

CHAIRMAN'S STATEMENT



Yi Xi Qun

I am pleased to announce that Beijing Enterprises Holdings Limited (the “Company”) and its subsidiaries (the “Group”) have recorded turnover of approximately HK\$7.25 billion in respect of its continuing operations for the year 2006, representing an increase of 15.7% as compared with 2005. Profit attributable to shareholders was HK\$339 million. Basic earnings per share amounted to HK\$0.54. The Board of Directors recommended paying a final dividend of HK20 cents per share.

The year 2006 marked an exceptional year for the Company. The Group experienced a temporary recession in its overall results due to the loss of the asset Beijing Yanjing Brewery Co., Ltd. (“Yanjing Brewery”) incurred from the implementation of the share reform plan and the stagnant profit margin resulting from the vast maintenance fees of Beijing Capital Airport Expressway.

The Company adopted various corresponding measures to reduce the downward trend of its operating results and achieved moderate success. In particular, the synchronised implementation of share transfer of Beijing Wangfujing Department Store (Group) Co., Ltd. (“Wangfujing”) not only eliminated costs generated from the share reform plan, but also partially offset the loss arising from the share reform of Yanjing Brewery with its exceptional gains. However, in order to settle the net cost of HK\$258 million for the share reform of Yanjing Brewery attributable to the Company and certain provisions for goodwill and receivables with a one-off payment, the Company recorded a significant reduction in its overall earnings for the year 2006.

The drop in earnings in 2006 was a one-off downward adjustment. Without taking into account the exceptional items, including the HK\$258 million exceptional net loss incurred from the share reform plan implemented by Yanjing Brewery and Fujian Yanjing Huiquan Brewery Co., Ltd., the HK\$56.8 million vast maintenance fees of Beijing Capital Airport Expressway, and the intangible costs required to be amortised in accordance with the new accounting standards upon the launch of share option scheme for its employees, the net operating profit attributable to the Company in 2006 was HK\$620 million, representing a continuous increase. The performance of the Company’s existing businesses, such as water treatment and highways in particular, remained steady.

Concentrating on disposing various non-core businesses and low efficiency assets in the recent two years, the Group generated a cash inflow of approximately HK\$1.48 billion. Under the current satisfactory financial position of the Group, the net cash position of its balance sheet, together with a net cash of approximately HK\$2.77 billion held as at the balance sheet date, the launch of its new investment and acquisition activities in the core business was sufficiently funded.

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The management of the Company has fully deployed for the core tasks for the year 2007, the key points of which are summarised as follows:

Firstly, the Company will persist in the development targets of “establishing itself as a utilities conglomerate with urban energy services as its core business, and becoming the investment platform for the utilities sector of Beijing in the international capital market”. With emphasis on its major operating business as its development principle, the Company will realise its strategic transition objective in accordance with its plans.

Secondly, we will continue to divest ourselves of non-core businesses and low-efficiency assets, and further concentrate on using resources efficiently by focusing on energy resources and infrastructure projects such as gas, toll roads and water treatment. The Company will promote investment activities in order to expand the scope of its core business.

Thirdly, we will strengthen the standardised planning and coordination of assets and business development within our management framework to further centralise our control and allocation of internal resources to fortify synergies between different units of operation. Business lines which can facilitate brand recognition will be the highlight of development. Aside from consolidating our profit bases, we will also enhance overall quality of asset and competitiveness and endeavour to maintain the stability and continuity of our business growth.

Fourthly, we will reinforce and improve investor relations, enhance our interaction with the capital market, and strive to build up a more open and proactive market image.

The year 2007 marks the tenth year since the company has been listed and is thus a significant year to promote the realisation of the Group's strategic reform. In the previous two years, we have launched and continue to carry out strategic reform. By positioning as “a utilities conglomerate with urban energy services as its core business”, the Company started to dispose, integrate and gradually divest itself of non-core assets of the existing business, focusing on investments in the projects related to its competitive edges, such as gas, toll roads and water treatment. With its endeavours over the past few years, the bases of the principal businesses of the Company have been consolidated and the business lines gradually streamlined.

I would like to express my heartfelt gratitude to all members from our constituencies for their dedication and support in the past year!

A handwritten signature in black ink, appearing to be '何进华' (He Jinhua), the Chairman of the Company.

Chairman

Hong Kong
3 April 2007