

# 北京控股有限公司

## BEIJING ENTERPRISES HOLDINGS LIMITED

### 2012 Annual Results

#### Financial Highlights

	<u>For the year ended 31 December</u>		Change
	2012	2011	
	Audited	Audited	
	(HK\$'000)	(HK\$'000)	
Revenue	35,569,649	30,471,759	+16.7%
Gross Profit	7,362,045	6,734,075	+9.3%
Profit Attributable to Shareholders of the Company	3,270,383	2,775,880	+17.8%
Basic Earning Per Share (HK dollar)	2.87	2.44	+17.6%

(Hong Kong, 28 March 2013) – Beijing Enterprises Holdings Limited (the “Company” or the “Group”) (stock code: 392) today announced its results for the year ended 31 December 2012. The revenue of the Group was HK\$35.57 billion for 2012, increased by 16.7% as compared to last year. Profit attributable to shareholders of the Company was HK\$3.27 billion, increased by 17.8% as compared to 2011. The board of directors of the Company resolved to declare a final dividend of HK50 cents per share.

Profit attributable to shareholders of the Company contributed by each business segment during the year are set out as follows:

	<b>Profit attributable to shareholders of the Company HK\$'000</b>	<b>Proportion %</b>
Piped gas operation	2,787,827	79.5
Beer production operation	348,860	9.9
Sewage and water treatment operations	469,577	13.4
Expressway and toll road operations	<u>(99,330)</u>	<u>(2.8)</u>
Profit from major operations	3,506,934	100
Other operations and headquarter expenses	(616,029)	
Non-operating gains, net	<u>379,478</u>	
Profit attributable to shareholders of the Company	<u><u>3,270,383</u></u>	

## MANAGEMENT DISCUSSION AND ANALYSIS

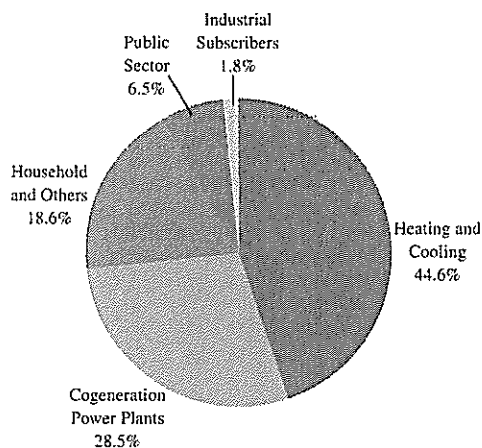
### I. Business Review

#### *Natural Gas Distribution Business*

Beijing Gas Group Company Limited (“Beijing Gas”) recorded a gas sales volume of 7.94 billion cubic metres in 2012, representing a year-on-year growth of 22.7%. Revenue amounted to HK\$20.64 billion, representing a year-on-year growth of 25.4%. Net profit amounted to HK\$1.09 billion, representing a year-on-year growth of 13%.

In 2012, there were approximately 374,000 new subscribers, of which 334,000 were household subscribers and 4,081 were public-sector subscribers. At the end of 2012, the total number of natural gas subscribers has reached 4,694,000 and pipelines in operation in Beijing increased to over 15,231 kilometres in length. During the year, heating boilers with a total capacity of 5,443 t/h steam were developed, with a loading of 430t/h steam in summer. Capital expenditure for basic pipeline and gateway stations infrastructure in Beijing amounted to HK\$5.47 billion.

The sales volume of Beijing Gas in 2012 was approximately 7.94 billion cubic metres, analysed as follows:



Beijing Gas reported a strong growth in sales last year, reflecting mainly significant increase in annual gas consumption by Huaneng Power Plant (華能電廠) after the commencement of its gas-fired generating units at the beginning of the year. Moreover, gas consumption for heating also increased substantially by 615 million cubic metres or 20.1% in tandem with the continuous growth in residential users as well as the lower-than-usual temperature in winter. Direct gas consumption by residential users increased by 17% as a result of the addition of new residential subscribers and the use of wall-type heaters.

During the year under review, Beijing Gas seized the opportunities presented by the Capital City's initiatives to cure the PM2.5 hazard and achieved notable results in safeguarding energy supply security for the Capital City, enhancing the coverage of the suburban market, penetrating the urban market for gas consumption and promoting the use of clean energy, in persistent application of the general principle of "adjusting structures and procuring growth."

First of all, the construction of main pipeline networks for gas sources and the urban area was expedited. Full connection for gas supply of the Yancun-Xishatun section of No. 3 Shaanxi-Beijing Pipeline, a section within Beijing city, took place during the year, as strong support was afforded to intra-city engineering construction in connection with No. 3 Shaanxi-Beijing Pipeline. Further improvements were made to the natural gas pipeline network system to facilitate better gas reception and distribution. Key construction works at the north-south section of the 6th West Ring Road, Xisha Tunmen Station and Xijimen Station were advanced in steady progress.

