the Company amounted to approximately HK\$339 million.
- Basic earnings per share amounted to HK\$0.54.
- A final dividend of 20 cents per share is proposed for 2006.

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 2006, together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2006

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
CONTINUING OPERATIONS:			
REVENUE	2	7,246,920	6,263,153
Cost of sales		(4,815,447)	(4,172,152)

Gross profit		2,431,473	2,091,001
Gain on deemed disposal of interests in subsidiaries		146,957	14,498
Other income and gains, net		294,430	305,982
Selling and distribution costs		(834,775)	(652,723)
Administrative expenses		(858,241)	(712,488)
Dilution losses on share reforms of subsidiaries		(485,827)	–
Other operating expenses, net		(231,440)	(193,923)
PROFIT FROM OPERATING ACTIVITIES	3	462,577	852,347
Finance costs	4	(103,711)	(131,105)
Share of profits and losses of: Jointly-controlled entities		688	(12,712)
Associates		64,644	24,095
PROFIT BEFORE TAX		424,198	732,625
TAX	5	(169,823)	(136,877)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		254,375	595,748
DISCONTINUED OPERATIONS:			
Profit for the year from discontinued operations	3	353,875	119,061
PROFIT FOR THE YEAR		608,250	714,809
ATTRIBUTABLE TO:			
Shareholders of the Company:			
Continuing operations		100,216	469,999
Discontinued operations		238,452	100,423
		338,668	570,422
Minority interests		269,582	144,387
		608,250	714,809

DIVIDENDS	6		
Interim		62,250	62,250
Proposed final		124,500	124,500
		<u>186,750</u>	<u>186,750</u>

EARNINGS PER SHARE
ATTRIBUTABLE
TO SHAREHOLDERS
OF THE COMPANY

Basic	7		
– For profit for the year		<u>HK\$0.54</u>	<u>HK\$0.92</u>
– For profit from continuing operations		<u>HK\$0.16</u>	<u>HK\$0.76</u>
Diluted			
– For profit for the year		<u>HK\$0.54</u>	<u>HK\$0.90</u>
– For profit from continuing operations		<u>HK\$0.16</u>	<u>HK\$0.74</u>

CONSOLIDATED BALANCE SHEET

31 December 2006

	Notes	2006 HK\$'000	2005 HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment		7,681,882	8,037,017
Investment properties		272,904	446,820
Prepaid land premiums		302,757	377,320
Goodwill		44,177	275,777
Other intangible assets		1,450,584	1,517,866
Interests in jointly-controlled entities		1,921	182,918
Interests in associates		519,854	248,849
Trade and bills receivables	8	–	33,202
Prepayments, deposits and other receivables		130,008	313,782
Pledged deposits		2,200	34,684
Available-for-sale investments		352,914	510,037
Deferred tax assets		663	67,772
Total non-current assets		<u>10,759,864</u>	<u>12,046,044</u>

Current assets:			
Prepaid land premiums		8,086	12,684
Properties under development		–	322,301
Properties held for sale		–	39,406
Inventories		1,648,707	1,574,923
Amounts due from customers for contract work		–	25,238
Trade and bills receivables	8	458,313	928,709
Prepayments, deposits and other receivables		1,644,518	1,055,066
Financial assets at fair value through profit or loss		9,706	45,551
Taxes recoverable		27,258	37,415
Pledged deposits		59,305	15,557
Cash and cash equivalents		2,708,395	3,508,055
		6,564,288	7,564,905
Non-current assets classified as held for sale		–	19,319
Total current assets		6,564,288	7,584,224
TOTAL ASSETS		17,324,152	19,630,268
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company:			
Issued capital		62,250	62,250
Reserves		8,683,955	8,256,191
Proposed final dividend		124,500	124,500
		8,870,705	8,442,941
Minority interests		4,189,100	4,064,052
TOTAL EQUITY		13,059,805	12,506,993
Non-current liabilities:			
Bank and other borrowings		566,998	373,311
Convertible bonds		464	548,785
Other long term liabilities		21,570	32,682
Deferred tax liabilities		20,512	168,527
Total non-current liabilities		609,544	1,123,305

