北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 392)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

- Revenue for the year amounted to approximately HK$67.76 billion, representing an increase of 17.8% over last year.
- Profit attributable to shareholders of the Company amounted to approximately HK$7.58 billion, representing an increase of 10.13% over last year.
- Basic and diluted earnings per share amounted to HK$6, representing an increase of 10.1% over last year.
- A final dividend of HK73 cents per share is proposed for 2018.

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 2018, together with the comparative figures for the previous year. The revenue of the Group was approximately HK$67.76 billion for 2018, representing an increase of 17.8% as compared to last year. Profit attributable to shareholders of the Company was approximately HK$7.58 billion, representing an increase of 10.13% as compared to 2017.

Profit contributed by each business segment during the year are set out as follows:

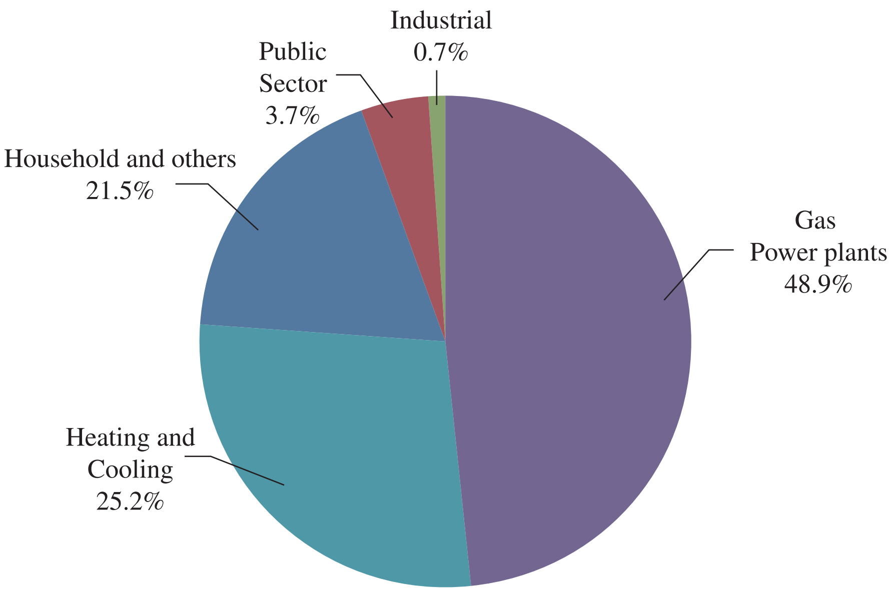
	Profit of the Company	Proportion
	HK$'000	*%*
Piped gas operation	6,864,526	74.5
Beer operation	221,930	2.4
Water and environmental operations	1,897,158	20.6
Solid waste treatment operation	226,241	2.5
Profit from major operations	9,209,855	100
Corporate and others	(1,273,214)	
Profit of the Company	7,936,641	
Profit attributable to non-controlling interests	(359,258)	
Profit attributable to shareholders of the Company	7,577,383	

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Natural Gas Distribution Business of Beijing Gas

Beijing Gas Group Company Limited ("Beijing Gas") recorded a revenue of HK$48.65 billion in 2018, representing a year-on-year increase of 22.0%; profit before taxation from principal businesses (including natural gas distribution business, natural gas transmission business and VCNG of Rosneft) was HK$5.73 billion, representing a year-on-year increase of 12.9%. Sustainable development of each business segment was achieved through their relentless efforts. As affected by several factors such as increase in power plant gas consumption, increase in the usage of boilers and rural "coal to gas" conversion projects, the gas sales volume reached 16.83 billion cubic meters for the year, representing a year-on-year increase of 15.4%. An analysis by subscriber sector is shown as follows:



In 2018, Beijing Gas developed 190,000 new household subscribers and 8,611 new public sector subscribers. New heating boiler subscribers with a total capacity of 5,241 t/h were developed. As at 31 December 2018, Beijing Gas had a total of approximately 6.18 million piped gas subscribers in Beijing and approximately 23,500 kilometers of natural gas pipelines in operation. Beijing Gas's capital expenditure for the year amounted to approximately HK$4.61 billion.

Beijing Gas steadily propelled the strategic business in the mid-stream market in 2018, actively facilitated the investment and construction of Tangshan LNG storage tank phase II project to build an important strategic resource receiving base. In the downstream market, Beijing Gas continued to promote the blue-sky protection tasks. For the entire year, it completed the conversion of rural "coal to gas" development of about 24,600 households in 57 villages, built 705 kilometers of pipeline network, 89 pressure regulating stations (tanks) and 3 LNG stations, totaling 92 stations. Beijing Gas also accelerated the investment and construction of intelligence gas project of Beijing sub-center, focused on the coordinated development of Beijing, Tianjin and Hebei Province, and rooted the concept of comprehensive energy services and intelligence gas in the energy construction system of Xiong'an New District, thereby laying a foundation for participating in the construction of the New District. In the markets outside Beijing, Beijing Gas successfully acquired 60% controlling interests in Tangshan Natural Gas Company and successfully acquired the interests in the inter-provincial pipeline network construction project in Heilongjiang.