Development was focused on the suburban areas with enhanced market development efforts. Gas resources for the suburban areas have been further consolidated with the full inclusion of operations of acquired enterprises in Huairou, Miyun and Changping etc into our respective local subsidiaries. The official unveiling of Beijing Gas Yanqing Company signified the full coverage of all outer suburban districts and counties of Beijing by Beijing Gas and the formation of a basic setup for suburban market development. The business development model for compressed gas operations in suburban areas has been elucidated, as we endeavoured to increase supply to the suburban market to drive the full coverage of suburban areas with clean energy, leveraging the local strengths of suburban companies and synergies afforded by the “operation of three gases.”

Infrastructure investments for the year increased significantly by RMB1 billion over the previous year, making positive contributions in safeguarding gas supply and accelerating market development. The implementation of gas supply constructions at the four major Thermal Power Centres was advanced with increased pace. Phase II gas supply construction of Huaneng Power Plant (華能電廠) was fully completed. Connection for gas supply at the Southwest Thermal Power Centre (Caoqiao Thermal Power Plant) has commenced upon the completion of relevant construction works played an important role in the growth of annual gas consumption. Preliminary works for the Northeast and Northwest Thermal Power Centres and the reception facilities of the Datang Coal-to-Gas Conversion Project were progressing smoothly. The annual target coal-to-gas conversion of boilers has been met and exceeded.

Historically significant progress has been made in the vehicle gas market, with advances on all fronts such as production at gas sources, gas distribution, establishment of stations and the promotion of natural-gas vehicles, etc. Firstly, in a bid to lobby government adoption of policies relating to vehicle gas, we proactively offered to undertake related policy research and completed the “12th Five-Year Period” planning for vehicle gas development on behalf of the government, thereby fostering a favourable environment for vehicle gas development. Secondly, the construction of CNG and LNG gas sources were commenced in full scale. Meanwhile, Tongzhou Ciqu LNG Storage Station, the first LNG transfer station in Beijing, was completed and commenced to become the main source of gas supply for natural-gas public buses in Beijing during the 18th CPC National Congress. Thirdly, vigorous efforts were being made to promote the use of natural-gas vehicles, in connection with which a proposal for the promotion of natural-gas buses and taxis was formulated and published. Fourthly, the construction of natural-gas service stations was expedited. A vehicle gas company has been set up in joint venture with Sinopec and this joint venture has started natural-gas service station operations in cooperation with Beijing Public Transport (北京公交). Cooperation with Shunyi, Tongzhou, Daxing and other districts and counties has also been established, resulting in the completion and operation of a number of service stations. As at 31 December 2012, close to 20 service stations had been built and 1,000 natural-gas vehicles has been developed.

Breakthroughs have also been made in the distributive energy market for cooling-heating-power supply. Firstly, active efforts were made to strive for government adoption of policies relating to cooling-heating-power supply. Consequently, distributive energy of natural gas was classified as a priority sector at national level. Secondly, project company was established to expedite the development of such projects in Beijing, in connection with which a framework agreement was signed with the Haidian District Government for cooperation in energy projects located in the development area in northern Haidian. The target for the year, namely to complete 2, start construction of another 2 and further develop 3 projects, was completed, allowing us to stock up a number of cooling-heating-power supply projects.

Active efforts were made to advance projects in upstream resources. Meanwhile, positive developments of the Datang Coal-to-Gas Conversion Project have been reported, as the project is ready to supply gas to the Capital City following by a successful test run under large loading. Basic construction of the Wushenqi LNG Project has been completed, while the progress of non-conventional natural gas projects has been accelerated.

Investments in the urban gas business will be actively accelerated. As a matter of fact, Beijing Gas developed more gas projects outside Beijing than ever during the year under review, with three major regions of investment basically formed in Shandong, the Northeastern region and the periphery of Beijing. Meanwhile, through actively tracking and searching, a number of valuable investment projects have been stocked to provide a sound foundation for greater development of Beijing Gas in the future.

#### *Natural Gas Transmission Business*

PetroChina Beijing Natural Gas Pipeline Company Limited (中石油北京天然氣管道有限公司)(“PetroChina Beijing Pipeline Co.”), a company in which Beijing Gas holds 40% equity interests, achieved a gas transmission volume of 23.72 billion cubic meters in 2012, a year-on-year increase of 16.8%. Profit after taxation attributable to the Company amounted to HK\$1.7 billion, a year-on-year increase of 30.5%. The urban ancillary work in Beijing for No. 3 Shaanxi-Beijing Pipeline project, which stretches 86 km in total from the Liangxiang gas transmission station in the south, up to the Xishatun gas transmission station in the north, is close to completion. This section will increase the overall transmission capacity of the Shaanxi-Beijing Pipeline system after its completion in January 2013.