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Current liabilities:			
Trade and bills payables	9	733,615	1,165,555
Amounts due to customers for contract work		–	48,580
Other payables and accruals		1,036,140	1,839,417
Taxes payable		551,098	395,132
Bank and other borrowings		1,333,950	2,505,132
		3,654,803	5,953,816
Liabilities directly associated with non-current assets classified as held for sale		–	46,154
Total current liabilities		3,654,803	5,999,970
TOTAL LIABILITIES		4,264,347	7,123,275
TOTAL EQUITY AND LIABILITIES		17,324,152	19,630,268

Notes:

1.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include 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 (i) investment properties and certain financial assets which have been measured at fair value; and (ii) non-current assets held for sale, which are stated at the lower of carrying amount and fair value less costs to sell. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (HK\$’000) 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 2006. 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 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. Acquisition of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

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 interpretations has had no material impact on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 27 Amendment	Consolidated and Separate Financial Statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

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, to these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Services Concession Arrangements

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 Segment Reporting.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008 respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's operations and financial position.

Except as stated above, the Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

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/(loss) for the Group's business segments for the years ended 31 December 2006 and 2005:

(i) *Continuing operations*

Year ended 31 December 2006

	Brewery operations	Expressway and toll road operations	Water treatment operations	Corporate and others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:					
Sales to external customers	5,476,877	530,542	518,696	720,805	7,246,920
Intersegment sales	-	-	-	-	-
Other income and gains, net	114,128	2,457	2,108	45,321	164,014
	<u>5,591,005</u>	<u>532,999</u>	<u>520,804</u>	<u>766,126</u>	<u>7,410,934</u>
Total					
Segment results	<u>444,365</u>	<u>282,534</u>	<u>169,468</u>	<u>(194,355)</u>	702,012
Unallocated income and gains					277,373
Unallocated expenses					<u>(516,808)</u>
Profit from operating activities					462,577
Finance costs					(103,711)
Share of profits and losses of:					
Jointly-controlled entities	-	-	-	688	688
Associates	(3,966)	-	-	68,610	<u>64,644</u>
Profit before tax					424,198
Tax					<u>(169,823)</u>
Profit for the year					<u>254,375</u>

Year ended 31 December 2005 (Restated)

	Brewery operations	Expressway and toll road operations	Water treatment operations	Corporate and others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:					
Sales to external customers	4,556,142	477,440	506,638	722,933	6,263,153
Intersegment sales	–	–	–	–	–
Other income and gains, net	74,424	3,742	–	40,210	118,376
	<u>4,630,566</u>	<u>481,182</u>	<u>506,638</u>	<u>763,143</u>	<u>6,381,529</u>
Total	<u>4,630,566</u>	<u>481,182</u>	<u>506,638</u>	<u>763,143</u>	<u>6,381,529</u>
Segment results	<u>387,883</u>	<u>290,577</u>	<u>166,595</u>	<u>(182,992)</u>	662,063
Unallocated income and gains, net					202,104
Unallocated expenses					<u>(11,820)</u>
Profit from operating activities					852,347
Finance costs					(131,105)
Share of profits and losses of:					
Jointly-controlled entities	–	–	–	(12,712)	(12,712)
Associates	(2,391)	(410)	–	26,896	24,095
					<u>732,625</u>
Profit before tax					732,625
Tax					<u>(136,877)</u>
Profit for the year					<u><u>595,748</u></u>

(ii) *Discontinued operations*

Year ended 31 December 2006

	Dairy operations HK\$'000	Retail operations HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	-	6,049,966	273,105	6,323,071
Intersegment sales	-	-	-	-
Other income and gains, net	-	596,733	6,151	602,884
	<u>-</u>	<u>6,646,699</u>	<u>279,256</u>	<u>6,925,955</u>
Total	<u>-</u>	<u>6,646,699</u>	<u>279,256</u>	<u>6,925,955</u>
Segment results	<u>-</u>	<u>790,036</u>	<u>(83,981)</u>	706,055
Unallocated income and gains, net				13,638
Unallocated expenses				<u>-</u>
Profit from operating activities				719,693
Finance costs				(11,182)
Share of profits and losses of:				
Jointly-controlled entities	-	(5,647)	-	(5,647)
Associates	-	129	(1,142)	(1,013)
				<u>(1,013)</u>
Profit before tax				701,851
Tax				<u>(347,976)</u>
Profit for the year				<u><u>353,875</u></u>