Natural Gas Transmission Business

PetroChina Beijing Gas Pipeline Co., Ltd. ("PetroChina Beijing Pipeline Co.") recorded a gas transmission volume of 49.4 billion cubic meters in 2018, representing a year-on-year growth of 27.9% As a result of the adjustment of the inter-provincial natural gas pipeline transmission pricing method effective from 1 September 2017, Beijing Gas's share of net profit after taxation, through its 40% equity interests in PetroChina Beijing Pipeline Co., decreased by 26.6% to HK$1.67 billion. The capital expenditure of PetroChina Beijing Pipeline Co. for the year was HK$3.05 billion.

VCNG of Rosneft

The PJSC Verkhnechonskneftegaz ("VCNG") project of Rosneft Oil Company has become a new source of profit for the Group since the second half of 2017. VCNG achieved its petroleum sales of 8.18 million tons in 2018. Beijing Gas shared a net profit after tax of HK$1.41 billion through its 20% equity interest in VCNG.

China Gas

China Gas Holdings Limited ("China Gas", stock code: 384) achieved a profit attributable to the Group of HK$1.7 billion in 2018, representing a year-on-year increase of 22.1%. During the six months ended 30 September 2018, China Gas achieved a sales volume of 10.98 billion cubic meters in natural gas, representing a year-on-year increase of 33.1%. It achieved a sales volume of 1.958 million tons in LPG, representing a year-on-year increase of 1.0%. Approximately 2.535 million households were newly connected and the cumulative number of households connected reached 27.105 million as at 30 September 2018.

Beer Business

In 2018, Beijing Yanjing Brewery Co., Ltd. ("Yanjing Beer") actively tackled the operating pressure it faced, adapted itself to consumption upgrading, expanded business thinkings, therefore maintaining a stable and healthy development. Yanjing Beer continued to optimise its product structure, with structural price increases for its leading products during the year. In conforming to the new consumption trend, it expanded the supply of personalised high-end products, with the profitability of sales per ton enhanced.

In 2018, as affected by continuous industry adjustments and sustained heavy rains in the southern regions in summer, Yanjing Beer recorded a sales volume of 3.92 million kilolitres, of which, the sales volume of Yanjing main brand was 2.73 million kilolitres, sales volume of "1+3" brand was 3.65 million kilolitres. The revenue that Yanjing Beer recorded was HK$12.37 billion during the year. Its profit before tax was HK$410 million. The capital expenditure of Yanjing Beer for the year was approximately HK$613 million.

Water and Environmental Business

Beijing Enterprises Water Group Limited ("BE Water", stock code: 371), under the strategic goal of "building a dual platform of asset management and operation management", it continued to expand and strengthen the two core businesses of urban water services and water environment comprehensive management. BE Water actively studied and implemented the asset-light operation model of water environment projects to improve the investment quality and efficiency of its own funds. This company's operating revenue increased by 16.1% to HK$24.6 billion due to operating income increase from integrated treatment projects and water treatment services, and profit attributable to shareholders of the associate increased by 20% to HK$4.47 billion. The net profit attributable to the Group was HK$1.9 billion, a year-on-year increase of 17.4%.

As at 31 December 2018, BE Water already participated in 937 water plants which are or will be in operation, including 771 sewage treatment plants, 139 water distribution plants, 25 reclaimed water plants and 2 seawater desalination plants, with a total designed capacity of 36.82 million tons/day. The net increase in daily designed capacity for the year was 5.437 million tons/day.

Solid Waste Treatment Business

At the end of the 2018, the solid waste treatment business segment of the Group had realised a waste incineration and power generation integrated treatment capacity of 25,288 tons/day and hazardous waste treatment capacity of 115,000 tons/year. During the year, EEW Energy from Waste GmbH ("EEW GmbH") achieved an operating revenue of HK$5.12 billion, representing a year-on-year increase of 6.6%. Beijing Enterprises Environment Group Limited ("BE Environment", stock code: 154) and Beijing Enterprises Holdings Environment Technology Co., Ltd ("BEHET") together achieved a total operating revenue of HK$1.52 billion and profit attributable to shareholders of the Group of HK$158 million. The capital expenditure of solid waste related business (domestically and overseas) for the year amounted to approximately HK$1.35 billion.

In 2018, EEW GmbH accomplished a waste treatment volume of 4.705 million tons, sales of electricity of 1.699 billion KWH, sales of heat of 775 million KWH and sales of steam of 1.875 billion KWH. Regular technical application and operation management connection with EEW GmbH were carried out for domestic projects to improve the quality of project operation and construction services. The domestic solid waste treatment business of the Group in China completed a waste treatment volume of 4.19 million tons. It accomplished an on-grid power generation volume of 1.11 billion KWH. The most representative Haidian project of BEHET was formally entered the commercial operation phase in late August 2018, and began to contribute stable operating profit for the Group during the year.

Material Capital Operation

In 2018, the Group raised EUR350 million through regular bank loans. In addition, as a major shareholder, the Group together with the market entities participated in the purchase of additional shares of BE Water, which reflected the Group's confidence and support for the future development of the water business segment.

Principal Risks – Exchange Rate Fluctuation

The Group primarily operates its businesses in the PRC, therefore most of its revenues and expenses are transacted in RMB. The value of RMB against Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's economic conditions and policies. The conversion of RMB into foreign currencies, including Hong Kong dollar and U.S. Dollar, has been based on rates guided by the People's Bank of China.

During 2018, the exchange rates of RMB against Hong Kong dollar and U.S. Dollar had weakened. However, the Board did not expect the mild fluctuation of RMB's exchange rate in the future will have material adverse impact on the operations of the Group. As the Euro assets and Euro debts of the Group were basically matched, the Group was less affected by the fluctuation of Euro exchange rate.