#### *Beer Business*

Beijing Yanjing Brewery Co., Ltd.(北京燕京啤酒有限公司) (“Yanjing Beer”) was confronted by the most challenging operating conditions of China’s beer industry in the past 10 years. National sales volume of Yanjing Beer was 5.404 million kilolitres, representing a year-on-year decrease of 1.8%. The decrease in sales was mainly due to the decrease in sales of particular enterprises. Revenue was HK\$14.44 billion, a year-on-year increase of 8%. It was mainly attributed to the product restructuring and the increase in sales of mid-high end products. Profit attributable to shareholders of the Company was approximately HK\$350 million, representing a year-on-year decrease of HK\$90 million or 20.5%. The decrease in profit was mainly attributed to the land compensation of

RMB110 million received by Hohhit City Company last year and the delay in receiving the land compensation of Gangzhou Company's relocation from the city to industrial park in the current year.

In 2012, China's beer industry was significantly affected by the macroeconomic conditions. As construction workers represent an important mass of consumers of beer, the decrease in the population of construction workers, in the wake of the close of the RMB4,000 billion fiscal stimulus, more stringent control over the real estate industry and reduced infrastructure construction work, have resulted in the decrease in beer consumption as compared to the past, with a low growth rate for the beer industry not seen in the past 20 years.

In response to such new trends and circumstances as slowing down of the economy of China, declining growth of beer consumption and rising production costs, Yanjing Beer was primarily engaged in structural adjustments in 2012 in three principal aspects, namely product structure adjustment, brand structure adjustment and market structure adjustment. A great deal of work has been done in relation to these core tasks and notable results have been achieved.

First of all, we conducted product structure adjustment. On the one hand, members of Yanjing Beer, seized the opportunities to adjust the prices of popular beers. As a principle, we are proactive in raising the prices of leading products in markets where we have the advantage, while in disadvantaged markets we raise prices only when the dominant brands have done so. A number of foreign enterprises have made price adjustments to their leading products in first half of 2012. On the other hand, we strengthened our sales efforts for medium and high end products. A diversified product line featuring high end flagship products like Yanjing Chunsheng (燕京純生) and Yanjing Wuchun (燕京無醇), medium end flagship products like Yanjing Draught Beer (燕京鮮啤) and affordable flagship products like Yanjing Refreshing Beer (燕京清爽啤酒) was established. Through efforts in these two areas, the per kilolitre price was improved, thereby lifting revenue from our core business. In 2012, the sales volume of products with revenue per kilolitre below RMB2,500 was 3.94 million kilolitres, a decrease of 0.33 million kilolitres or 7.7% from the corresponding period of the previous year; while sales volume of products with revenue per kilolitres above RMB2,500 was 1.46 million kilolitres, an increase of 0.22 million kilolitres or 18% from the corresponding period of the previous year. Generally, the ratio of medium and high end products reached 27%, an increase of 4 percentage points from the same period of the previous year.

In terms of brand structure adjustment, the Company continued to implement the "1+3" branding strategy and increased the concentration of "1+3" brands, establishing "Yanjing" as the national core brand and Liquan (漓泉), Huiquan (惠泉) and Xuelu (雪鹿) as the regional strong brands. The emphasis in 2012 was mainly focus on certain enterprises, such as the newly acquired subsidiaries, Henan Yueshan (河南月山) and Zhumadian (駐馬店), as well as the Shandong subsidiaries which have greater sales volume of local brands. Sales efforts of beer under Yanjing brand were intensified to enhance the influence of Yanjing brand so as to curtail the sales volume of other weaker regional brands.

In order to complement the promotion of the main Yanjing brand in the national market, the Company increased its advertising efforts with a series of marketing campaigns to promote the popularity and reputation of the Yanjing brand. Through such endeavours, Yanjing Beer's brand value reached RMB36.594 billion, representing an increase of 30.15% from last year. Sales volume of the brands included in the Company's "1+3" brands was 4.83 million kilolitres last year, representing a concentration of over 90%. Sales volume of the Yanjing Beer reached 3.54 million kilolitres, an increase of 0.16 million kilolitres over the corresponding period of the previous year, increasing at a growth rate of 4.73% and with a major brand concentration of 66%.

Lastly, we also carried out market structure adjustment. Since market growth for China's beer industry is shifting from the eastern and coastal to the central and western regions, Yanjing Beer is also shifting the focus of its investment from the eastern to central and western regions, progressively increasing its investment and marketing efforts in the central and western markets. During the year, subsidiaries in Yunnan and Sichuan underwent renovation or expansion from time to time. Investment projects currently under construction include: (1) a newly built project in Alar, Xinjiang, which is currently in trial run; (2) the relocation of Xuelu Beer (Fengzhen) Co. Ltd. (雪鹿啤酒(豐鎮)有限責任公司) from urban areas to industrial parks; (3) the relocation of 燕京啤酒(金川)有限責任公司 (Yanjing Beer (Jinchuan) Co. Ltd.) out of urban areas into industrial parks; (4) a newly built project in Guizhou; (5) the technological upgrade project of Xiandu (仙都); and (6) the expansion project of Yanjing Beer (Zhumadian) Co. Ltd.(燕京啤酒(駐馬店)有限公司) to increase its capacity by 100,000 tons. All projects mentioned above are scheduled for commissioning in mid to late 2013. Meanwhile, in order to fulfil the funding requirements for the expansions and to reduce financial costs, a resolution was passed in December at the board meeting and the general meeting of Yanjing Beer to raise funds amounting to approximately RMB1.64 billion by way of public issue of shares, to finance the new construction, renovation and expansion projects in 9 companies in Xinjiang, Sichuan, and Yunnan, etc.