Year ended 31 December 2005 (Restated)

	Dairy operations	Retail operations	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:				
Sales to external customers	–	4,510,210	227,250	4,737,460
Intersegment sales	–	–	–	–
Other income and gains, net	79,987	110,474	9,700	200,161
	<u>79,987</u>	<u>110,474</u>	<u>9,700</u>	<u>200,161</u>
 Total	 <u>79,987</u>	 <u>4,620,684</u>	 <u>236,950</u>	 <u>4,937,621</u>
 Segment results	 <u>79,987</u>	 <u>134,738</u>	 <u>(21,385)</u>	 193,340
 Unallocated income and gains, net				13,801
Unallocated expenses				(8,274)
				<u>13,801</u>
 Profit from operating activities				198,867
Finance costs				(25,115)
Share of profits and losses of:				
Jointly-controlled entities	–	(14,180)	–	(14,180)
Associates	–	(813)	(1,489)	(2,302)
				<u>(14,180)</u>
 Profit before tax				157,270
Tax				(38,209)
				<u>157,270</u>
 Profit for the year				<u>119,061</u>

3. Profit from operating activities

The Group's profit from operating activities (including those amounts charged/credited in respect of the discontinued operations) is arrived at after charging/(crediting):

	2006 HK\$'000	2005 <i>HK\$'000</i>
Cost of inventories sold	9,632,535	7,499,733
Cost of properties sold	26,912	29,154
Cost of services provided	232,712	496,482
Depreciation	705,779	594,861
Amortisation of operating concessions	106,415	102,605
Amortisation of management information systems	2,000	1,887
Amortisation of licences	449	1,491
Amortisation of deferred development costs	670	–
(Gain)/loss on disposal of property, plant and equipment, net	(111,341)	5,556
Gain on disposal of unquoted equity investments stated at cost	(47,676)	(1,514)
Gain on disposal of financial assets at fair value through profit and loss, net	(2,563)	(2,074)
Loss on deemed disposal of interest in a jointly-controlled entity	–	316
Loss on deemed disposal of interest in an associate	499	927
Amortisation of prepaid land premiums	13,928	12,028
Gain on disposal of investment properties	(3,189)	(2,466)
Investment income	(1,436)	(3,271)

4. Finance costs

	Group	
	2006	2005
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	104,028	140,185
Interest on convertible bonds	1,270	6,755
Interest on other loans	3,594	3,975
Imputed interest for an interest-free other loan from a minority shareholder	6,001	5,609
	<hr/>	<hr/>
Total finance costs	114,893	156,524
<i>Less:</i> Interest capitalised in property, plant and equipment	–	(304)
	<hr/>	<hr/>
	114,893	156,220
	<hr/>	<hr/>
Attributable to discontinued operations	11,182	25,115
Attributable to continuing operations reported in the consolidated income statement	103,711	131,105
	<hr/>	<hr/>
	114,893	156,220
	<hr/>	<hr/>

5. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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.

	Group	
	2006	2005
	HK\$'000	HK\$'000
Current – PRC		
Hong Kong	95	165
Mainland China	494,830	200,060
Underprovision/(overprovision) in prior years	130	(23,765)
Current – Overseas	1,486	1,097
Underprovision in prior years	4	–
Deferred	21,254	(2,471)
	<u>517,799</u>	<u>175,086</u>
Total tax charge for the year	<u>517,799</u>	<u>175,086</u>
Tax charge attributable to the discontinued operations	347,976	38,209
Tax charge attributable to continuing operations reported in the consolidated income statement	<u>169,823</u>	<u>136,877</u>
	<u>517,799</u>	<u>175,086</u>

