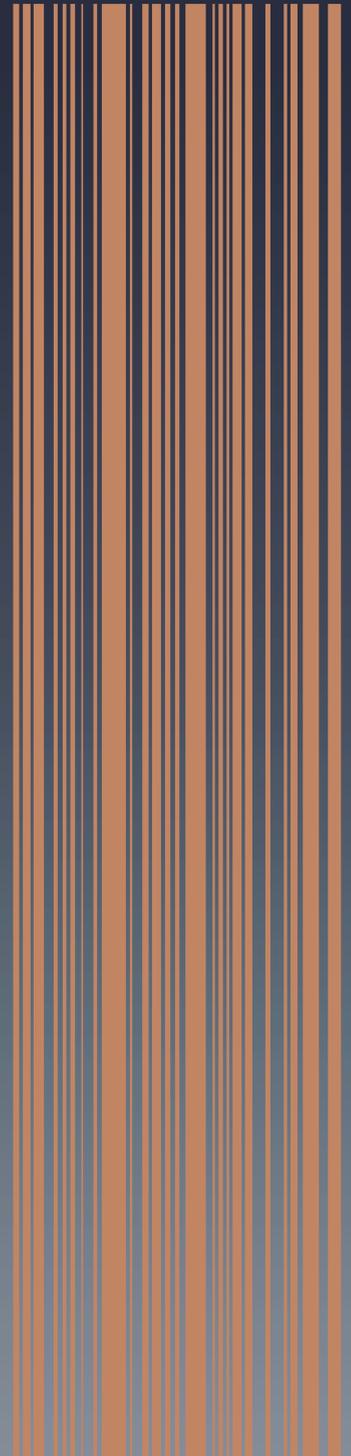


# INTERIM REPORT 09'



**BEIJING ENTERPRISES  
HOLDINGS LIMITED**

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Stock Code:392



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**GENERAL INFORMATION:****Registered Office**

Room 4301, 43/F., Central Plaza,  
18 Harbour Road,  
Wanchai, Hong Kong  
Tel: (852) 2915 2898  
Fax: (852) 2857 5084

**Website**

<http://www.behl.com.hk>

**Stock Code**

392

**Company Secretary**

Mr. Tam Chun Fai CPA CFA

**Share Registrars**

Tricor Tengis Limited  
26/F, Tesbury Centre,  
28 Queen's Road East,  
Hong Kong

**DIRECTORS:****Executive Directors**

Mr. Wang Dong (*Chairman*)  
Mr. Zhang Honghai (*Vice Chairman and  
Chief Executive Officer*)  
Mr. Li Fucheng (*Vice Chairman*)  
Mr. Bai Jinrong (*Vice Chairman*)  
Mr. Zhou Si (*Vice Chairman*)  
Mr. E Meng (*Executive Vice President*)  
Mr. Liu Kai (*Vice President*)  
Mr. Guo Pujin  
Mr. Lei Zhengang  
Mr. Jiang Xinhao (*Vice President*)  
Mr. Tam Chun Fai  
(*Chief Financial Officer and  
Company Secretary*)