#### *Sewage and Water Treatment Operations*

The water treatment business of the Group carried out through Beijing Enterprises Water Group Limited ("BE Water") (stock code: 371) continued to report a rapid development in 2012. During the year, BE Water continued to adopt the multi-module development strategy, with an addition of 1.7655 million tons/day in water processing capacity.

As of 31 December 2012, in the 19 provinces across the country, BE Water owned a total of 155 water plants of different categories, including 120 sewage treatment plants, 30 water treatment plants, 4 reclaimed water plants and 1 desalination plant. Total completed operating treatment capacity was 7.29 million tons/day, comprising sewage processing capacity of 4.78 million tons/day, water supply capacity of 2.13 million tons/day and reclaimed water capacity of 0.38 million tons/day. The capacity of water plants that had not yet commenced operation was 3.2 million tons/day, comprising sewage processing capacity of 1.81 million tons/day, water supply capacity of 1.23 million tons/day and reclaimed water capacity of 0.11 million tons/day and desalination capacity of 50,000

tons/day. The actual treatment volume was 1.611 billion tons in 2012, representing a growth of 42.8% over last year. During the year, the revenue of construction services of BE Water had a more rapid growth, eliminating the effects of the increased head office expense. Revenue from the operation of BE water as a whole was HK\$3.73 billion, and profit attributable to its shareholders was HK\$750 million, representing a growth of 25% over last year. Net profit for the year attributable to the Company was HK\$3.31 million, representing a growth of 25% over last year. The relative faster profit growth in 2012 was primarily driven by the substantial increase in revenue from processing fees after the new sewage treatment plants were put into operation and the rapid growth of the profits of construction services.

As for water purification business, net profit of water concession of Beijing No. 9 Water Treatment Plant attributable to the Group was approximately HK\$139 million (2011: HK\$146 million).

#### *Toll Roads Business*

The toll charging traffic volume of the Beijing Capital Airport Expressway in 2012 was 25.17 million (2011: 26.34 million) vehicles. The toll revenue amounted to HK\$150 million, representing a year-on-year decrease of 36%. Net loss attributable to shareholders of the Company was HK\$99.33 million (2011: Profit of HK\$6.27 million). The operation of Shenzhen Shiguan Road was terminated during the year and discussions with the Shenzhen government regarding the arrangements of shareholder settlement are currently underway.

Following the Company's formal disposal of 96% equity interests in Beijing Capital Airport Expressway to Beijing Enterprises Group Company Limited, the parent company, at a consideration of RMB1.114 billion subsequent to the balance sheet date, the Company will cease to operate any toll road business.

#### *Solid Waste Treatment Business*

After several years of cultivation and development, the Company has commenced the establishment and operation of 4 solid waste treatment projects, including (1) the Guodingshan domestic waste to energy project in Wuhan with a processing capacity of 1,500 tons/day equipped with 3 circulating fluidized bed combustion boilers fuelled by waste and 2 pure condensing power units. The project has a concession term of 25 years, and commenced commercial operation at the end of September 2012; (2) a hazardous waste treatment centre in Hengyang with a designed annual capacity of 35,000 tons and a concession term of 25 years. The project is currently in trial run; (3) the Shuangqi domestic waste to energy project in Harbin with a designed total capacity of 1,600 tons/day. The project includes renovation of the fluidized bed process with a capacity of 400 tons/day and expansion of the chain-grate stoker combustion process with a capacity of 1,200 tons/day. The project was invested and constructed on a BOT basis and has a concession term for 30 years. The upgrade project is scheduled to complete testing by the end of April 2013; (4) the Wenchang waste to energy project in Hainan Island, which has passed its trial run. Volume of waste fed into the furnace throughout the year was 25,866 tons, from which 4.86 million of units of electricity was generated, out of which 3.58 million units was supplied to the power grid. Hazard-free production was maintained throughout the year.



## II. Prospects

### *Natural Gas Distribution Business*

Beijing Gas will continue to penetrate the urban market. We will procure the implementation of the Beijing Government's policy for curing PM2.5 hazards and enhance the development of coal-to-gas boiler projects to complement coal-to-gas projects in urban areas, striving to achieve the goal of a coal-free No. 6 District by 2014. Further sub-division will be made in respect of mature markets, with an eye for quality customers in the restaurant, public service and construction sectors. Increased efforts will be made to identify potential customers in various functional parks and zones, as well as to direct and optimise the manner of energy consumption by users, in close tandem with urban development planning and functional positioning. Development of the suburban market will be expedited to drive gas sales at suburban counties for a higher-than-average annual growth rate. The implementation of key construction work will be expedited, and the subsequent phases of the 6th West Ring Road Project will be actively advanced to secure gas supply. Intra-city ancillary constructions for the No. 4 Shaanxi Pipeline, as well as the construction of intra-city reception facilities for the Datang Coal-to-Gas Project, will be properly conducted. The construction of the thermal power centres at Gaoantun and Gaojing, together with ancillary gas pipelines and facilities, will also be accelerated to ensure completion and connection for gas supply by the end of 2013. The construction of ancillary pipelines for the Tangshan LNG Project will be completed. The coal-to-gas conversion of the coal-fired boiler with a capacity of over 2,590 tonnes of steam and 20 tonnes/hour will be completed with full force. Vigorous efforts will be made to develop urban gas markets in other regions of China. In line with the strategic setup of Beijing Gas, focused efforts will be made to tap regional urban gas markets along the Shaanxi-Beijing Line and in the Northeastern, Northern and Bohai Rim regions, with a view to forming a greater regional market comprising mutually supportive and synergistic sub-segments.