6. Dividends

	2006	2005
	HK\$'000	HK\$'000
Interim – HK\$0.10 (2005: HK\$0.10) per ordinary share	62,250	62,250
Proposed final – HK\$0.20 (2005: HK\$0.20) per ordinary share	124,500	124,500
	<u>186,750</u>	<u>186,750</u>

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

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 calculations of the basic and diluted earnings per share amount for the years ended 31 December 2005 and 2006 are based on the following data:

Earnings:

The calculation of diluted earnings per share amounts for the year ended 31 December 2005 was based on the profit for the year attributable to shareholders of the Company, adjusted to reflect the effect of the convertible bonds issued by Yanjing Brewery, on the profit for the year attributable to shareholders of the Company assuming the exercise or conversion of all outstanding convertible bonds issued by Yanjing Brewery, and the weighted average number of ordinary shares in issue during the year. No such adjustment was made on the profit for the year attributable to shareholders of the Company for the year ended 31 December 2006 since the effect of the outstanding convertible bonds issued by Yanjing Brewery during the year had no diluting effect on the basic earnings per share for the year. The exercise of the outstanding share options of Beijing Development and Xteam, subsidiaries of the Company before Beijing Development became an associate of the Company, during the year ended 31 December 2006 did not have a diluting effect or had an anti-dilutive effect on the Group's basic earnings per share for that year. The exercise of the outstanding share options of the Company, Beijing Development and Xteam during the year ended 31 December 2005 did not have a diluting effect on the Group's basic earnings per share for that year.

	For the year ended 31 December 2005	
	Profit for the year HK\$'000	Profit from continuing operations HK\$'000 (Restated)
Profit for the year attributable to shareholders of the Company, used in the basic earnings per share calculation	570,422	469,999
Interest expense for the year relating to the liability component of the convertible bonds of Yanjing Brewery, net of current tax	4,526	4,526
Decrease in profit for the year of Yanjing Brewery attributable to the Group, as a result of the dilution of interest in Yanjing Brewery assuming the exercise of all the outstanding convertible bonds issued by Yanjing Brewery	(12,466)	(12,466)
Profit for the year attributable to shareholders of the Company, used in the diluted earnings per share calculation	<u>562,482</u>	<u>462,059</u>

Number of ordinary shares:

The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all options into shares.

	2006	2005
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	622,500,000	622,500,000
Effect of dilution of share options – weighted average number of ordinary shares	<u>2,704,167</u>	<u>–</u>
Weighted average number of ordinary shares in issue during the year used in diluted earnings per share calculation	<u><u>625,204,167</u></u>	<u><u>622,500,000</u></u>

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. Certain customers are allowed to settle the construction contract sum by three annual instalments. Aging analyses of trade and bills receivables are prepared and closely monitored in order to minimise any credit risk associated with receivables.

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

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	439,738	769,933
One to two years	8,485	112,168
Two to three years	5,139	66,728
Over three years	<u>4,951</u>	<u>13,082</u>
	458,313	961,911
<i>Less: Portion classified as current assets</i>	<u>(458,313)</u>	<u>(928,709)</u>
Non-current portion	<u><u>–</u></u>	<u><u>33,202</u></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:

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	709,773	1,120,017
One to two years	15,451	25,677
Two to three years	1,948	7,313
Over three years	6,443	12,548
	<hr/> 733,615 <hr/>	<hr/> 1,165,555 <hr/>

10. Event after the balance sheet date

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law ("the New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Since the detailed implementation and administrative rules and regulations have not yet been announced, the financial impact of the New Corporate Income Tax Law to the Group cannot be reasonably estimated at this stage.

11. Comparative amounts

Owing to the disposal of the Group's interests in Wangfujing Department Stores during the year, the Group's retail operations and property construction and development operations were discontinued. Accordingly, the comparative amounts for the consolidated income statement have been restated to conform to the current year's presentation.