Main Uncertainties

The Group's principal businesses include natural gas distribution, natural gas transmission, water and environmental operations, solid waste treatment and beer production. Most of the utilities related businesses are governed by policies set out by National Development and Reform Commission and may be subject to changes from time to time. The Group has maintained a proven track record on responding to relevant industry policies so that stable development could be maintained within each business sector.

II. PROSPECTS

Natural Gas Distribution Business of Beijing Gas

Beijing Gas will accelerate its market development comprehensively and expand the potential value of the industrial chain. In the urban gas sector, based on the natural gas pipe network in Beijing, Beijing Gas will combine the pipeline transmission model with station supply, connect the gas market in the surrounding urban area and expand the business scale. In the LNG sector, Beijing Gas will optimise the existing LNG resources portfolio, build an LNG sales platform and enhance international LNG trade. In the integrated energy service sector, Beijing Gas will continue to promote the intelligence energy construction of Beijing sub-center, Beijing New Aerotropolis and Xiong'an New District, and strive to build a number of high-end exemplary projects.

China Gas

China Gas will actively promote the reform and development of the three business segments of urban gas, LPG and value-added services. It will grasp the opportunities brought by the policies and market demand, focus on expanding market share, enhance operating efficiency, and at the same time, deepen cost control, promote the integration of information system, improve the standard of safe operation and risk management capabilities, promote sustained and stable growth performance, and build a new ecosystem for the 4G (LNG, CNG, LPG, PNG) energy network development.

Natural Gas Transmission Business

With the implementation of the national "coal-to-gas" project, the demand for residential and industrial gas has risen sharply year by year. The Shaanxi-Beijing pipeline system, which undertakes the gas supply tasks in the capital and regions along the line, will enhance the transmission capability of pipeline network by scientific and rational arrangements of pipe network and compressor unit operation, and improve the pipeline transmission efficiency and increase its guaranteed supply ability at the source. PetroChina Beijing Pipeline Company will increase the daily gas transmission capacity of the Shaanxi-Beijing No.4 Line through the construction of the Togtoh gas station on the fourth line of Shaanxi-Beijing, laying a foundation for the smooth operation of pipeline in the next heating season.

Beer Business

Currently, consumption upgrade is driving continuous structural shift of China's beer product to middle-and high-end. Yanjing Beer will continue to promote the strategy of Yanjing fresh beer and canned beer, and expand the market recognition of Yanjing high-end products such as Yanjing white beer. At the same time, Yanjing Beer will expand its marketing measures to meet diversified consumer demand. Yanjing Beer will take improving quality and increasing efficiency as the overall goal, highlight the construction of excellent quality system and base market, enhance cost control, and strive to ensure the steady growth of enterprise competitiveness and economic benefits.

Water and Environmental Business

With a view to shifting from high-speed development to quality growth, the Group's water and environmental business will reinforce its presence and continue to expand and strengthen its two core businesses, namely urban water services and water environment comprehensive renovation, in adherence to the development strategy of setting up asset management and operational management platforms and by way of comprehensive innovation. In achieving its yearly business goals and pursuing a momentous and leapfrogging growth, BE Water will be dedicated to promote the ecological value of the entire industry and the creation of a community of shared future for mankind across the world.

Solid Waste Treatment Business

In terms of solid waste treatment business, the Group will strengthen its market research and investment analysis, as well as the refined management of projects in operation, strictly control production safety and environmental protection emissions and other business risks, and accelerate the improvement of scale efficiency and profit contribution of the solid waste industry. For the projects under construction, it is necessary to strengthen the project progress control, enhance the construction organisation and site management, and realise project commissioning to commercial operation as soon as possible. As for the old projects and those that have problems, we will co-ordinate to carry out transformation by tender, accelerate the assimilation and transformation of the operation and management experience of EEW GmbH, complete project technical rectification evaluation and proposal preparation, and endeavour to strengthen the overall market competitiveness of the solid waste treatment sector of the Group.

III. FINANCIAL REVIEW

Revenue

The revenue of the Group in 2018 was HK$67.76 billion, representing an increase of 17.8% when compared with 2017. Of which, the revenue of Beijing Gas sales was HK$48.65 billion, representing a year-on-year increase of 22%, which accounted for 71.8% of total revenue. The revenue of beer sales was HK$12.37 billion, which accounted for 18.2% of total revenue. The solid waste treatment businesses contributed a total revenue of HK$6.75 billion, which accounted for 10% of total revenue, which included the revenue of EEW GmbH amounting to HK$5.12 billion.

Cost of Sales

Cost of sales increased by 18.8% to HK$57.2 billion. Cost of sales of gas distribution business included purchase cost of natural gas as well as depreciation of piped line network. Cost of sales of brewery business included raw materials, wage expenses and absorption of certain direct overheads. Cost of sales of solid waste treatment operation included fuel charges, amortisation and waste collection costs.

Gross Profit Margin

In 2018, the overall gross profit margin was 15.6%, representing a decrease by 0.7% when compared with the 16.3% in 2017. The decrease in overall gross profit margin was mainly attributable to the increase of purchase cost of Beijing Gas during the year.

Gain on Deemed Disposal of the Partial Interests in Associates

During the first half of 2018, BE Water issued ordinary shares under the placement and subscription exercise. The Group recognised a gain of HK$330 million on the deemed disposal of partial interest in an associate as a result of the decrease in shareholding in BE Water from this placement and subscription exercise.