In connection with the penetration of the Beijing market for gas distribution, we will first and foremost seek to expedite development of the distributive energy market for cooling-heating-power supply through natural gas. As our market development principal, the project company established will step up with the implementation of relevant supporting policies. High-end exemplary projects will be properly conducted with the Beijing market as the primary target, as focused efforts will be made to advance projects in zones and parks such as Beijing Technology Business Zone, the northern Haidian District and Beijing-Bohai Rim High-end Headquarter Base, etc, in order to enhance our ability to compete and control and assure our dominance in the Beijing market.

Secondly, the vehicle gas market will be developed with vigorous efforts. As the principal for market development, Luyuanda (綠源達公司) will step up with the construction of the LNG-CNG supply system, to create a one-stop supply chain for vehicle gas comprising production, transportation and sales. The construction of service stations will also be accelerated — the construction of LNG plants, transfer stations and CNG main stations will be properly conducted and the distribution of service stations will be further improved to reassure our stronghold of the high-end market. Cooperation with district/county governments and Sinopec will be enhanced to facilitate faster tapping of the

market utilising all forms of resources. We will continue to strengthen our marketing efforts, procuring the implementation of projects for the use of natural gas in buses and taxis, while making focused efforts to seek breakthroughs for the use of natural gas vehicles in the sectors of logistics and long-distance passenger transport, etc, with the aim of procuring the use of natural gas in 10,000 vehicles by the end of 2013. Operations should be enhanced — a complete operation and service regime covering the entire CNG and LNG business chain of production, transportation and sales will be formed as soon as practicable, while our ability to safeguard and maintain the standard of operating services for vehicle gas will also be enhanced to ensure effective operation of the business chain.

#### *Natural Gas Transmission Business*

With the full connection and operation of No. 3 Shaanxi-Beijing Pipeline, the Shaanxi-Beijing pipeline system currently boasts an integrated annual gas transmission capacity of over 35.0 billion cubic metres, which will be sufficient to meet the growth in demand for the next two years. Preliminary ancillary construction for No. 4 Shaanxi-Beijing Pipeline has started and connection for gas supply is expected to take place by the end of 2014, which will provide assurance for supply requirements in the natural gas development of Beijing and the Northern regions.

#### *Beer Business*

The overall target set out in the “12th Five Year Period” of Yanjing Beer remains at 8 million kilolitres, aiming to enter the world’s beer industry as one of the top six brands. The targeted beer sales volume of Yanjing Beer for 2013 is 6 million kilolitres. In 2013, Yanjing Beer will remain focused on the adjustment of three principal structures: namely the product structure, the brand structure and the market structure. The most important priority for the adjustment of the product structure would be the adjustment of the price regime. In the coming year, Yanjing Beer will endeavour to increase sales of high-end beer, and future development will be focused on canned beer. As canned beer currently accounts for a relatively low percentage of the overall beer market in China, opportunities presented by this trend should be well seized. Meanwhile, the designs, price mechanisms and images of products should be standardised in the process of product structure adjustment. In terms of brand structure adjustment, we will remain committed to the “1+3” branding strategy and continue to enhance the level of concentration on the “1+3” branding. In terms of market structure adjustment, we will continue to increase investment in the mid-western market in persistent implementation of our policy of committing more resources to better-performing regions, so as to further enlarge the market share of Yanjing Beer.

### **III. Financial Review**

#### *Revenue*

The revenue of the Group in 2012 was approximately HK\$35.57 billion, increased by 16.7% compared with the revenue of HK\$30.47 billion in 2011. This was mainly driven by the stable growth of Beijing Gas’ revenue and Yanjing Beer’s revenue. Other business contributed an aggregate of not more than 3% of the total revenue.

### *Cost of Sales*

Cost of sales increased by 19% to HK\$28.21 billion. The cost of sales for gas distribution business included purchase cost of natural gas as well as depreciation of piped line network. Cost of sales of beer operations includes raw materials, wage expenses and absorption of certain direct overhead.

### *Gross Profit Margin*

Overall gross profit margin was 20.7% as compared to 22.1% in 2011. The decrease in gross profit margin was mainly attributable to the increase in raw materials costs and energy charges, resulting in the higher cost of sales as a whole. The results of toll roads from profit to loss also lowered the gross profit margin as a whole.