**Independent Non-executive Directors**

Mr. Wu Jiesi  
Mr. Robert A. Theleen  
Mr. Lam Hoi Ham  
Mr. Fu Tingmei

**PROFESSIONALS:****Auditors**

Ernst & Young

**Legal Advisers**

*as to Hong Kong law:*

DLA Piper

Johnson Stokes & Master

*as to PRC law:*

Haiwen & Partners

*as to US law:*

Sullivan & Cromwell

**PRINCIPAL BANKERS:****In Hong Kong:**

Bank of China (Hong Kong) Limited

Bank of Communications, Hong Kong Branch

China Construction Bank, Hong Kong Branch

Mizuho Corporate Bank Ltd., Hong Kong Branch

**In Mainland China:**

Agricultural Bank of China

Bank of China

China Construction Bank

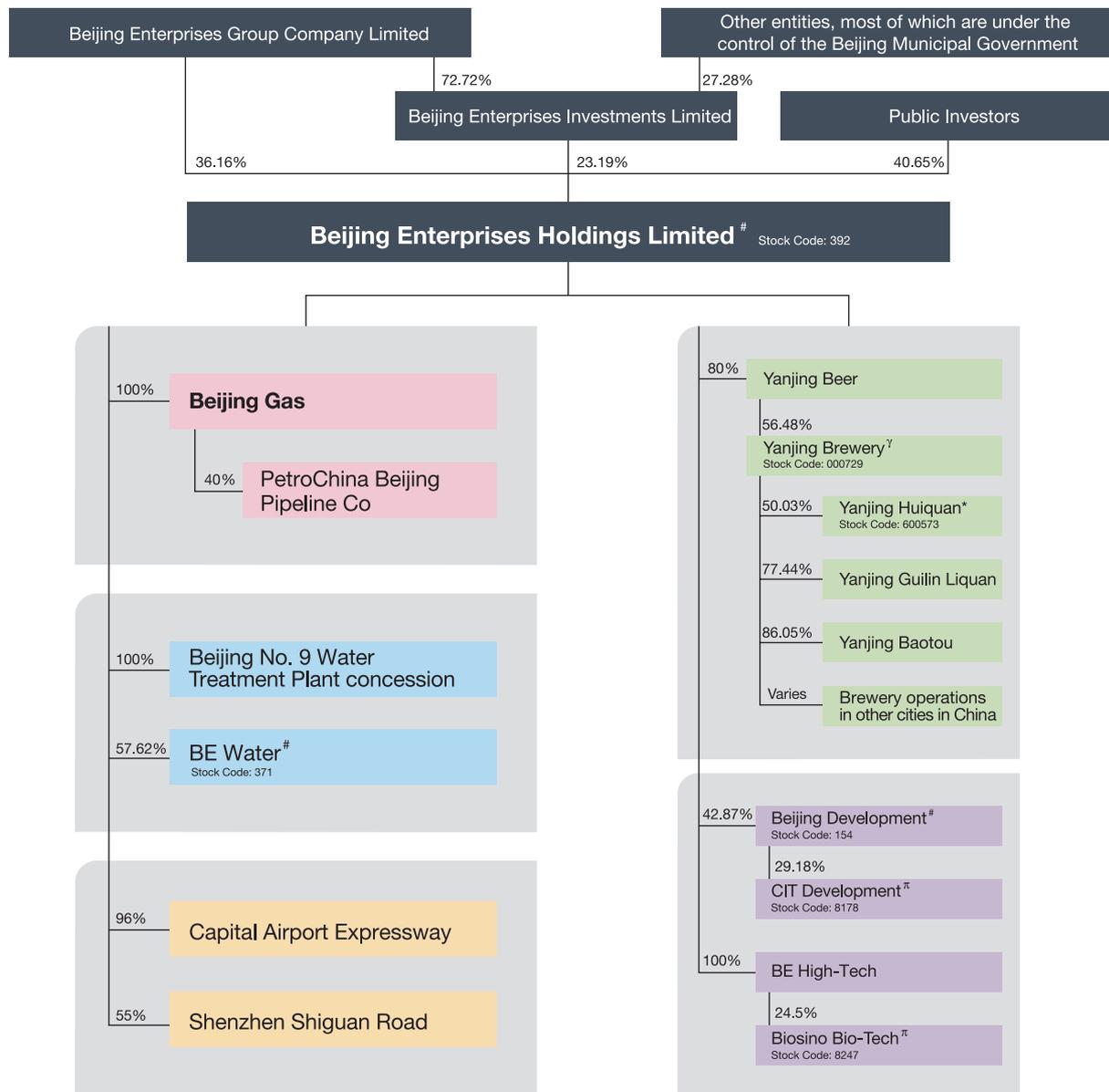
Guangdong Development Bank

The Industrial and Commercial Bank of China

**ADR Depository Bank:**

The Bank of New York

AS AT 16 SEPTEMBER 2009



\* Listed on The Shanghai Stock Exchange

γ Listed on The Shenzhen Stock Exchange

# Listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

π Listed on The Growth Enterprise Market of the Stock Exchange

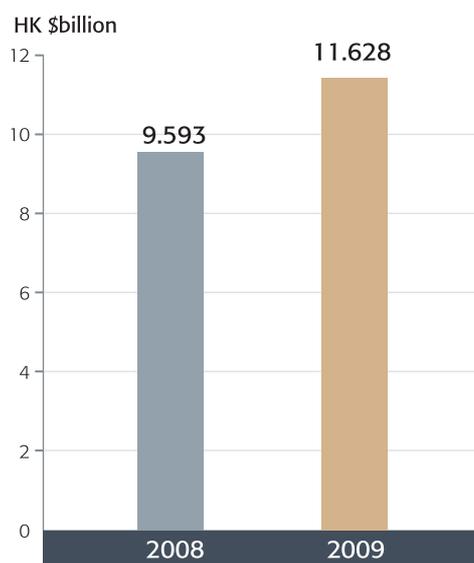
## FINANCIAL HIGHLIGHTS (UNAUDITED)

For the six months ended 30 June

	2009 HK\$'000	2008 HK\$'000	Change %
Revenue	<b>11,628,432</b>	9,593,445	21.2%
Gross profit	<b>2,917,978</b>	2,410,386	21.1%
Profit for the period	<b>1,731,223</b>	1,519,435	13.9%
Profit attributable to shareholders of the Company	<b>1,418,078</b>	1,273,378	11.3%
Interim dividend	<b>HK20 cents</b>	HK20 cents	—
Earnings per share – Basic	<b>HK\$1.25</b>	HK\$1.12	11.6%