During the year, China Gas issued ordinary shares upon the exercise of share options by its employees. The Group recognised a gain on deemed disposal of the partial interest in an associate of HK$219 million.

Other Income

Other income mainly comprised of government grants amounted to HK$94 million; dividend income of HK$300 million; value-added tax refund income of HK$80.83 million; bank interest income amounted to HK$310 million; and rental income of HK$43.86 million.

Selling and Distribution Expenses

Selling and distribution expenses of the Group in 2018 decreased by 2.5% to HK$2.24 billion which was mainly due to the enhancement of marketing efficiency and effective selling and distribution expenses control for the brewery business.

Administrative Expenses

Administrative expenses of the Group in 2018 were HK$4.78 billion, increased by 9.5% when compared to last year, which was mainly due to the increase in relevant expenses resulting from employee benefits improvement under defined benefit plans of Beijing Gas as well as the expansion of distribution business.

Other Operating Expenses, net

Other operating expenses, net mainly included the impairment on certain construction in progress for solid waste business.

Finance Costs

Finance costs of the Group in 2018 was HK$1.98 billion, increased by 23.9% comparing to 2017, which was mainly due to issuance of bonds of EUR800 million in April 2017 and US$500 million guaranteed notes issued by Beijing Gas in May 2017.

Share of Profits and Losses of Associates

Share of profits and losses of associates mainly included the 40% share of profit attributable to shareholders of PetroChina Beijing Pipeline Company, the 20% share of profit attributable to shareholders of VCNG, the 24.91% share of profit attributable to shareholders of China Gas and the 42.43% share of profit attributable to shareholders of BE Water.

In 2018, the Group shared the profit after taxation of PetroChina Beijing Pipeline Company amounting to HK$1.67 billion, the Group shared the profit after taxation of VCNG amounting to HK$1.41 billion, and the Group shared the profit after taxation of China Gas amounting to HK$1.7 billion and shared net profit of BE Water amounting to HK$1.9 billion.

Taxation

After deducting the share of profits and losses of associates and jointly-controlled entities, the effective income tax rate was 47.6%, higher than the 38.8% in the corresponding period of last year, which was mainly due to other non-deductible operating expenses being higher than that in the corresponding period of last year.

Profit Attributable to Shareholders of the Company

The profit attributable to the shareholders of the Company for the year ended 31 December 2018 was HK$7.58 billion (2017: HK$6.88 billion).

IV. FINANCIAL POSITION OF THE GROUP

Non-current assets

Property, plant and equipment

The net book value of property, plant and equipment was approximately HK$51.72 billion, which was comparable with that of last year.

Other intangible assets

Other intangible assets were mainly from EEW GmbH.

Investments in associates

The increase in the balance by HK$5.39 billion was mainly due to share of attributable profits from BE Water, PetroChina Beijing Pipeline Co., VCNG and China Gas.

Equity investments designated at fair value through other comprehensive income

Under HKFRS 9, part of available-for-sale investments is reclassified to equity investments designated at fair value through other comprehensive income during the year, which mainly represented the fair value of Beijing Gas's investment in CNPC Capital Company Limited.

Receivables under finance lease

Balance of receivables under finance lease was from EEW GmbH.

Convertible bonds receivables

The balance of convertible bonds receivable as at the end of last year represented the convertible bonds issued by Beijing Gas Blue Sky Holdings Limited ("Blue Sky") to Beijing Gas, which were converted by Beijing Gas into ordinary shares of Blue Sky during the year.

Financial asset at fair value through profit or loss

Under HKFRS 9, part of available-for-sale investments is reclassified to financial asset at fair value through profit or loss during the year, which mainly represented the fair value of Beijing Gas's investment in PetroChina Pipelines Co., Ltd.

Current assets

Inventories

The decrease in the balance by HK$156 million was mainly due to decrease in inventories of Yanjing Beer.

Trade and bills receivables

The balance increased by HK$1.2 billion, which was mainly due to the increase in account receivables of Beijing Gas from power factory users during the heating season.

Cash and Bank Borrowings

As at 31 December 2018, cash and bank deposits held by the Group amounted to HK$17.94 billion. The Group maintains sufficient banking facilities for its working capital requirements and has sufficient cash resources to finance its capital expenditures in the foreseeable future.

The Group's total borrowings amounted to HK$59.52 billion as at 31 December 2018, which comprised, inter alia, guaranteed bonds and senior notes of US$2.5 billion in total, Euro guaranteed bonds amounting to EUR1.3 billion and medium and long-term loans amounting to HK$16.7 billion. Around 64.3% of the total borrowings were denominated in US and Hong Kong dollar and 30.7% in Euro. The Group had net borrowings of HK$41.58 billion as at 31 December 2018.

Investment in an associate classified as held for sale

The balance was nil because Beijing Gas completed its disposal of PetroChina Jingtang LNG Co., Ltd. ("Jingtang LNG") to Blue Sky during the year.

Non-current liabilities

Bank and other borrowings

There was a decrease of HK$579 million in long and short term balance in total, which was mainly due to repayment of partial bank loans by Beijing Gas.

Guaranteed bonds, notes and senior notes

During the year, the Group had not issued guaranteed bonds, notes and senior notes, the balance was comparable with that of last year.

Onerous contracts and major overhauls

The balances were mainly from EEW GmbH.

Current liabilities

Other payables, accruals and contract liabilities

The increase in the balance by HK$1.39 billion was mainly due to the increase in receipts in advance from residential users and public sector subscribers for the refillment of IC Card Value and the amounts payable of projects by Beijing Gas.

