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 2019

HIGHLIGHTS

- Revenue for the year amounted to approximately HK$67.78 billion, which was basically unchanged as compared with last year.
- EBITDA amounted to approximately HK$15.95 billion, representing an increase of 6.2% over last year.
- Profit attributable to shareholders of the Company amounted to approximately HK$8.05 billion, representing an increase of 6.3% over last year.
- Basic and diluted earnings per share amounted to HK$6.38, representing an increase of 6.3% over last year.
- A final dividend of HK74 cents per share is proposed for 2019.

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 2019, together with the comparative figures for the previous year. The revenue of the Group was approximately HK$67.78 billion for 2019, which was basically unchanged as compared with last year. Profit attributable to shareholders of the Company was approximately HK$8.05 billion, representing an increase of 6.3% as compared to 2018.

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

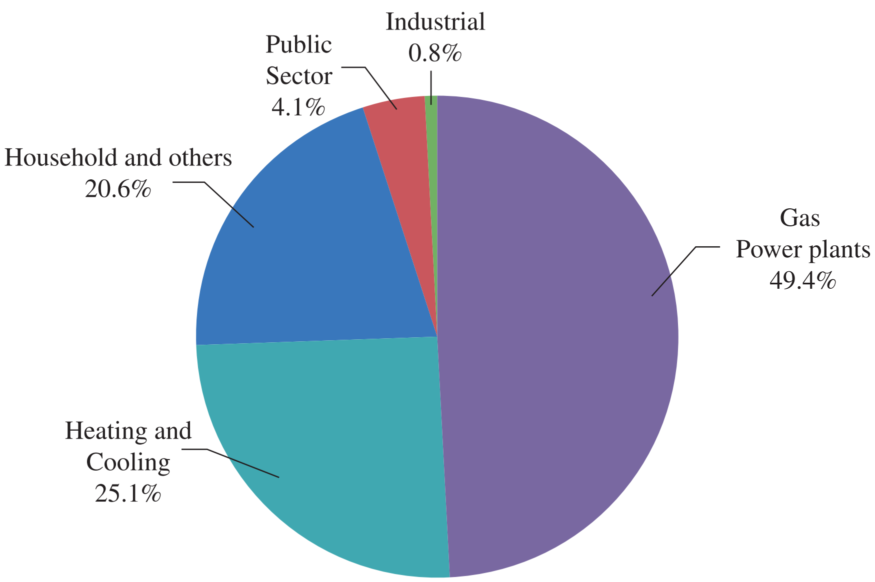
	Profit of the Company	Proportion
	HK$'000	*%*
Piped gas operation	6,853,976	66.1
Beer operation	222,471	2.1
Water and environmental operations	2,026,934	19.5
Solid waste treatment operation	1,270,622	12.3
Profit from major operations	10,374,003	100
Corporate and others	(1,800,394)	
Profit of the Company	8,573,609	
Profit attributable to non-controlling interests	(518,829)	
Profit attributable to shareholders of the Company	8,054,780	

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$47.52 billion in 2019, representing a year-on-year decrease of 2.3%. Profit before taxation from principal businesses (including natural gas distribution business, natural gas transmission business and VCNG of Rosneft) was HK$5.44 billion, representing a year-on-year decrease of 5.2%. The decrease in both revenue and profit before tax was mainly due to the depreciation of Renminbi against Hong Kong dollars by 4.5% on average as compared to the previous year. Beijing Gas accomplished an aggregate gas sales volume of 17.28 billion cubic meters after combining with that of the subsidiaries outside Beijing, representing a year-on-year increase of 3.3%. The gas sales volume accomplished inside Beijing amounted to 16.61 billion cubic meters, representing a year-on-year decrease of 1.3%, which was mainly due to the fact that the temperature in winter in Beijing was relatively warm. An analysis of natural gas sales volume inside Beijing by subscriber sector is shown as follows:



In 2019, Beijing Gas developed 142,000 new household subscribers and 7,174 new public sector subscribers. New heating boiler subscribers with a total capacity of 3,029 t/h were developed. As at 31 December 2019, Beijing Gas had a total of over 6.33 million piped gas subscribers in Beijing and approximately 23,800 kilometers of natural gas pipelines in operation. Beijing Gas's capital expenditure for the year amounted to approximately HK$2.73 billion.