### *Gain on Disposal of Interests in Subsidiaries*

During 2012, the Group disposed of its 96% interest in Beijing Capital Expressway Development Co., Ltd. with a gain of HK\$602 million.

### *Other Income*

Other income was mainly comprised of government grants amounted to HK\$210 million, transfer of pipeline networks amounted to HK\$120 million and bank interest income amounted to HK\$250 million and so on.

### *Selling and Distribution Expenses*

Selling and distribution costs of the Group in 2012 increased by 8.3% to HK\$2.38 billion and was mainly due to the promotion of natural gas for cars by Beijing Gas also incurred higher selling costs and many new breweries outside Beijing has commenced operation and the launching of more new products during the year, recruitment of a large number of new sales staff and higher increase in marketing expenditure.

### *Administration Expenses*

Administration expenses of the Group in 2012 were HK\$3.01 billion, increased by 23.3% comparing to last year. The increase in administration expenses was mainly due to the continuing expansion of the scale of gas distribution business and beer business and increase in related wages and fixed costs.

### *Finance Costs*

Finance costs of the Group in 2012 was HK\$997 million, increased by 54.1% comparing to HK\$647 million in 2011, which was mainly due to the increase in the issuance of Guaranteed senior notes of US\$0.8 billion in April 2012 and the calculation of last year annual interest expenses of Guaranteed senior notes of US\$1 billion.

### *Share of Profits and Losses of Jointly-Controlled Entities*

Share of profits and losses of jointly controlled entities in last year mainly represents the 40% share of the profit after taxation of PetroChina Beijing Pipeline Co.. PetroChina Beijing Pipeline Co. is 40% owned by Beijing Gas and 60% owned by Kunlun Energy. The primary business of PetroChina Beijing Pipeline Co. is natural gas transmission which supplies natural gas to city gas operators along the three long piped lines with an approximate total length of 3,000 kilometers owned by PetroChina Beijing Pipeline Co..

### *Share of Profits and Losses of Associates*

During 2012, PetroChina Beijing Pipeline Co. became our associate. The Group shared 40% of its net profits after taxation, amounted to HK\$1.7 billion. The Group's share of net profits of BE Water amounted to HK\$331 million and share of net loss of Beijing Development (Hong Kong) Limited ("Beijing Development") amounted to HK\$8.19 million in 2012.

### *Tax*

After deducting the share of profits and losses of jointly-controlled entities and associates, the effective income tax rate is 26.4%, higher than that of 22.7% in last year. The increase in effective income tax rate in 2012 was mainly because most of the Guaranteed senior notes interest expenses are non tax-deductible for the year.

### *Profit Attributable to Shareholders of the Company*

The profit attributable to the shareholders of the Company for the year ended 31 December 2012 was HK\$3.27 billion (2011: HK\$2.776 billion).

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

### *Non-current assets*

#### *Property, plant and equipment and capital expenditure*

The net book value of property, plant and equipment increased by HK\$6.5 billion. During 2012, Beijing Gas incurred a capital expenditure of approximately HK\$5.47 billion in gas distribution business. The capital expenditure of Yanjing Beer was approximately HK\$2.3 billion.

### *Interests in associates*

During 2012, the Group's additional capital contribution to PetroChina Beijing Pipeline Co. and Datang Coal-to-Gas amounted to HK\$940 million and HK\$490 million respectively.

The increased balances attributed to the net of the share of net profits in 2012 of PetroChina Beijing Pipeline Co. and BE Water and the capital contribution to PetroChina Beijing Pipeline Co. less the amounts of dividend distributed.

#### *Receivables under service concession arrangements*

The substantial decrease in the balance by HK\$1.08 billion was mainly attributable to the reclassification of the concession assets of Beijing No. 9 Water Treatment Plant as non-current assets held for sale.

#### *Prepayments, deposits and other receivables*

The substantial increase in the balance by HK\$709 million was mainly attributable to the receivables from the disposal of Beijing Capital Expressway Development Co., Ltd. amounting to HK\$660 million.

#### Current assets

##### *Trade and bills receivables*

The substantial increase in the balance by HK\$820 million was mainly attributable to the significant increase in the volume of gas purchased by the power plant users and heat users of Beijing Gas near the year end.

##### *Prepayments, deposits and other receivables*

The substantial increase in the balance by HK\$1.68 billion was mainly attributable to the increase in prepaid gas fee amounted to HK\$911 million to meet the demands of the peak season for gas consumption during January and February 2013, and was also due to the addition of new receivables from the disposal of Beijing Capital Airport Expressway amounting to HK\$440 million and prepayments made for the purchase of certain assets.

#### Cash and Bank Borrowings

As at 31 December 2012, cash and bank deposits held by the Group amounted to HK\$12.3 billion. At the end of the reporting period, the Group had a strong net working capital of HK\$6.96 billion. The Group will maintain sufficient banking facilities for its working capital requirement and has sufficient cash resources to finance its capital expenditures in the foreseeable future.