Liquidity and Capital Resources

The downstream natural gas distribution business, plus dividend income from PetroChina Beijing Pipeline Co., dividends from BE Water, China Gas and EEW GmbH, have been constantly contributing to the operating cash flow of the Group and significantly increased its liquidity. As at the end of 2018, the issued capital of the Company amounted to 1,262,053,268 shares and the shareholders' equity was HK$69.67 billion. Total equity was HK$81.02 billion. The gearing ratio, which is all the interest-bearing borrowings, guaranteed bonds, notes and senior notes divided by the sum of total equity plus all interest-bearing borrowings, guaranteed bonds, notes and senior notes was 42% (2017: 43%).

Given the primarily cash nature business of natural gas distribution, brewery and water concession, the Group is benefiting from a 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 targeting sustainable dividend per share growth while maintaining reasonable capital structure.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	2	**67,764,770**	57,508,025
Cost of sales		**(57,201,105)**	(48,145,142)
Gross profit		**10,563,665**	9,362,883
Gain on deemed disposal of partial interests in associates		**549,014**	10,410
Other income and gains, net		**1,364,969**	1,487,837
Selling and distribution expenses		**(2,237,692)**	(2,295,994)
Administrative expenses		**(4,784,957)**	(4,370,235)
Other operating expenses, net		**(1,041,535)**	(420,512)
PROFIT FROM OPERATING ACTIVITIES	3	**4,413,464**	3,774,389
Finance costs	4	**(1,977,744)**	(1,596,534)
Share of profits and losses of:			
Joint ventures		**(6,715)**	26,609
Associates		**6,666,446**	5,827,944
PROFIT BEFORE TAX		**9,095,451**	8,032,408
Income tax	5	**(1,158,810)**	(845,131)
PROFIT FOR THE YEAR		**7,936,641**	7,187,277
ATTRIBUTABLE TO:			
Shareholders of the Company		**7,577,383**	6,880,378
Non-controlling interests		**359,258**	306,899
		7,936,641	7,187,277
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	7		
Basic and diluted		**HK$6.00**	HK$5.45

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**7,936,641**	7,187,277
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other compressive income that may be reclassified to profit or loss in subsequent periods		
Available-for-sale investments:		
Changes in fair value	**–**	754,529
Income tax effect	**–**	(214,084)
	–	540,445
Exchange differences:		
Exchange differences on translation of foreign operations	**(2,556,366)**	3,861,933
Reclassification adjustments for a foreign operation disposed of during the year	**–**	(15,530)
	(2,556,366)	3,846,403
Share of other comprehensive income/(loss) of associates	**(1,797,926)**	748,953
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**(4,354,292)**	5,135,801
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Defined benefit plans:		
Actuarial gain	**113,955**	115,148
Income tax effect	**(32,007)**	(28,135)
	81,948	87,013
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(930,639)**	–
Income tax effect	**222,319**	–
	(708,320)	–
Share of other comprehensive income of associates	**83,019**	16,020
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**(543,353)**	103,033
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(4,897,645)**	5,238,834
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,038,996**	12,426,111
ATTRIBUTABLE TO:		
Shareholders of the Company	**3,054,966**	11,293,553
Non-controlling interests	**(15,970)**	1,132,558
	3,038,996	12,426,111

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	**2018**	2017
		HK$'000	*HK$'000*
ASSETS			
Non-current assets:			
Property, plant and equipment		**51,717,563**	51,728,816
Investment properties		**1,147,395**	1,184,287
Prepaid land premiums		**1,469,087**	1,622,278
Goodwill		**16,553,016**	16,910,280
Operating concessions		**2,981,150**	3,118,641
Other intangible assets		**3,272,196**	3,637,627
Investments in joint ventures		**358,475**	344,850
Investments in associates		**53,375,575**	47,982,745
Available-for-sale investments		**–**	6,432,085
Equity investments designated at fair value through other comprehensive income		**2,908,338**	–
Receivables under service concession arrangements	*8*	**1,807,792**	1,895,320
Receivables under finance lease		**846,572**	955,843
Prepayments, other receivables and other assets		**1,538,539**	901,389
Debt component of convertible bond receivables		**–**	98,682
Derivative component of convertible bond receivables		**–**	40,376
Financial asset at fair value through profit or loss		**2,301,452**	–
Deferred tax assets		**1,423,522**	1,293,072
Total non-current assets		**141,700,672**	138,146,291
Current assets:			
Prepaid land premiums		**38,342**	38,747
Inventories		**5,138,624**	5,294,480
Receivables under finance lease		**81,260**	90,421
Receivables under service concession arrangements	*8*	**123,605**	85,492
Trade and bills receivables	*9*	**5,216,897**	4,013,063
Prepayments, other receivables and other assets		**3,611,879**	4,214,839
Other taxes recoverable		**609,522**	630,797
Restricted cash and pledged deposits		**39,983**	43,311
Cash and cash equivalents		**17,935,496**	17,841,609
		32,795,608	32,252,759
Investment in an associate classified as held for sale		**–**	1,149,968
Total current assets		**32,795,608**	33,402,727
TOTAL ASSETS		**174,496,280**	171,549,018