Beijing Gas accelerated the construction of its major projects in 2019, including the facilitation of the LNG emergency reserve project in Tianjin Nangang and the Tangshan LNG storage tank phase II project, so as to further improve its ability in assuring the stable supply of natural gas for the capital city. In addition, Beijing Gas devoted enormous resources to the markets in Beijing and strengthened its leading position in natural gas supply in the region through equity acquisitions. It also strived to establish a value-added business system gradually to enrich the sales mix of its own products, such as wall-hung boilers and gas water heaters, so as to expand the service scope. At the same time, Beijing Gas constantly improved its service quality and operational management ability, and continued to reduce wastage rate.

Natural Gas Transmission Business

In 2019, PetroChina Beijing Gas Pipeline Co., Ltd. ("PetroChina Beijing Pipeline Co.") implemented enhanced safety management proactively, accelerated interconnected project constructions, and maintained secured and stable pipeline operations, so as to achieve the "dual-improvement" in gas transmission volume and efficiency. PetroChina Beijing Pipeline Co. recorded a gas transmission volume of 51.85 billion cubic meters during the year, representing a year-on-year growth of 4.97%. Beijing Gas's share of net profit after taxation, through its 40% equity interests in PetroChina Beijing Pipeline Co., increased by 10.8% over the year to HK$1.86 billion. The total capital expenditure of PetroChina Beijing Pipeline Co. for the year was HK$3.79 billion.

VCNG of Rosneft

The PJSC Verkhnechonskneftegaz ("VCNG") project of Rosneft Oil Company achieved its petroleum sales of approximately 7.77 million tons in 2019. Beijing Gas shared a net operating profit after taxation of HK$1.21 billion through its 20% equity interest in VCNG, representing a year-on-year decrease of 10.6%, which was mainly due to the impact of oil price fluctuations.

China Gas

China Gas Holdings Limited ("China Gas", stock code: 384) achieved a profit attributable to the Group of HK$2.12 billion in 2019, representing a year-on-year increase of 24.8%. During the six months ended 30 September 2019, China Gas achieved a sales volume of 11.84 billion cubic meters in natural gas, representing an increase of 7.8% over the corresponding period. It achieved a sales volume of 1.97 million tons in LPG, representing an increase of 0.5% over the corresponding period. Approximately 2.93 million households were newly connected and the cumulative number of households connected reached 32.61 million as at 30 September 2019.

Beer Business

In 2019, the beer market consumption in China remained weak due to sluggish economic recovery as well as the adverse effect of rainy summer in Southern China. Beijing Yanjing Brewery Co., Ltd. ("Yanjing Brewery") continued to facilitate its adjustments on product structure, and developed and promoted new products, such as Yanjing U8（燕京 U8), to expand the supply of personalised high-end products. It explored pilot marketing through integrating the online and offline channels and developed new models for its online customised marketing to create new retail marketing means.

In 2019, Yanjing Brewery recorded a sales volume of 3.81 million kilolitres, of which, the sales volume of Yanjing main brand was 2.48 million kilolitres, sales volume of "1+3" brand was 3.51 million kilolitres. The revenue that Yanjing Brewery recorded was HK$11.83 billion during the year with its profit before taxation of HK$407 million. The capital expenditure of Yanjing Brewery for the year was approximately HK$650 million.

Water and Environmental Business

By adhering to the strategic goal of "building a dual platform of asset management and operation management", Beijing Enterprises Water Group Limited ("BE Water", stock code: 371) implemented its transformation to become an asset-light enterprise, and devoted enormous resources in three professional directions, namely investment, construction and operation, with a view to ensure the continuous improvement of operating fundamentals. During the year, BE Water and Three Gorges Corporation entered into an agreement to deepen the cooperation and jointly awarded the Yueyang Project tender, launching a pilot project of urban dual platform cooperation model, and participating in the formation of a security fund for Yangtze River with a scale of RMB100 billion. BE Water's operating revenue in 2019 increased by 15% to HK$28.19 billion due to the increase in operating income from its integrated treatment projects and water treatment services, and profit attributable to its shareholders increased by 10% to HK$4.93 billion. The net profit attributable to the Group was HK$2.03 billion, a year-on-year increase of 6.8%.

As at 31 December 2019, BE Water already participated in 1,252 water plants which are or will be in operation, including 1,058 sewage treatment plants, 162 water distribution plants, 30 reclaimed water treatment plants and 2 seawater desalination plants, with a total design capacity of 39.39 million tons/day. The net increase in daily design capacity for the year was 2.564 million tons/day.