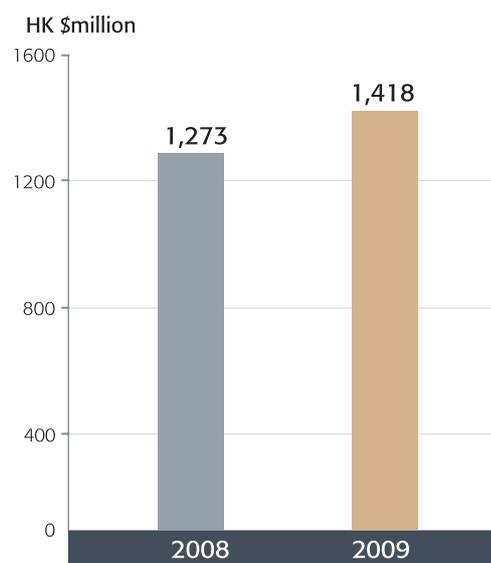
## Revenue

for the six months ended 30 June 2009



## Profit attributable to shareholders of the Company

for the six months ended 30 June 2009



## UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Beijing Enterprises Holdings Limited (the “Company”) is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2009 with the comparative figures for the corresponding period of 2008. The consolidated revenue of the Group was HK\$11.628 billion for the first half of 2009, increased by 21.2% comparing to the corresponding period of last year. Profit attributable to shareholders of the Company was HK\$1.418 billion, increased by 11.3% comparing to corresponding period of last year.

Profit after taxation contributed by each business segment attributable to shareholders of the Company during the period was as follows:

	<b>Profit</b>	
	<b>After Taxation</b>	<b>Proportion</b>
	<i>HK\$'000</i>	%
Natural Gas Business	1,040,271	73.4
Beer Business	172,106	12.1
Water Treatment Business	118,954	8.4
Toll Roads	65,163	4.6
Others	21,584	1.5
	<u>                    </u>	<u>                    </u>

## INTERIM DIVIDEND

The Board has resolved to declare an interim cash dividend for the six months ended 30 June 2009 of HK20 cents per share (2008: HK20 cents per share), which will be payable on or about 28 October 2009 to shareholders whose names appear on the Register of Members of the Company on 5 October 2009.