	Note	2018 HK$'000	2017 HK$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		**30,401,883**	30,401,883
Reserves		**39,270,734**	37,166,167
		69,672,617	67,568,050
Non-controlling interests		**11,342,755**	11,604,955
TOTAL EQUITY		**81,015,372**	79,173,005
Non-current liabilities:			
Bank and other borrowings		**26,958,501**	22,684,864
Guaranteed bonds, notes and senior notes		**31,024,807**	31,410,505
Defined benefit plans		**2,011,333**	1,852,033
Provision for onerous contracts and major overhauls		**341,974**	332,987
Other non-current liabilities		**1,708,842**	1,550,980
Deferred tax liabilities		**2,250,422**	2,594,476
Total non-current liabilities		**64,295,879**	60,425,845
Current liabilities:			
Trade and bills payables	*10*	**4,504,712**	4,121,974
Other payables, accruals and contract liabilities		**21,413,851**	20,023,648
Provision for onerous contracts		**50,944**	53,156
Income tax payables		**1,227,743**	1,077,325
Other taxes payables		**448,372**	282,326
Bank and other borrowings		**1,539,407**	6,391,739
Total current liabilities		**29,185,029**	31,950,168
TOTAL LIABILITIES		**93,480,908**	92,376,013
TOTAL EQUITY AND LIABILITIES		**174,496,280**	171,549,018

Notes:

1.1 BASIS OF PREPARATION

The consolidated 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 (the "HKICPA"), 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, (ii) derivative financial instruments and (iii) equity investments and non-equity investments (2017: certain available-for-sale investments) which have been measured at fair value. Investment in an associate classified as held for sale is stated at the lower of its carrying amount and fair value less costs to sell. The consolidated financial statements are presented in Hong Kong dollar ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The financial information relating to the years ended 31 December 2018 and 2017 included in this announcement of 2018 annual results does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 2017, is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2018 in due course.

The Company's auditor has reported on the consolidated financial statements of the Group for the year ended 31 December 2017. The auditor's report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

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

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and Amendments to HKFRS 15, the adoption of the above revised standards has had no significant financial effect on the consolidated financial statements.

The nature and the impact of the changes are described below:

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements and the comparative information is not restated with the transition adjustments against the opening balance of equity at 1 January 2018. The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(i) Classification and measurement

Under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's financial assets is as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows and the contractual terms of the instruments meet the SPPI criterion.

- Financial assets at fair value through profit or loss include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

- Equity instruments at FVOCI: dividends from these equity instruments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9. On 1 January 2018, the Group classified its equity instruments as equity instruments at FVOCI without recycling. Under HKAS 39, the Group's unquoted equity instruments were classified as available-for-sale ("AFS") financial assets.

At the date of initial application of HKFRS 9, that is 1 January 2018, the Group determined whether the objective of the Group's business model for managing any of its financial assets is to hold them in order to collect contractual cash flows or for collecting contractual cash flows and selling them. For that purpose, the Group determined whether the financial assets meet the definition of held for trading as if the Group had purchased the assets at 1 January 2018. The assessment of contractual terms of the debt instruments on whether the SPPI criteria is met was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The convertible bond receivables which were previously separated and recognised as debt and derivative components had been classified as financial assets at fair value through profit or loss on 1 January 2018. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

The adoption of HKFRS 9 has had no significant impact on measurement of its financial assets and financial liabilities, and hence no transitional impact on reserves and retained profits of the Group.

(ii) Impairment

HKFRS 9 requires an impairment on trade and bills receivables, receivables under service concession arrangements, contract assets, lease receivables, other financial assets, deposits and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on its trade receivables and contract assets. The Group applied general approach and recorded twelve month expected losses on its other financial asset, receivables under service concession arrangements, lease receivable, deposits and other receivables. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method to all contracts that are not completed at the date of initial application. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

For the year ended 31 December 2018, the Group has concluded that the adoption of HKFRS 15 did not have a material impact on the timing of revenue recognition.

2. REVENUE AND OPERATING SEGMENT INFORMATION

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

(a) the piped gas operation segment engages in the distribution and sale of piped natural gas, the provision of natural gas transmission, gas technology consultation and development services, the surveying and plotting of underground construction projects, the construction and installation of gas pipelines and related equipment and the provision of repairs and maintenance services;

(b) the brewery operation segment produces, distributes and sells brewery products;

(c) the water and environmental operation segment engages in the construction of sewage and water treatment plants and other infrastructural facilities, the provision of construction services for comprehensive renovation projects, sewage treatment, water treatment and distribution, and the provision of consultancy services and the licensing of technical know-how that is related to sewage treatment in the PRC and certain overseas countries;

(d) the solid waste treatment segment comprises the construction and operation of waste incineration plants, waste treatment and the sale of electricity, heat and steam generated from waste incineration in Germany and in the PRC; and

(e) the corporate and others segment comprises the provision of consultation services, property investment and corporate income and expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on the profit for the year of each reportable operating segment, which is measured consistently with the Group's profit for the year.

Segment assets and liabilities of each of the reportable operating segments are separately managed by each of the individual operating segments.