Solid Waste Treatment Business

At the end of the 2019, the solid waste treatment business segment of the Group realised a waste incineration and power generation integrated treatment capacity of 26,932 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$5.32 billion, representing a year-on-year increase of 3.9%. Beijing Enterprises Environment Group Limited ("BE Environment", stock code: 154) and Beijing Enterprises Holdings Environment Technology Co., Ltd ("BEHET") together achieved a total revenue of HK$1.64 billion, and their profit attributable to shareholders of the Group amounted to approximately HK$100 million. The capital expenditure of solid waste related business (both domestically and overseas) for the year amounted to approximately HK$2.37 billion.

In 2019, EEW GmbH accomplished a waste treatment volume of 4.717 million tons, sales of electricity of 1.773 billion KWH, sales of heat of 790 million KWH and sales of steam of 2.176 billion KWH. The domestic solid waste treatment business of the Group achieved a waste treatment volume of 4.26 million tons and accomplished an on-grid power generation volume of 1.22 billion KWH. With the gradual advancement of the technical transformation and projects expansion for a batch of domestic projects in responding to new environmental protection and emission standards, the waste incineration power generation treatment capacity of the Group will also boost up constantly, so as to lay the foundation for sustainable operation returns.

Material Capital Operation

In 2019, the Group invested HK$550 million to subscribe for the private placement of shares of BE Water together with Three Gorges Corporation at the same price, in support of BE Water's placement financing of approximately HK$2.57 billion and its strategic cooperation with Three Gorges Corporation of protecting the Yangtze River, which once again demonstrated the Group's confidence in water industry development to the capital market.

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, the 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 2019, the exchange rates of RMB against Hong Kong dollar and U.S. Dollar went weak. 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

In the beginning of 2020, the sudden epidemic outbreak of novel coronavirus (COVID-19) pneumonia brought shocking bombardment to social and economic development. The main business segments of the Group are also affected by consumption shrinkage, dropping operating activities, and projects delay. The gas, water and solid waste environmental protection sectors that undertake the responsibility of urban operation service guarantee have fulfilled their duties and missions. While ensuring epidemic prevention and control, we ensure the stable operation and provide users with a safe and reliable gas supply, guarantee the safety of water quality and protect public health security. At present, the Group has actively and orderly implemented work and production resumption, and strives to minimize the negative impact of the pandemic.

Natural Gas Distribution Business of Beijing Gas

Beijing Gas will adhere to its four wheel-driven model, namely "markets within and outside Beijing, radiating upstream and downstream industries", and focus on increasing the market size of the markets within and outside Beijing, LNG business, integrated energy services, value-added services and others. While deepening the existing markets in Beijing, it will strengthen the development of the markets outside Beijing. For the LNG business, Beijing Gas will focus on shaping the LNG supply with cost advantages and assure safety while leveraging various resources to promote the formation of sales scale of LNG distribution business as soon as possible, so as to lay the foundation for international LNG trade development.

China Gas

China Gas will strive to build a new ecosystem for the 4G (LNG, CNG, LPG, PNG) energy network development. For urban gas, China Gas will continue to step up its efforts in market development. For LPG, China Gas will strategically promote the overall layout of trade and terminal business by leveraging its own upstream and downstream integrated distribution system with wharf warehousing. For the value-added business development, China Gas will fully integrate its operation, customer service and value-added service as a whole with its sizable piped natural gas and LPG service network as well as its quality customer resources.

Beer Business

Yanjing Brewery will closely follow the development trend of the beer industry and strive to produce the best beer in China. Yanjing Brewery will improve the profitability by building a solid base market, speed up market share expansion through widening marketing channels, and increase product profitability by focusing on product structure upgrade. At the same time, Yanjing Brewery will seize the opportunities in consumption upgrade, adapt to the trend and culture of younger generations, and actively develop new products to inject vitality into the Yanjing brand and rejuvenate the brand's youth vibrancy.

Water and Environmental Business

The Group's water and environmental business is shifting from high-speed development to quality growth. BE Water will focus on those regions, sectors and projects that have advantages to expand high-quality investment projects. BE Water will also strengthen its capacity in transforming to become an asset-light enterprise, and promote the standardization and intelligence of water plants. Taking comprehensive and continuous innovation as the first driving force, BE Water will continue to grow and strengthen the two core businesses namely urban water services and water environment comprehensive renovation. BE Water will dedicate to enhance the overall ecological value of the industry, and promote the construction of a community of shared future for the water environment globally.