DIVIDENDS

The Directors of the Company recommended the payment of a final dividend of HK20 cents per share for the year ended 31 December 2006 payable to shareholders whose names appear on the register of members of the Company on Thursday, 21 June 2007. Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend will be paid on or around Wednesday, 18 July 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Infrastructure and public utilities

The traffic volume of Beijing Capital Airport Expressway (“Airport Expressway”) achieved a new record high of 50.96 million vehicles in 2006, average daily traffic flow of the year 2006 reached 140,000 vehicles which exceeded the designed capacity of 135,000 vehicles. If there is no expansion of Airport Expressway and increase of lanes using auto pass card (速通卡), growth of traffic volume will be constrained. The Northern Extension of the Airport Expressway (機場北線) is under trial run while its terms of operation are still pending for confirmation. In 2006, net profit attributable to the Group from Airport Expressway amounted to HK\$208 million, almost the same as 2005. It was mainly due to the offset by a major overhaul and the write-off of the related fixed assets of amount over HK\$56.80 million.

The traffic volume of Shenzhen Shiguan Road (“Shiguan Road”) decreased by 2.6% to 9.80 million vehicles in 2006 when compared with 2005, which was mainly due to the continuous extension and completion of the road network in Baoan, Shenzhen as a result of the diversion of vehicles. In 2006, net profit attributable to the Group decreased by 8.44% to HK\$19.09 million as compared with 2005.

In 2006, net profit attributable to the Group from water treatment concession increased 2.85% to approximately HK\$132 million as compared with 2005. The cash return from this water treatment concession remained a major source of cash income of the Group.

Consumer Products

The sales volume of Beijing Yanjing Brewery Co., Limited (“Yanjing Brewery”) increased from 3.13 million tons from 2005 to 3.57 million tons in 2006. The revenue also increased from HK\$4.556 billion in 2005 to HK\$5.477 billion in 2006. Currently, Yanjing Brewery has a market share of about 85% in Beijing and about 12% on nationwide basis. Net profit attributable to the Group of brewery operations decreased 22.89% to HK\$103 million in 2006 when compared with 2005, which was mainly due to the dilution of the Group’s interest in Beijing Yanjing Brewery Joint Stock Company Limited (“Beijing Yanjing”) after the share reform of Beijing Yanjing of which the amount of HK\$27 million has affected to the Group’s attributable profit. Yanjing Brewery has successfully developed the premium beer market sector, the profit margin remained steady mainly due to the measures of effective cost control and adjusted products structure to enhance the revenue.

In addition, the cost of share reform of both Beijing Yanjing and its subsidiary Fujian Yanjing Huiquan Brewery Joint Stock Company Limited (“Yanjing Huiquan”) offset against the gain due to investors fully conversion in shares of convertible bonds of Beijing Yanjing which generated an aggregate one-off net exceptional loss attributable to the Group of approximately HK\$258 million.

Retail Services

In 2006, the revenue of Wangfujing Department Stores (Group) Company Limited (“Wangfujing Department Stores”) continued to increase significantly by about 33.5% to HK\$6.323 billion compared with 2005. Profit attributable to the Group before disposal was HK\$97 million.

The Group entered into a conditional sale and purchase agreement on 31 March 2006 to dispose the Group’s entire 50.13% controlling interests in Wangfujing Department Stores. The transaction was completed in December 2006, when the Group completely ceased the retail service business.

For tourism business, as operating strategies was changed in line with the Group, this sector is going to be withdrawn entirely. Longqingxia tourism is the only business remained in this sector and its profit for year 2006 was immaterial and has no substantial influence to the Group.

Technology Business

Beijing Development (Hong Kong) Limited is the Group’s IT flagship. In 2006, its revenue increased 10.08% to HK\$585 million compared with 2005. In 2006, net profit attributable to the Group was turnaround from loss to profit of approximately HK\$6.74 million.

Ever Source Science & Technology Development Co., Limited (“Ever Source”) engages in development and implementation of surface earth thermal energy. After five years development, surface earth thermal energy is widely used in building located in different geo-logical conditions and regions for various applications. At present, its products for surface earth thermal energy are under the protection of proprietary intellectual property rights and are standardised for production in large scale. Since 2005, Ever Source has been establishing regional energy service companies as franchised operations to promote the use of surface earth thermal energy as a top priority alternative energy resource in strategic way. Ever Source is transformed from project subcontractor to product supplier and technology service provider based on its integrated technology platform. As early stage of the adjustment of its operation model, the revenue of Ever Source was dropped. In 2005, net operating loss attributable to the Group by Ever Source amounted to approximately HK\$30 million. Given the result of implementation as the strategy of using surface earth thermal energy as alternative energy was obvious, its business is expected to improve

in the near future. In order to minimise the effect to the Group during the period of business adjustment, Ever Source has subcontracted the operation in 2006 and the Group no longer consolidated its operating results.