Year ended 31 December 2018

	Piped gas operation *HK$'000*	Brewery operation *HK$'000*	Water and environmental operations *HK$'000*	Solid waste treatment operation *HK$'000*	Corporate and others *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Segment revenue	48,648,824	12,366,723	–	6,749,223	–	–	67,764,770
Cost of sales	(43,509,373)	(8,623,462)	–	(5,068,270)	–	–	(57,201,105)
Gross profit	5,139,451	3,743,261	–	1,680,953	–	–	10,563,665
Profit from operating activities	2,959,194	398,872	–	816,268	239,130	–	4,413,464
Finance costs	(310,143)	(14,879)	–	(149,540)	(1,503,182)	–	(1,977,744)
Share of profits and losses of:							
Joint ventures	(6,780)	–	–	65	–	–	(6,715)
Associates	4,705,596	25,718	1,897,158	37,974	–	–	6,666,446
Profit/(loss) before tax	7,347,867	409,711	1,897,158	704,767	(1,264,052)	–	9,095,451
Income tax	(483,341)	(187,781)	–	(478,526)	(9,162)	–	(1,158,810)
Profit/(loss) for the year	6,864,526	221,930	1,897,158	226,241	(1,273,214)	–	7,936,641
Segment assets	101,546,818	20,854,542	11,272,105	32,975,497	15,759,422	(7,912,104)	174,496,280
Segment liabilities	31,508,724	6,399,511	–	16,225,400	47,259,377	(7,912,104)	93,480,908

Year ended 31 December 2017

	Piped gas operation *HK$'000*	Brewery operation *HK$'000*	Water and environmental operations *HK$'000*	Solid waste treatment operation *HK$'000*	Corporate and others *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Segment revenue	39,891,172	11,414,301	–	6,202,552	–	–	57,508,025
Cost of sales	(35,355,518)	(8,161,920)	–	(4,627,704)	–	–	(48,145,142)
Gross profit	4,535,654	3,252,381	–	1,574,848	–	–	9,362,883
Profit/(loss) from operating activities	2,497,943	257,871	–	1,133,313	(114,738)	–	3,774,389
Finance costs	(118,737)	(23,558)	–	(212,822)	(1,241,417)	–	(1,596,534)
Share of profits and losses of:							
Joint ventures	25,917	–	–	692	–	–	26,609
Associates	4,141,348	25,414	1,616,592	44,590	–	–	5,827,944
Profit/(loss) before tax	6,546,471	259,727	1,616,592	965,773	(1,356,155)	–	8,032,408
Income tax	(365,757)	(177,603)	–	(288,011)	(13,760)	–	(845,131)
Profit/(loss) for the year	6,180,714	82,124	1,616,592	677,762	(1,369,915)	–	7,187,277
Segment assets	96,596,006	22,244,581	9,500,514	35,914,563	15,502,155	(8,208,801)	171,549,018
Segment liabilities	29,959,651	7,254,862	–	17,120,199	46,250,102	(8,208,801)	92,376,013

Information about major customers

During each of the years ended 31 December 2018 and 2017, none of the Group's individual customers contributed to 10% or more of the Group's revenue.

Geographical information

Geographical information for revenue from external customers is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China. Accordingly, in the opinion of the director of the Company, the presentation of geographical information for revenue would provide no additional useful information to users of the consolidated financial statements.

3. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**55,505,615**	46,860,596
Cost of services provided	**1,348,649**	1,120,979
Reversal of provision for onerous contracts and major overhauls	**–**	(189,543)
Depreciation	**3,500,464**	3,042,029
Amortisation of prepaid land premiums	**38,609**	45,992
Amortisation of operating concessions	**122,425**	109,168
Amortisation of other intangible assets	**288,695**	305,450

4. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank loans and other loans	**887,358**	605,550
Interest on guaranteed bonds, notes and senior notes	**1,101,202**	999,450
Total interest expenses	**1,988,560**	1,605,000
Increase in discounted amounts of provision for major overhauls arising from the passage of time	**2,190**	1,470
Total finance costs	**1,990,750**	1,606,470
Less: Interest capitalised in construction in progress	**(13,006)**	(9,936)
	1,977,744	1,596,534

5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year (2017: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. In accordance with the relevant tax rules and regulations of the PRC, certain of the Company's subsidiaries established in Mainland China enjoy PRC corporate income tax exemptions and reductions.

	2018	2017
	HK$'000	*HK$'000*
Current:		
Mainland China	**893,045**	668,787
Hong Kong	**9,651**	12,679
Germany	**404,690**	305,404
Others	**104,850**	–
Deferred	**(253,426)**	(141,739)
Total tax expense for the year	**1,158,810**	845,131

6. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Interim – HK$0.32 (2017: HK$0.30) per ordinary share	**403,857**	378,616
Proposed final – HK$0.73 (2017: HK$0.68) per ordinary share	**921,299**	858,196
	1,325,156	1,236,812

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 the basic earnings per share amount is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of ordinary shares of 1,262,053,268 (2017: 1,262,094,090) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

8. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

The Group's receivables under service concession arrangements represented the Group's unconditional right to receive cash or another financial asset for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service under service concession arrangements. Ageing analysis of receivables under service concession arrangements are closely monitored in order to minimise any credit risk associated with the receivables.

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

	2018	2017
	HK$'000	*HK$'000*
Unbilled	**1,931,397**	1,980,812
Portion classified as current assets	**(123,605)**	(85,492)
Non-current portion	**1,807,792**	1,895,320

9. TRADE AND BILLS RECEIVABLES

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

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

	2018	2017
	HK$'000	*HK$'000*
Billed:		
Within one year	**2,907,189**	2,915,255
One to two years	**73,721**	55,954
Two to three years	**31,788**	21,596
Over three years	**53,455**	57,382
	3,066,153	3,050,187
Unbilled	**2,150,744**	962,876
	5,216,897	4,013,063

10. TRADE AND BILLS PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
Billed:		
Within one year	**2,529,803**	2,560,399
One to two years	**70,757**	141,279
Two to three years	**11,123**	14,636
Over three years	**24,034**	24,189
	2,635,717	2,740,503
Unbilled	**1,868,995**	1,381,471
	4,504,712	4,121,974

11. OTHER FINANCIAL INFORMATION

The net current assets and total assets less current liabilities of the Group as at 31 December 2018 amounted to HK$3,610,579,000 (2017: HK$1,452,559,000) and HK$145,311,251,000 (2017: HK$139,598,850,000), respectively.