Solid Waste Treatment Business

In terms of solid waste treatment business, the Group will enhance and improve the quality and efficiency of operating project management, and strengthen the progress control of projects under construction and enhance the construction organisation and site management to shorten the transition period to commercial operation. The Group will strengthen the operation and management ability of its projects, improve the efficiency of equipment operation, and strictly control production costs to ensure the stable improvement in project quality and revenue. It will strengthen the capability of solid waste treatment business in coordinating resources, accelerate the unification of standards for technology and management, and streamline the mechanism for managing and controlling business segments. The Group will continue to strengthen the technical, operational and management exchanges between domestic projects and EEW GmbH, and facilitate the absorption, introduction and achievement transformation.

III. FINANCIAL REVIEW

Revenue

The revenue of the Group in 2019 was HK$67.78 billion, which was basically unchanged as compared with 2018. Of which, the revenue of Beijing Gas sales was HK$47.52 billion, representing a year-on-year decrease of 2.3%, which was mainly due to the depreciation of Renminbi against Hong Kong dollars by 4.5% on average, and accounted for 70.1% of total revenue. The revenue of beer sales was HK$11.83 billion, which accounted for 17.4% of total revenue. The solid waste treatment businesses contributed a total revenue of HK$8.44 billion, which accounted for 12.5% of total revenue, including the revenue of EEW GmbH amounted to HK$5.32 billion.

Cost of Sales

Cost of sales decreased by 0.6% to HK$56.84 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 2019, the overall gross profit margin was 16.1%, up by 0.5% when compared with the 15.6% in 2018. The increase in overall gross profit margin was mainly attributable to the increase in the proportion of Yanjing Brewery's sales of high-end beer this year as well as the increase in EEW waste disposal fees as compared with last year, which increased the gross profit margin accordingly.

Gains on Deemed Disposal of Partial Interests in Associates

During the first half of 2019, BE Water issued ordinary shares under the placement and subscription exercise. The Group recognised a gain of HK$187 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.

Moreover, China Gas issued ordinary shares upon the exercise of share options by its employees. The Group recognised it as a gain on deemed disposal of partial interest in an associate of HK$151 million.

Other Income

Other income mainly comprised government grants of HK$121 million; dividend income of HK$210 million; value-added tax refund income of HK$52.58 million; gain on transfer of assets from customers of HK$116 million; rental income of HK$50.31 millions; income of sales of scraps and beer bottles of Yanjing Brewery amounting to HK$123 million and bank interest income amounting to HK$316 million.

Selling and Distribution Expenses

Selling and distribution expenses of the Group in 2019 decreased by 7.6% to HK$2.07 billion, which was mainly due to the organizational structure adjustment in 2019 by Beijing Gas to reduce sales and distribution expenses.

Administrative Expenses

Administrative expenses of the Group in 2019 were HK$4.85 billion, increased by 1.3% when compared to last year, which was comparable with that of last year.

Other Operating Expenses, net

Other operating expenses, net mainly included the impairment on certain assets.

Finance Costs

Finance costs of the Group in 2019 was HK$2.19 billion, increased by 11% when compared to 2018, which was mainly due to the increase in bank loans.

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 Co., the 20% share of profit attributable to shareholders of VCNG, the 23.72% share of profit attributable to shareholders of China Gas and the 41.15% share of profit attributable to shareholders of BE Water.

In 2019, the Group shared the profit after taxation of PetroChina Beijing Pipeline Co. amounting to HK$1.86 billion, the profit after taxation of VCNG amounting to HK$1.21 billion, the profit after taxation of China Gas amounting to HK$2.12 billion and the net profit of BE Water amounting to HK$2.03 billion.

Taxation

After deducting the share of profits and losses of associates and jointly-controlled entities, the effective income tax rate was 39.6%, which was lower than the 47.6% in the corresponding period of last year and was mainly due to the decrease in taxation caused by the EEW's taxation adjustment.

Profit Attributable to Shareholders of the Company

The profit attributable to the shareholders of the Company for the year ended 31 December 2019 was HK$8.05 billion (2018: HK$7.58 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$51.9 billion, which was comparable with that of last year.

Other intangible assets

Other intangible assets were mainly from EEW GmbH.

Right-of-use assets

Under the new lease standard HKFRS 16, which has come into effect on 1 January 2019, right-of-use assets represent the Group (as lessee) shall recognise a lease as a right-of-use asset in the balance sheet in accordance with the requirements of the new standard.

Prepaid land premiums

The balance was nil because under the new lease standard HKFRS 16 which has come into effect on 1 January 2019. Prepaid land premiums have been reclassified as right-of-use asset.