## CLOSURE OF REGISTER OF MEMBERS

The Company’s Register of Members will be closed from Thursday, 1 October 2009 to Monday, 5 October 2009, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Center, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 30 September 2009.

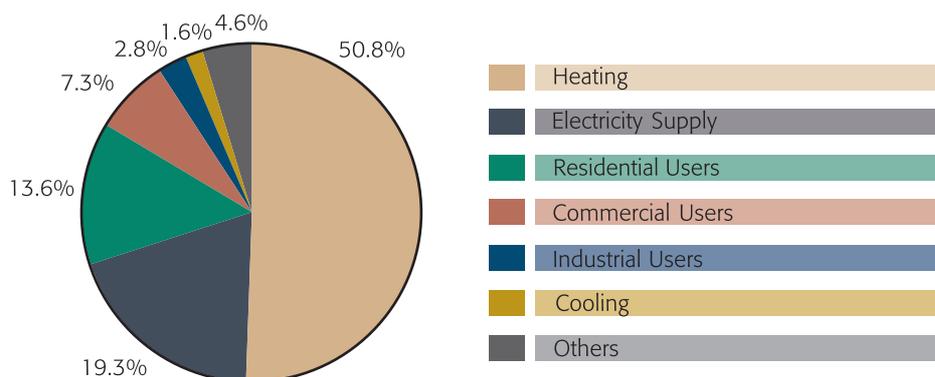
## MANAGEMENT DISCUSSION AND ANALYSIS

### I. BUSINESS REVIEW

#### *Natural Gas Business*

The natural gas distribution business of Beijing Gas Group Company Limited ("Beijing Gas") recorded a revenue of HK\$5.89 billion, increased by 16% comparing to the first half of last year. Net profit from gas distribution business in the first half of the year was HK\$451 million, increased by 11.4% comparing to the first half of 2008. Gas sales volume was approximately 2.86 billion cubic meters, up 14.9% against 2.49 billion cubic meters in the corresponding period of last year. The total length of the pipeline system including self owned and entrusted pipelines in Beijing city further increased to approximately 12,000 kilometers. During the period under review, capital expenditures incurred was HK\$881 million, primarily used in the construction of high-pressure pipelines in suburban counties and the new piped line network infrastructure project. The sales volume was analysed as follows:

	<b>For the six months ended 30 June 2009</b>	
	<b>Sales Volume</b>	<b>Proportion</b>
	<i>'0000 cubic meter</i>	
Heating	145,431	50.8%
Electricity Supply	55,365	19.3%
Residential Users	38,935	13.6%
Commercial Users	20,987	7.3%
Industrial Users	8,069	2.8%
Cooling	4,459	1.6%
Others	13,024	4.6%
Total	<u>286,270</u>	<u>100%</u>



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### I. BUSINESS REVIEW (Continued)

#### *Natural Gas Business (Continued)*

The transmission volume of PetroChina Beijing Natural Gas Pipeline Company Limited (“PetroChina Beijing Pipeline Co”) for the first half of 2009 was approximately 6.96 billion cubic meters compared against 5.85 billion in the first half of last year, representing a growth of 19%. The strong transmission volume growth was mainly attributable to strong demand from the city gas operators in the Bohai and Hebei area. Beijing Gas shared a net profit after taxation of HK\$587 million, based on the 40% equity stake in PetroChina Beijing Pipeline Co in the first half of 2009, representing a 32.8% increase when compared with the first half of 2008. The capital expenditures of PetroChina Beijing Pipeline Co in the first half of 2009 was approximately HK\$1.3 billion, primarily used in the construction of Qinhuang Island Spur Pipeline, the transmission enhancement project for No. 2 Shaanxi-Beijing Gas Pipeline and Jing 58 underground gas storages project.