Financial Review

Revenue

Revenue of the Group's continuing operations were approximately HK\$7.25 billion in 2006 which increased by 15.7% compared with HK\$6,263 million in 2005. The growth was mainly driven by strong increase in sales recorded from the brewery operations other than Beijing in PRC and commencement of new brewery operations in Hebei and Shenyang by Yanjing Brewery.

Cost of sales

Cost of sales of the Group's continuing operations were approximately HK\$48.15 billion in 2006 which increased by 15.4% compared with HK\$41.72 billion in 2005. Cost of sales of the Group mainly consist of raw materials and direct cost of beer production, the amount increased significantly mainly due to the rise in the cost of raw materials such as malt and etc.

Gross profit

Gross profit of the Group's continuing operations in 2006 amounted to HK\$24.31 billion which increased by HK\$340 million compared with HK\$20.91 billion in 2005. Overall gross profit margin was 33.6%, representing a slight improve compared with 33.4% in 2005.

Selling and distribution costs

Selling and distribution costs of the Group's continuing operations in 2006 were approximately HK\$835 million which increased by HK\$182 million compared with HK\$653 million in 2005. It was mainly due to the commencement of new brewery operations in Hebei and Shenyang and the expansion of production capacity in certain brewery operations other than Beijing in PRC by Yanjing Brewery.

Administrative expenses

Administrative expenses of the Group's continuing operations in 2006 amounted to HK\$858 million, increased by HK\$146 million comparing to HK\$712 million in 2005. It was mainly due to the expansion of production capacity in certain brewery operations other than Beijing in PRC and establishment of new brewery operations in Hebei and Shenyang by Yanjing Brewery.

Finance costs

Finance costs of the Group's continuing operations for the year 2006 amounted to HK\$104 million which decreased by 20.9% compared to HK\$131 million in 2005, it was mainly due to the full repayment of the outstanding syndicated loan at the beginning of 2006.

Share of profits and losses of jointly-controlled entities and associates

The Group's share of profit of associates significantly increased by HK\$40.55 million in 2006. It was mainly due to the exceptional gain from disposal of land by BMEI Co., Ltd. (北京機電院高技術股份有限公司). In addition, share of profit of jointly-controlled entities amounted to HK\$0.69 million in 2006 which represented a turnaround from loss to profit as compared with the last year.

Tax

Tax expenditure of the Group's continuing operations rose from HK\$137 million in 2005 to HK\$170 million in 2006 which increased by 24.1%. After deducting non-taxable items of exceptional gains and losses, effective income tax rate of the Group slightly decreased from 22.4% in 2005 to 21.5% in 2006.

Net exceptional losses

During the year, the subsidiaries of the Group, Beijing Yanjing and Yanjing Huiquan, completed their share reform plans. The Group shared compensation to the A shares shareholders in the PRC of the aforementioned subsidiaries directly or indirectly resulting in a one-off exceptional loss of HK\$486 million. At the same time, a one-off exceptional gain of HK\$141 million was also recorded after investors had fully exercised the convertible bonds of Beijing Yanjing. After offset by the above two factors, the net loss attributable to the Group was approximately HK\$258 million. In addition, the Group has completed the sale of equity interests in Wangfujing Department Stores at the end of the year and derived an exceptional gain of HK\$142 million. The Group also made a one-off provision of HK\$173 million for Siemens Communication Networks Ltd., Beijing, certain goodwill and receivables. In conclusion of the above, the Group had a total net exceptional loss of HK\$289 million in 2006.

Profit for the year

As a result of the above factors, net profit for the year of the Group dropped significantly by HK\$106 million from HK\$715 million in 2005 to HK\$608 million in 2006, representing a decrease of 14.9%.