Investments in associates

The increase in balance by HK$3.87 billion was mainly due to the share of attributable profits from BE Water, PetroChina Beijing Pipeline Co., VCNG and China Gas.

Equity investments at fair value through other comprehensive income

It mainly represented the fair value of Beijing Gas's investment in CNPC Capital Company Limited.

Receivables under a finance lease

The balance of receivables under a finance lease was from EEW GmbH.

Financial asset at fair value through profit or loss

It mainly represented the fair value of Beijing Gas's investment in PetroChina Pipelines Co., Ltd.

Current assets

Inventories

It mainly represented the inventory balance of Yanjing Brewery.

Trade receivables

The balance increased by HK$813 million, 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 2019, cash and bank deposits held by the Group amounted to HK$22.16 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$63.77 billion as at 31 December 2019, 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$18.46 billion. Around 63.5% of the total borrowings were denominated in US and Hong Kong dollar and 27.5% in Euro. The Group had net borrowings of HK$41.61 billion as at 31 December 2019, which was almost the same as the previous year.

Non-current liabilities

Bank and other borrowings

There was an increase of HK$4.63 billion in long-term and short-term balance in total, which was mainly due to the acquisition of Tangshan Natural Gas Co., Ltd. and consolidated its bank and other borrowings as well as new bank loans by Beijing Gas.

Guaranteed bonds and notes

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

Lease liabilities

Lease liabilities are under the new lease standard HKFRS 16 which has come into effect on 1 January 2019, which requires that the Group (as lessee) shall recognise a lease asset as right-of-use asset with a corresponding lease liability to be recognised in the balance sheet according to the new standard.

Provision for onerous contracts and major overhauls

The balances were mainly from EEW GmbH.

Current liabilities

Other payables, accruals and contract liabilities

The decrease in balance of HK$178 million was comparable with that of last year.

Liquidity and Capital Resource

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 2019, the issued capital of the Company amounted to 1,262,053,268 shares and the shareholders' equity was HK$75.28 billion. Total equity was HK$87.01 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% (2018: 42%).

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 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	2	**67,783,028**	67,764,770
Cost of sales		**(56,836,891)**	(57,201,105)
Gross profit		**10,946,137**	10,563,665
Gains on deemed disposal of partial interests in associates		**338,115**	549,014
Other income and gains, net		**1,387,500**	1,364,969
Selling and distribution expenses		**(2,066,966)**	(2,237,692)
Administrative expenses		**(4,846,395)**	(4,784,957)
Other operating expenses, net		**(978,673)**	(1,041,535)
Finance costs	4	**(2,194,968)**	(1,977,744)
Share of profits and losses of:			
Joint ventures		**28,810**	(6,715)
Associates		**6,982,418**	6,666,446
PROFIT BEFORE TAX	3	**9,595,978**	9,095,451
Income tax	5	**(1,022,369)**	(1,158,810)
PROFIT FOR THE YEAR		**8,573,609**	7,936,641
ATTRIBUTABLE TO:			
Shareholders of the Company		**8,054,780**	7,577,383
Non-controlling interests		**518,829**	359,258
		8,573,609	7,936,641
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	7		
Basic and diluted		**HK$6.38**	HK$6.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2019

	2019 *HK$'000*	2018 *HK$'000*
PROFIT FOR THE YEAR	**8,573,609**	7,936,641
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(741,233)**	(2,556,366)
Share of other comprehensive loss of associates	**(678,817)**	(1,797,926)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(1,420,050)**	(4,354,292)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Defined benefit plans:		
Actuarial gain/(loss), net	**(193,323)**	113,955
Income tax effect	**59,650**	(32,007)
	(133,673)	81,948
Equity investments at fair value through other comprehensive income:		
Changes in fair value	**355,682**	(930,639)
Income tax effect	**(70,901)**	222,319
	284,781	(708,320)
Share of other comprehensive income/(loss) of associates	**(16,037)**	83,019
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**135,071**	(543,353)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX	**(1,284,979)**	(4,897,645)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**7,288,630**	3,038,996
ATTRIBUTABLE TO:		
Shareholders of the Company	**6,954,047**	3,054,966
Non-controlling interests	**334,583**	(15,970)
	7,288,630	3,038,996