DIVIDEND

The Directors of the Company recommended the payment of a final dividend of HK73 cents (2017: HK68 cents) per share for the year ended 31 December 2018 payable to shareholders whose names appear on the register of members of the Company on 3 July 2019. Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend will be paid on 18 July 2019.

ANNUAL GENERAL MEETING

The 2019 annual general meeting will be held on Tuesday, 11 June 2019. The notice of the 2019 annual general meeting, which constitutes part of the circular to shareholders, will be sent to all shareholders and will be published on the Company's website (www.behl.com.hk) and The Stock Exchange of Hong Kong Limited's ("Stock Exchange") website (www.hkexnews.hk) in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the 2019 annual general meeting, and entitlement to the final dividend, the register of members will be closed. Details of such closures are set out below:

(i) For determining eligibility to attend and vote at the 2019 annual general meeting:

Latest time to lodge transfer documents for registration	4:30 pm on Tuesday, 4 June 2019
Closure of register of members	Wednesday, 5 June 2019 to Tuesday, 11 June 2019 (both dates inclusive)
Annual General Meeting	Tuesday, 11 June 2019

(ii) For determining entitlement to the final dividend:

Latest time to lodge transfer documents for registration	4:30 pm on Wednesday, 26 June 2019
Closure of register of members	Thursday, 27 June 2019 to Wednesday, 3 July 2019 (both dates inclusive)
Record date	Wednesday, 3 July 2019

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2019 annual general meeting, and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

EMPLOYEES

At 31 December 2018, the Group had approximately 43,000 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 CODE

Save as disclosed below, the directors believe that the Company complied with the code provisions (the "Code Provisions") as set out in Appendix 14 "Corporate Governance Code" to the Listing Rules for the year ended 31 December 2018.

During the year, the Company held two full board meetings instead of at least four full board meetings as required under Code Provision A.1.1. The Directors consider it is more efficient to hold board meetings to address emerging issues as appropriate. Sufficient measures have been taken to ensure that there is efficient communication among the Directors.

Mr. Hou Zibo has assumed the positions of Chairman and Chief Executive Officer since 1 September 2017. This arrangement deviates from Code Provision A.2.1 which recommends that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, the Board considers that the appointment of Mr. Hou Zibo as Chairman and Chief Executive Officer can bring benefits to the Company's business development and management at present, and will not impair the balance of power and authority between the Board and the management of the Company.

Under Code Provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings to develop a balanced understanding of the views of shareholders. During the year, not all independent non-executive directors attended general meetings of the Company due to other business engagements, which deviates from Code Provision A.6.7.

AMENDMENTS TO THE TERMS OF REFERENCE OF AUDIT COMMITTEE AND TERMS OF REFERENCE OF NOMINATION COMMITTEE, AND ADOPTION OF BOARD DIVERSITY POLICY, NOMINATION POLICY AND DIVIDEND POLICY

The Hong Kong Stock Exchange has made certain amendments to the Listing Rules (including the Corporate Governance Code) in relation to corporate governance of issuers. The relevant amendments took effect on 1 January 2019. In this regard, the Company has made and the Board has approved relevant amendments to the Terms of Reference for the Audit Committee and the Terms of Reference for the Nomination Committee, and adopted a Board Diversity Policy, Nomination Policy and Dividend Policy accordingly. The Board considered that the amended versions of the Terms of Reference for the Audit Committee and the Terms of Reference for the Nomination Committee, and the newly adopted Board Diversity Policy, Nomination Policy and Dividend Policy comply with the Listing Rules as amended.

In accordance with the Listing Rules, the revised Terms of Reference for the Audit Committee and the Terms of Reference for the Nomination Committee will be uploaded on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at www.behl.com.hk, and the newly adopted Board Diversity Policy, Nomination Policy and Dividend Policy will be summarised or disclosed in the corporate governance report included in the annual report of the Company respectively.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SHARE DEALING

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 2018.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company Mr. Wu Jiesi, Mr. Lam Hoi Ham (the chairman of the Audit Committee) and Mr. Ma She. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure, risk management system and internal controls system of the Group. The annual results have been reviewed and approved by the Audit Committee of the Company.

SCOPE OF WORK OF THE COMPANY'S AUDITORS IN RESPECT OF THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Company's auditors, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

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

By order of the Board
Beijing Enterprises Holdings Limited
Hou Zibo
Chairman and Chief Executive Officer

Hong Kong, 28 March 2019

As at the date of this announcement, the board of directors of the Company comprises Mr. Hou Zibo (Chairman and Chief Executive Officer), Mr. Li Yongcheng, Mr. Zhao Xiaodong, Mr. E Meng, Mr. Jiang Xinhao and Mr. Tam Chun Fai as executive directors; Mr. Wu Jiesi, Mr. Lam Hoi Ham, Dr. Sze Chi Ching, Dr. Yu Sun Say and Mr. Ma She as independent non-executive directors.