The Group's total borrowings amounted to HK\$26.62 billion as at 31 December 2012, which mainly comprised three Guaranteed senior notes totalling of US\$1.8 billion, five year syndicated loans amounting to HK\$3 billion and convertible bonds amounting to HK\$2.26 billion with the rest working capital loans of HK\$7.62 billion denominated in Renminbi and Hong Kong dollars. Around 28.3% of the bank loans were denominated in Hong Kong dollars with the rest mainly in Renminbi. The Group was in a net debt position of HK\$14.32 billion as at 31 December 2012.

## Non-current liabilities

### *Guaranteed senior notes*

The increase in the balance by HK\$6.15 billion was mainly attributable to the issue of 10-year guaranteed senior notes with a principal amount of approximately US\$800 million in the first half of the year. Such notes carry a coupon interest rate of 4.5% per annum.

### *Liability component of convertible bonds*

The decrease in the balance by HK\$450 million was mainly attributable to the partial exercise of the Renminbi convertible bonds of Yanjing Beer for conversion into the issued share capital of Yanjing Beer and the partial repurchase of convertible bond from Yanjing Beer.

## Current liabilities

### *Trade and bills payables*

The increase in the balance by HK\$710 million was mainly attributable to the larger volume of purchases made by Beijing Gas and Yanjing Beer in line with their ongoing business expansion.

### *Other payables and accruals*

The substantial increase in the balance by HK\$2.521 billion was mainly attributable to the significant increase in the balance of construction in progress as a result of the acceleration of a number of pipeline construction projects in Beijing in the fourth quarter by Beijing Gas.

## *Liquidity and Capital Resources*

The downstream gas distribution business and brewery business has been constantly contributing to the operating cash flow of the Group and significantly increased its liquidity. During the year, there was no significant movement in the issued capital of the Company. As at the end of 2012, the issued capital of the Company amounted to 1,137,571,000 shares and the shareholders' equity grew to HK\$39.61 billion. Total equity was HK\$47.64 billion comparing to HK\$45.2 billion as at the end of 2011.

Given the primarily cash nature business of gas distribution, 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. The Group will continue its stable dividend distribution policy and at least 30% of its recurring earnings per share will be used for dividend distribution.

**CONSOLIDATED INCOME STATEMENT**  
*Year ended 31 December 2012*

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
REVENUE	<b>35,569,649</b>	30,471,759
Cost of sales	<b>(28,207,604)</b>	(23,737,684)
Gross profit	<b>7,362,045</b>	6,734,075
Gain on disposal of interests in subsidiaries	<b>601,976</b>	–
Other income and gains, net	<b>883,508</b>	872,925
Selling and distribution expenses	<b>(2,382,424)</b>	(2,200,075)
Administrative expenses	<b>(3,010,588)</b>	(2,442,252)
Fair value gain on the derivative component of convertible bonds	<b>13,973</b>	239,130
Other operating expenses, net	<b>(319,085)</b>	17,962
<b>PROFIT FROM OPERATING ACTIVITIES</b>	<b>3,149,405</b>	3,221,765
Finance costs	<b>(996,636)</b>	(646,643)
Share of profits and losses of:		
Jointly-controlled entities	<b>(343)</b>	1,300,189
Associates	<b>2,049,495</b>	373,392
<b>PROFIT BEFORE TAX</b>	<b>4,201,921</b>	4,248,703
Income tax	<b>(568,953)</b>	(583,456)
<b>PROFIT FOR THE YEAR</b>	<b>3,632,968</b>	3,665,247
<b>ATTRIBUTABLE TO:</b>		
Shareholders of the Company	<b>3,270,383</b>	2,775,880
Non-controlling interests	<b>362,585</b>	889,367
	<b>3,632,968</b>	3,665,247
<b>EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>		
Basic	<b>HK\$2.87</b>	HK\$2.44
Diluted	<b>HK\$2.81</b>	HK\$2.38

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 December 2012

	2012 HK\$'000	2011 HK\$'000
<b>ASSETS</b>		
Non-current assets:		
Property, plant and equipment	32,805,468	26,317,184
Investment properties	665,144	681,096
Prepaid land premiums	1,640,194	1,275,264
Goodwill	7,549,326	7,453,561
Operating concessions	419,238	1,225,011
Other intangible assets	19,650	23,681
Investments in jointly-controlled entities	136,706	210,878
Investments in associates	15,120,306	12,573,986
Amounts due from contract customers	769,559	566,032
Receivables under service concession arrangements	505,248	1,588,046
Prepayments, deposits and other receivables	1,139,600	430,583
Available-for-sale investments	883,170	917,412
Deferred tax assets	562,256	594,721
	<hr/>	<hr/>
Total non-current assets	62,215,865	53,857,455
Current assets:		
Prepaid land premiums	43,643	30,165
Property held for sale	28,511	27,611
Inventories	5,913,959	5,285,611
Amounts due from contract customers	16,441	46,631
Receivables under service concession arrangements	1,007,375	1,003,260
Trade and bills receivables	2,403,154	1,586,438
Prepayments, deposits and other receivables	3,992,633	2,313,196
Other taxes recoverable	203,152	588,996
Restricted cash and pledged deposits	60,953	36,631
Cash and cash equivalents	12,236,964	12,579,439
	<hr/>	<hr/>
	25,906,785	23,497,978
Non-current asset and assets of disposal groups classified as held for sale	1,385,301	–
	<hr/>	<hr/>
Total current assets	27,292,086	23,497,978
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>89,507,951</b>	<b>77,355,433</b>