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets:			
Property, plant and equipment		**51,898,919**	51,717,563
Investment properties		**1,131,346**	1,147,395
Right-of-use assets		**2,839,886**	–
Prepaid land premiums		**–**	1,469,087
Goodwill		**16,332,072**	16,553,016
Operating concessions		**3,783,828**	2,981,150
Other intangible assets		**3,373,759**	3,272,196
Investments in joint ventures		**327,691**	358,475
Investments in associates		**57,244,835**	53,375,575
Equity investments at fair value through other comprehensive income		**3,284,217**	2,908,338
Financial asset at fair value through profit or loss		**2,265,249**	2,301,452
Receivables under service concession arrangements	*8*	**2,380,255**	1,807,792
Receivables under a finance lease		**738,296**	846,572
Prepayments, other receivables and other assets		**937,969**	1,538,539
Deferred tax assets		**1,638,766**	1,423,522
Total non-current assets		**148,177,088**	141,700,672
Current assets:			
Prepaid land premiums		**–**	38,342
Inventories		**5,189,188**	5,138,624
Receivables under a finance lease		**84,707**	81,260
Receivables under service concession arrangements	*8*	**97,552**	123,605
Trade receivables	*9*	**6,029,450**	5,216,897
Prepayments, other receivables and other assets		**3,638,798**	3,611,879
Other tax recoverables		**393,871**	609,522
Restricted cash and pledged deposits		**36,701**	39,983
Cash and cash equivalents		**22,158,921**	17,935,496
Total current assets		**37,629,188**	32,795,608
TOTAL ASSETS		**185,806,276**	174,496,280

	Note	2019 HK$'000	2018 HK$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		**30,401,883**	30,401,883
Reserves		**44,879,756**	39,270,734
		75,281,639	69,672,617
Non-controlling interests		**11,733,188**	11,342,755
TOTAL EQUITY		**87,014,827**	81,015,372
Non-current liabilities:			
Bank and other borrowings		**25,765,222**	26,958,501
Guaranteed bonds and notes		**26,268,062**	31,024,807
Lease liabilities		**684,279**	–
Defined benefit plans		**2,270,816**	2,011,333
Provision for onerous contracts and major overhauls		**355,576**	341,974
Other non-current liabilities		**1,823,219**	1,708,842
Deferred tax liabilities		**2,576,094**	2,250,422
Total non-current liabilities		**59,743,268**	64,295,879
Current liabilities:			
Trade and bills payables	*10*	**4,508,343**	4,504,712
Other payables, accruals and contract liabilities		**21,235,911**	21,413,851
Provision for onerous contracts		**49,525**	50,944
Income tax payables		**981,218**	1,227,743
Other tax payables		**374,237**	448,372
Bank and other borrowings		**7,361,029**	1,539,407
Guaranteed bonds		**4,373,180**	–
Lease liabilities		**164,738**	–
Total current liabilities		**39,048,181**	29,185,029
TOTAL LIABILITIES		**98,791,449**	93,480,908
TOTAL EQUITY AND LIABILITIES		**185,806,276**	174,496,280

Notes:

1.1 BASIS OF PRESENTATION

Despite that the Group had net current liabilities of HK$1.4 billion and capital commitments of approximately HK$5 billion as at 31 December 2019, the directors consider that the Group will have adequate funds available to enable it to operate as a going concern, based on the Group's cash flow projection which, inter alia, takes into account the historical operating performance of the Group and the following: (a) the Company received term sheets from banks regarding new term loan facilities of HK$8 billion in total in February 2020; and (b) the Company is considering to raise funds through issuance of corporate bonds in 2020. Accordingly, these financial statements have been prepared on the going concern basis which assumes, inter alia, the realisation of assets and satisfaction of liabilities in the normal course of business.

1.2 BASIS OF PREPARATION

This announcement has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for (i) investment properties and (ii) equity and fund investments which have been measured at fair value. These 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 2019 and 2018 included in this preliminary announcement of 2019 annual results does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 December 2018, 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 consolidated financial statements for the year ended 31 December 2019 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course. The Company has delivered the consolidated financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on the consolidated financial statements of the Group for the year ended 31 December 2018. 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 Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. 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.