#### *Beer Business*

The overall sales volume of beer products sold under the “Yanjing” brand and its associated brands increased by approximately 14% to 2.34 million thousand litres. Revenue increased by 21.4% to HK\$5 billion, mainly due to volume increase and continuous appreciation of Renminbi exchange rate. Profit attributable to the Group increased by 39.4% to approximately HK\$172 million mainly due to higher gross profit margin, appropriate cost control measures and appreciation of the Renminbi exchange rate. Beijing Yanjing Brewery Co., Ltd. (“Yanjing Brewery”) controls over 85% of the market share in the Beijing market. Driven by the branding effect of the Olympics, our advantage in the Beijing market was further consolidated, recording a year-on-year sales growth of 6.9% in the first half of the year. The development of markets outside Beijing was even faster in the first half of the year, recording a year-on-year sales growth of 17%. Sales in the Guangdong market grew by 63% and that of the Hebei market grew by 42%.

During the period under review, Yanjing Brewery injected more than HK\$400 million to Guangdong Yanjing Beer and Chifeng Yanjing Beer, primarily used in the expansion and technological improvement projects.

#### *Water Treatment Business*

The attributable profit of Beijing No.9 water treatment concession to the Group in the first half of 2009 was approximately HK\$90.6 million.

Beijing Enterprises Water Group Limited (“BE Water”) (stock code: 371), a 60.22% owned subsidiary of the Group as at 30 June 2009, recorded a turnover of HK\$435 million and attributable profit of HK\$28 million to the Group in the first half of 2009. Currently, the Group has more than 3.6 million tons of water processing capacity per day in operation and under construction in Mainland China. We expect to continue investments in quality water projects through BE Water in the future.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### I. BUSINESS REVIEW (Continued)

#### *Toll Roads*

The traffic volume going through the Capital Airport Expressway declined by 25% to 17.38 million vehicles in the first half of 2009 mainly due to diversion of traffic to the South Extension Line connecting to the Terminal 3 of Beijing International Airport.

The revenue of Capital Airport Expressway decreased by 25.8% accordingly to HK\$167 million in the first half of 2009. Attributable profit to the Group also declined by 47% to approximately HK\$64 million comparing to corresponding period of last year.

The traffic volume of Shenzhen Shiguan Road declined by 14% to 4.01 million vehicles in the first half of the year. The attributable profit to the Group was HK\$1.6 million for the six months ended 30 June 2009.

### II. PROSPECTS

#### *Natural Gas Business*

The natural gas distribution business in Beijing area has recorded continuous volume growth and subscriber growth in the past. With sustainable economic and population growth in Greater Beijing area, the demand for clean energy consumption, in particular, piped natural gas will see steady demand growth. This demand growth will further drive the sales volume of gas distribution business in Beijing metropolitan area as well as suburban area. Beijing Gas has seen more aggressive dedication to piped natural gas infrastructure investments by county governments surrounding Beijing city. The Group will continue to deploy more resources to develop these new markets in suburban counties in the medium term.

In the transmission business, the compression and gas storage project for existing Shaanxi-Beijing No. 1 & 2 long piped lines progressed well during the period under review. Upon expected completion in first quarter next year, the annual consolidated transmission capacity should reach 19 billion cubic meters per annum.

#### *Beer Business*

“Yanjing” will remain one of the strongest local beer brands in the Mainland China. The nationwide bottling production facilities together with the established distribution network will further boost the market share in the future. Yanjing Brewery’s profit margin will remain stable as the more profitable premium beer gaining higher market share and contributes higher profit to Yanjing Brewery.