	2012 HK\$'000	2011 HK\$'000
<b>EQUITY AND LIABILITIES</b>		
Equity attributable to shareholders of the Company		
Issued capital	113,757	113,757
Reserves	38,923,422	36,984,003
Proposed final dividend	572,286	511,907
	<u>39,609,465</u>	<u>37,609,667</u>
Non-controlling interests	8,030,221	7,587,062
	<u>47,639,686</u>	<u>45,196,729</u>
Non-current liabilities:		
Bank and other borrowings	4,224,787	4,070,115
Guaranteed senior notes	13,853,502	7,699,084
Liability component of convertible bonds	2,259,313	2,711,835
Derivative component of convertible bonds	9,428	61,783
Defined benefit plans	544,467	522,390
Provision for major overhauls	29,414	196,157
Other non-current liabilities	244,060	239,320
Deferred tax liabilities	375,979	371,353
	<u>21,540,950</u>	<u>15,872,037</u>
Current liabilities:		
Trade and bills payables	2,616,491	1,904,594
Amounts due to contract customers	177,874	123,822
Receipts in advance	3,418,479	3,446,916
Other payables and accruals	6,951,842	4,430,794
Income tax payables	504,624	342,313
Other taxes payables	240,517	333,277
Bank and other borrowings	6,276,941	5,704,951
	<u>20,186,768</u>	<u>16,286,667</u>
Liabilities directly associated with the assets of disposal groups classified as held for sale	140,547	–
	<u>20,327,315</u>	<u>16,286,667</u>
<b>TOTAL LIABILITIES</b>	<u><b>41,868,265</b></u>	<u><b>32,158,704</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>89,507,951</b></u>	<u><b>77,355,433</b></u>

Beijing Enterprises Holdings Limited  
Segment analysis on major enterprises

	2012		2011	
	Revenue	Net profit attributable to shareholders	Revenue	Net profit attributable to shareholders
	HKD'000	HKD'000	HKD'000	HKD'000
<i>Piped Gas Operation</i>				
Beijing Gas	20,644,716	2,787,827	16,460,277	2,265,506
<i>Brewery Operation</i>				
Yanjing Beer	14,442,726	348,860	13,373,398	441,889
<i>Sewage and Water Treatment Operations</i>				
Water Treatment Concession	185,549	138,577	195,693	146,023
BE Water Group	-	331,000	-	265,020
	185,549	469,577	195,693	411,043
<i>Expressway and Toll Road Operations</i>	150,022	(99,330)	288,401	(16,038)
<i>Other Operations</i>				
Other Enterprises	146,636	26,856	153,990	33,199
Headquarter and other expenses	-	(642,885)	-	(442,049)
	146,636	(616,029)	153,990	(408,850)
	<u>35,569,649</u>	<u>2,890,905</u>	<u>30,471,759</u>	<u>2,693,550</u>
Exceptional Items, net	(1)	<u>379,478</u>		<u>82,330</u>
<b>Total</b>		<u><u>3,270,383</u></u>		<u><u>2,775,880</u></u>

(1) Amount mainly represented the net of gain on disposal of Airport Expressway of HKD518 million and provisions and fair value adjustments of certain assets totalling of HKD138 million.

\* \* \* \* \*

**About Beijing Enterprises Holdings Limited (0392.HK)**

*Beijing Enterprises Holdings Limited (“BEHL”) is the sole overseas listed conglomerate controlled by the Beijing Municipal Government for channeling capital, technology and management expertise from international markets into Beijing’s development priorities. After a series of divestitures, BEHL has successfully streamlined its assets portfolio and transformed itself into a diversified conglomerate with focus on infrastructure, utilities and consumer products.*

*Its core assets include Beijing Gas Group Company Limited (the largest integrated citywide natural gas distributor in the PRC), Beijing Yanjing Brewery Co., Ltd., Beijing Enterprises Water Group Limited (0371.HK), Beijing Number 9 Water Treatment Plant concession, and Capital Airport Expressway, etc.*

*Currently, the core assets held by BEHL include: 100% interest in Beijing Gas Group Company Limited (the largest integrated citywide natural gas distributor in the PRC); 45.98% interest in the A Share listed Yanjing Brewery Stock Company Limited (000729.Shenzhen); 48.97% interest in Beijing Enterprises Water Group Limited (0371.HK) which is BEHL’s major vehicle for investing in regional water projects in mainland China; and 54.71% interest in Beijing Development (Hong Kong) Limited (0154.HK) which is developing solid waste treatment business in the P.R.C.*

For more information, please visit the Group’s website at: <http://www.behl.com.hk>

**Enquiry**

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