1.3 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 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC) – Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits as at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessor

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease arrangements as a lessee for various items of land, office, staff quarters and machinery. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and short-term leases (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on the straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities as at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2019 and were separately presented on the face of the consolidated statement of financial position.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the leases recognised in the consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately on the face of the consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 on 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities as at 1 January 2019

Financial impact on 1 January 2019

The impact arising from the adoption of HKFRS 16 on 1 January 2019 was as follows:

	HK$'000
Assets	
Decrease in property, plant and equipment	(57,068)
Increase in right-of-use assets	2,096,000
Decrease in prepaid land premiums	(1,507,429)
Decrease in prepayments, other receivables and other assets	(1,418)
Increase in total assets	530,085
Liabilities	
Increase in lease liabilities	570,048
Decrease in other liabilities	(39,963)
Increase in total liabilities	530,085

A reconciliation of the operating lease commitments as at 31 December 2018 to the lease liabilities as at 1 January 2019 is as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	**796,418**
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(14,014)
	782,404
Weighted average incremental borrowing rate as at 1 January 2019	4.68%
Discounted operating lease commitments as at 1 January 2019	530,085
Add: Finance lease liabilities recognised as at 31 December 2018	39,963
Lease liabilities as at 1 January 2019	**570,048**

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 *Financial Instruments* only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28 *Investments in Associates and Joint Ventures*, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 *Income Taxes* (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any impact on the financial position or performance of the Group.

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, the surveying and plotting of underground construction projects, and the 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 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 2019

	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	47,517,770	11,826,321	–	8,438,937	–	–	67,783,028
Cost of sales	(42,699,589)	(8,010,183)	–	(6,127,119)	–	–	(56,836,891)
Gross profit	4,818,181	3,816,138	–	2,311,818	–	–	10,946,137
Profit/(loss) from operating activities	2,745,406	402,537	–	1,799,744	(167,969)	–	4,779,718
Finance costs	(372,147)	(21,565)	–	(174,222)	(1,627,034)	–	(2,194,968)
Share of profits and losses of:							
Joint ventures	28,810	–	–	–	–	–	28,810
Associates	4,888,992	26,185	2,026,934	40,307	–	–	6,982,418
Profit/(loss) before tax	7,291,061	407,157	2,026,934	1,665,829	(1,795,003)	–	9,595,978
Income tax	(437,085)	(184,686)	–	(395,207)	(5,391)	–	(1,022,369)
Profit/(loss) for the year	6,853,976	222,471	2,026,934	1,270,622	(1,800,394)	–	8,573,609
Segment profit/(loss) attributable to shareholders of the Company	6,873,408	1,073	2,026,934	953,794	(1,800,429)	–	8,054,780
Segment assets	110,776,401	21,273,476	13,028,341	34,142,062	13,696,288	(7,110,292)	185,806,276
Segment liabilities	34,577,988	6,994,699	–	17,356,966	46,972,088	(7,110,292)	98,791,449

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/(loss) from operating activities	2,959,194	398,872	–	1,493,129	(437,731)	–	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	1,381,628	(1,940,913)	–	9,095,451
Income tax	(483,341)	(187,781)	–	(417,471)	(70,217)	–	(1,158,810)
Profit/(loss) for the year	6,864,526	221,930	1,897,158	964,157	(2,011,130)	–	7,936,641
Segment profit/(loss) attributable to shareholders of the Company	6,833,039	13,425	1,897,158	697,344	(1,863,583)	–	7,577,383
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

Geographical information

Revenue from external customers

	2019 *HK$'000*	2018 *HK$'000*
Mainland China	**62,463,119**	62,645,555
Germany	**5,319,909**	5,119,215
	67,783,028	67,764,770

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

Information about major customers

During each of the years ended 31 December 2019 and 2018, none of the Group's individual customers contributed to 10% or more of the Group's revenue.

3. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold	**54,198,006**	55,505,615
Cost of services provided	**2,340,908**	1,348,649
Depreciation of items of property, plant and equipment	**3,592,541**	3,500,464
Depreciation of right-of-use assets	**198,898**	–
Amortisation of prepaid land premiums	**–**	38,609
Amortisation of operating concessions	**131,863**	122,425
Amortisation of other intangible assets	**235,434**	288,695

4. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank loans and other loans	**1,049,473**	887,358
Interest on guaranteed bonds and notes	**1,101,247**	1,101,202
Interest on lease liabilities	**45,573**	–
Total interest expenses	**2,196,293**	1,988,560
Increase in discounted amounts of provision for major overhauls arising from the passage of time	**1,815**	2,190
Total finance costs	**2,198,108**	1,990,750
Less: Interest capitalised in construction in progress	**(3,140)**	(13,006)
	2,194,968	1,977,744

5. INCOME TAX

An analysis of the Group's income tax is as follows:

	2019	2018
	HK$'000	*HK$'000*
Current:		
Hong Kong	**3,303**	9,651
Mainland China	**601,427**	893,045
Germany	**328,293**	404,690
Others	**48,603**	104,850
Deferred	**40,743**	(253,426)
Total tax expense for the year	**1,022,369**	1,158,810

6. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Interim – HK$0.40 (2018: HK$0.32) per ordinary share	**504,821**	403,857
Proposed final – HK$0.74 (2018: HK$0.73) per ordinary share	**933,919**	921,299
	1,438,740	1,325,156

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 (2018: 1,262,053,268) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for each of the years ended 31 December 2019 and 2018 for a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

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. They were all unbilled as at 31 December 2019 and 2018.