#### *Water Treatment Business*

The water treatment business conducted through BE Water is expected to build up the processing volume aggressively with medium term goal of achieving daily capacity of more than 5 million tons per day.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### II. PROSPECTS (Continued)

#### *Toll Roads*

The traffic volume of Capital Airport Expressway is expected to stabilise at around 90,000 vehicles per day based on the current air traffic volume of Terminals 1 to 3 of Beijing International Airport. The traffic volume of Shenzhen Shiguan Road is expected to shrink further due to diverting of traffic to other free highway around Shenzhen area. The Group will seriously consider withdraw from this project and seek reasonable compensation from the relevant Shenzhen authority.

### III. FINANCIAL REVIEW

#### *Revenue*

The revenue of the Group's continuing operations in first half of 2009 was approximately HK\$11.6 billion, increased by 21.2% when compared with first half in 2008. This was mainly driven by higher gas sales volume and higher beer sales volume. Other business contributed an aggregate of not more than 6% of the total revenue.

#### *Cost of Sales*

Cost of sales increased by 21.3% to HK\$8.71 billion, basically in line with the increase in revenue. The cost of sales for gas distribution business included purchase cost of natural gas as well as depreciation of piped line network.

#### *Gross Profit Margin*

Overall gross profit margin was 25.1% for current period. The gross profit margin was similar to that of the corresponding period of last year. Natural gas distribution business had average gross margin of approximately 16.1% which is lower than the high margin brewery business, toll road and water business due to different direct cost structure.

#### *Other Income*

Other income comprised of, inter alia, total interest income amounted to HK\$43.5 million; gain on deemed disposal of interests in subsidiaries amounted to HK\$134 million; government grants amounted to HK\$62.4 million; and exchange gain etc.

#### *Selling and Distribution Costs*

Selling and distribution costs of the Group's operating business in first half of 2009 increased by 19% to HK\$663 million, in line with the increase in revenue. The proportion of selling and distribution costs for gas distribution business was lower than that of brewery business due to much higher advertisement expenses for consumer products business.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### III. FINANCIAL REVIEW (Continued)

#### *Administrative Expenses*

Administrative expenses of the Group in the first half of 2009 was HK\$766 million, increased by 30.5% comparing to the corresponding period of last year. The increase was mainly due to commencement of new beer bottling plants in Sichuan, Inner Mongolia and Xinjiang and consolidation of newly acquired sewage plants from BE Water. The higher than revenue percentage increase was due to relatively higher proportion of administrative costs for brewery business.

#### *Finance Costs*

Finance costs of the Group in the first half of 2009 was HK\$183 million, remained almost the same as that in corresponding period of 2008. The lower bank loan interest was due to lower interest rates for Hong Kong dollar denominated syndicated bank loans during the period under review.

#### *Share of Results of Jointly-controlled Entities*

This substantially represented the 40% share of the net profits of PetroChina Beijing Pipeline Co for the first half of 2009. PetroChina Beijing Pipeline Co is 40% owned by Beijing Gas and 60% owned by PetroChina Company Limited. The primary business of PetroChina Beijing Pipeline Co is natural gas transmission which supplies to city gas operators along the Shaanxi-Beijing No. 1 & 2 long piped lines with an approximate total length of 2,200 kilometers owned by PetroChina Beijing Pipeline Co.

#### *Share of Results of Associated Companies*

The Group's share of net losses of associates amounted to HK\$3.9 million in the first half of 2009.

#### *Tax*

Effective income tax rate was steady at 25.7% due to stabilised business structure. Also, the net exceptional gains derived from deemed disposal of interests in BE Water were of capital nature and not subject to tax.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### IV. FINANCIAL POSITION OF THE GROUP

#### *Cash and Bank Borrowings*

As at 30 June 2009, cash and bank deposits held by the Group amounted to HK\$10.24 billion. In May of 2009, the Group has captured the opportunity to issue a five-year convertible bond amounting to HK\$2.175 billion. The proceeds will be used mainly to finance the capital contribution to the forthcoming Shaanxi-Beijing Third Pipeline Project.