Liquidity and Capital Resources

Up till now, the Company's working capital was mainly derived from cash of the Group's brewery, toll roads and water treatment operations as well as bank borrowings.

As at 31 December 2006, net current assets of the Group was HK\$29.09 billion. Current assets mainly comprised cash, trade and bills receivables, inventories and other receivables. The Group's ratio of provision for bad debts of trade and bills receivables and inventories were extremely low in the past, which represents the strong cash-generating ability of its assets. Current liabilities mainly comprised trade and bills payables, other payables and short-term loans. The Group's trade and bills receivables, other receivables, trade and bills payables and other payables are mainly denominated in Renminbi. Due to the gradual and steady appreciation in Renminbi against Hong Kong dollars, the Group will record exchange gains when translate the net assets of subsidiaries.

Cash and Cashflow

Currently, the Group's beers operation, toll roads and water treatment business generate large amount of cash flow annually. Disposal of non-core assets in 2006 also brought us a cash flow of over HK\$1.0 billion.

The Group mainly uses its cash for purchasing additional production facilities and equipment for its brewery operation, repayment of loans and general working capital expenditure. As refer to the consolidated cashflow statement, cash and cash equivalents of the Company amounted to HK\$2.77 billion as at 31 December 2006.

With solid and strong business backgrounds with stable operations, the Group is granted over HK\$500 million banking facilities from related banks for working capital to support any ad-hoc operational needs.

For the year 2006, the Group has utilised an aggregate sum of HK\$1.52 billion for investment in additional production facilities and equipments. In 2006, the Group paid back net bank and other borrowings an aggregate sum of approximately HK\$640 million.

Debts

As at 31 December 2006, the Group's outstanding bank and other borrowing was HK\$1.901 billion, decreased significantly by HK\$977 million compared with 2005. Outstanding amount with repayment terms less than one year amounts to HK\$1.3 billion. Renminbi denominated loans are equivalent to HK\$1.66 billion while the remaining loans are Hong Kong dollars denominated. As over 90% of the Group's income is settled by Renminbi, therefore, Renminbi denominated loans will not be exposed to exchange risk.

Capital Expenses and Contingent Liabilities

As at 31 December 2006, the Group's committed capital expenditure amounted to HK\$222 million, contingent liabilities amounted to HK\$418 million.

PROSPECTS AND STRATEGIES

The Group has completed the disposal of controlling interests in Wangfujing Department Stores Ltd, the business and assets structure has become more simple and clear as compared with before. In the future, the Group will put emphasis on investing and operating of infrastructure and public utilities, with consumer products business which mainly on beer operation as side segment, aiming to become a limited conglomerate corporation focus on urban utilities and infrastructure business.

EMPLOYEES

At the year end date, the Group employed approximately 28,600 employees for its principal business. The Group ensures that the level of remuneration for its employees is competitive in the market. The Group has adopted employee share options incentive plan, and granted share options to the key senior management staff. All staff in the group are entitled to statutory pension plans i.e. MPF in Hong Kong and Social Welfare Fund in the PRC.

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 2006.

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 2006.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors of the Company Dr. Lee Tung Hai, Leo (the Chairman of the Committee), Mr. Wang Xian Zhang and Mr. Wu Jiesi. 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 by the Audit Committee of the Company.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 15 June 2007 to Thursday, 21 June 2007 (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 for attending the forthcoming annual general meeting of the Company to be held on Thursday, 21 June 2007, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrar, Tengis Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 14 June 2007.

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) and the website of the Stock Exchange (www.hkex.com.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.

Executive Directors:

Yi Xi Qun; Zhang Hong Hai; Li Fu Cheng; Bai Jin Rong; Liu Kai; Guo Pu Jin; Zhou Si; E Meng; Zhao Chang Shan and Lei Zhen Gang.

Independent Non-Executive Directors:

Lau Hon Chuen, Ambrose; Lee Tung Hai, Leo; Wang Xian Zhang; Wu Jiesi; Robert A. Theleen

On behalf of the Board
Yi Xi Qun
Chairman

Hong Kong, 3 April 2007