9. TRADE RECEIVABLES

The various group companies have different credit policies, depending on the requirements of their markets and the businesses in which they operate. Ageing analysis of trade receivables is prepared and closely monitored in order to minimise any credit risk associated with the receivables. The Group does not hold any collateral or other credit enhancement over its trade receivables.

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

	2019	2018
	HK$'000	*HK$'000*
Billed:		
Within one year	**3,987,212**	2,907,189
One to two years	**63,304**	73,721
Two to three years	**26,112**	31,788
Over three years	**67,730**	53,455
	4,144,358	3,066,153
Unbilled*	**1,885,092**	2,150,744
	6,029,450	5,216,897

* *The unbilled balance was attributable to the sale of natural gas near the year end date and such sale will be billed in the next metre reading date*

10. TRADE AND BILLS PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
Billed:		
Within one year	**3,142,503**	2,529,803
One to two years	**127,634**	70,757
Two to three years	**3,046**	11,123
Over three years	**15,923**	24,034
	3,289,106	2,635,717
Unbilled*	**1,219,237**	1,868,995
	4,508,343	4,504,712

* *The unbilled balance was attributable to (i) purchase of natural gas near the year end which will be billed subsequently in early January 2020; and (ii) accrued extra purchase cost which will be billed when the price is agreed by the Group with the supplier.*

11. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, international crude oil price has dropped significantly and the outbreak of novel coronavirus (COVID-19) epidemic in early 2020 has led to a series of precautionary and control measures implemented across the globe. These events have had and may continue to have adverse impacts on certain operations of the Group and associates. Owing to the inherent nature and unpredictability of (i) the future movement in the international crude oil price; and (ii) the future development of the COVID-19 virus epidemic, including epidemic preventive measures imposed by countries in which the Group has operations and the duration of the epidemic, the degree of the adverse impacts of these events and their resulting financial impacts on the Group cannot be reasonably estimated at this stage.

12. COMPARATIVE AMOUNTS

As further explained in note 1.3 above, the Group adopted HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, i.e., HKAS 17, and related interpretations.

In addition, certain comparative amounts have been reclassified and represented to conform to the current year's presentation.

DIVIDEND

The Directors of the Company recommended the payment of a final dividend of HK74 cents (2018: HK73 cents) per share for the year ended 31 December 2019 payable to shareholders whose names appear on the register of members of the Company on 15 July 2020. Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend will be paid on 28 July 2020.

ANNUAL GENERAL MEETING

The 2020 annual general meeting will be held on Thursday, 18 June 2020. The notice of the 2020 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 2020 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 2020 annual general meeting:

Latest time to lodge transfer documents for registration	4:30 pm on Friday, 12 June 2020
Closure of register of members	Monday, 15 June 2020 to Thursday, 18 June 2020 (both dates inclusive)
Annual General Meeting	Thursday, 18 June 2020

(ii) For determining entitlement to the final dividend:

Latest time to lodge transfer documents for registration	4:30 pm on Wednesday, 8 July 2020
Closure of register of members	Thursday, 9 July 2020 to Wednesday, 15 July 2020 (both dates inclusive)
Record date	Wednesday, 15 July 2020

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

EMPLOYEES

As at 31 December 2019, the Group had approximately 41,000 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 2019.

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.

Under Code Provision E.1.2, the chairman of the board should attend the annual general meeting. Due to other business engagements, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 11 June 2019, which deviates from Code Provision E.1.2. However, the Chairman had arranged other directors to attend the meeting and communicate with shareholders.

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 2019.

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 Dr. Yu Sun Say (with effect from 21 January 2020). 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 AUDITOR 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 2019 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor 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 auditor 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, 31 March 2020

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. Jiang Xinhao and Mr. Tam Chun Fai as executive directors; Mr. Wu Jiesi, Mr. Lam Hoi Ham, Dr. Sze Chi Ching and Dr. Yu Sun Say as independent non-executive directors.