At the statement of financial position date, the Group had a strong net working capital of HK\$6.74 billion. The Group maintains sufficient banking facilities for its working capital requirement and has sufficient cash resources to finance its capital expenditures in the foreseeable future.

The Group's bank and other borrowings amounted to HK\$8.05 billion as at 30 June 2009, which mainly comprised of five year syndicated loans amounting to HK\$2.1 billion, project financing of HK\$2.83 billion and loans of HK\$3.12 billion carried in the PRC subsidiaries. Around 25% of the bank and other loans were denominated in Hong Kong dollars with the rest in Renminbi. The Group was in a net borrowing position of HK\$572 million as at 30 June 2009. The gearing ratio, which is interest-bearing bank borrowings divided by the sum of total equity and interest-bearing bank borrowings, was 14% (as at 31 December 2008: 15%).

#### *Liquidity and Capital Resources*

During the period under review, there was no significant movement in the issued capital of the Company. As at the end of June 2009, the issued capital of the Company was 1,137,281,000 shares and shareholders' equity grew to HK\$30.52 billion. Total equity was HK\$37.76 billion comparing to HK\$36.31 billion as at the end of 2008.

Given the primarily cash nature business of gas distribution, toll roads, brewery and water concession, the Group is benefiting from very strong recurring cash flow and is well positioned to capture investment opportunities in the future.

## EMPLOYEES

At 30 June 2009, the Group had approximately 37,000 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.

By order of the Board  
**Wang Dong**  
Chairman

Hong Kong, 16 September 2009

For the six months ended 30 June 2009

		For the six months ended 30 June	
		2009	2008
		Unaudited	Unaudited
		HK\$'000	HK\$'000
	Notes		
REVENUE	3	11,628,432	9,593,445
Cost of sales		<u>(8,710,454)</u>	<u>(7,183,059)</u>
Gross profit		2,917,978	2,410,386
Other income and gains, net	4	365,337	379,035
Selling and distribution expenses		(663,141)	(557,202)
Administrative expenses		(766,097)	(586,884)
Other operating expenses, net		<u>(183,117)</u>	<u>(96,274)</u>
PROFIT FROM OPERATING ACTIVITIES	5	1,670,960	1,549,061
Finance costs	6	(183,177)	(183,324)
Share of profits and losses of:			
Jointly-controlled entities		593,581	441,741
Associates		<u>(3,875)</u>	<u>(6,132)</u>
PROFIT BEFORE TAX		2,077,489	1,801,346
TAX	7	<u>(346,266)</u>	<u>(281,911)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>1,731,223</b></u>	<u><b>1,519,435</b></u>
<b>ATTRIBUTABLE TO:</b>			
Shareholders of the Company		1,418,078	1,273,378
Minority interests		<u>313,145</u>	<u>246,057</u>
		<u><b>1,731,223</b></u>	<u><b>1,519,435</b></u>
<b>DIVIDEND – Interim</b>	8	<u><b>227,456</b></u>	<u><b>227,600</b></u>
<b>EARNINGS PER SHARE</b>			
<b>ATTRIBUTABLE TO SHAREHOLDERS</b>			
<b>OF THE COMPANY</b>	9		
Basic		<u><b>HK\$1.25</b></u>	<u>HK\$1.12</u>
Diluted		<u><b>HK\$1.15</b></u>	<u>HK\$1.12</u>

For the six months ended 30 June 2009

	<b>For the six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
<b>PROFIT FOR THE PERIOD</b>	<b>1,731,223</b>	1,519,435
<b>OTHER COMPREHENSIVE INCOME/(LOSS):</b>		
Exchange differences on translation of foreign operations	<b>(36,468)</b>	1,357,648
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>1,694,755</b>	2,877,083
<b>ATTRIBUTABLE TO:</b>		
Shareholders of the Company	<b>1,388,343</b>	2,361,439
Minority interests	<b>306,412</b>	515,644
	<b>1,694,755</b>	2,877,083

30 June 2009

	Notes	30 June 2009 Unaudited HK\$'000	31 December 2008 Audited HK\$'000
<b>ASSETS</b>			
Non-current assets:			
Property, plant and equipment		18,744,070	17,988,216
Investment properties		198,588	198,759
Prepaid land premiums		1,173,859	1,136,358
Goodwill		8,542,124	8,537,759
Operating concessions		1,970,154	1,813,494
Other intangible assets		13,625	14,969
Interests in jointly-controlled entities		4,740,084	4,508,590
Interests in associates		805,311	802,207
Receivables under service concession arrangements		2,814,449	2,821,311
Prepayments, deposits and other receivables		17,010	124,270
Available-for-sale investments		301,089	309,789
Deferred tax assets		496,897	484,772
		<b>39,817,260</b>	<b>38,740,494</b>
Current assets:			
Prepaid land premiums		23,423	24,356
Inventories		2,925,263	3,067,436
Amounts due from contract customers		364,617	202,512
Receivables under service concession arrangements		496,632	380,792
Trade and bills receivables	10	1,288,415	1,056,026
Prepayments, deposits and other receivables		1,428,476	1,419,334
Financial assets at fair value through profit or loss		751	1,566
Other taxes recoverable		36,243	72,873
Restricted cash and pledged deposits		61,843	64,413
Cash and cash equivalents		10,182,499	6,666,940
		<b>16,808,162</b>	<b>12,956,248</b>
<b>TOTAL ASSETS</b>		<b>56,625,422</b>	<b>51,696,742</b>

30 June 2009

	<i>Notes</i>	<b>30 June 2009 Unaudited HK\$'000</b>	31 December 2008 Audited HK\$'000
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to shareholders of the Company:			
Issued capital	11	<b>113,728</b>	113,700
Reserves		<b>30,179,060</b>	29,006,598
Proposed dividends		<b>227,456</b>	511,650
		<b>30,520,244</b>	29,631,948
Minority interests		<b>7,237,710</b>	6,678,522
<b>TOTAL EQUITY</b>		<b>37,757,954</b>	36,310,470
Non-current liabilities:			
Bank and other borrowings		<b>4,932,345</b>	3,895,388
Convertible bonds	12	<b>2,766,839</b>	515,908
Defined benefits plans		<b>398,026</b>	389,815
Provision for major overhauls		<b>166,561</b>	121,438
Other long term liabilities		<b>226,974</b>	204,442
Deferred tax liabilities		<b>307,601</b>	279,859
Total non-current liabilities		<b>8,798,346</b>	5,406,850
Current liabilities:			
Trade and bills payables	13	<b>1,131,208</b>	1,190,222
Amounts due to contract customers		<b>78,448</b>	107,831
Other payables and accruals		<b>4,684,198</b>	4,689,729
Income tax payable		<b>567,735</b>	457,983
Other taxes payable		<b>490,093</b>	361,021
Bank and other borrowings		<b>3,117,440</b>	3,172,636
Total current liabilities		<b>10,069,122</b>	9,979,422
<b>TOTAL LIABILITIES</b>		<b>18,867,468</b>	15,386,272
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>56,625,422</b>	51,696,742

For the six months ended 30 June 2009

	Attributable to shareholders of the Company												
	Issued capital	Share premium account	Capital redemption reserve	Capital reserve	Share option reserve	Property revaluation reserve	Exchange fluctuation reserve	PRC reserve funds	Retained profits	Proposed dividends	Total	Minority interests	Total equity
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	113,700	20,727,306 *	228 *	922,543 *	2,644 *	29,893 *	2,461,646 *	1,288,269 *	3,574,069 *	511,650	29,631,948	6,678,522	36,310,470
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	(29,735)	—	1,418,078	—	1,388,343	306,412	1,694,755
Exercise of share options	28	4,608	—	—	(1,122)	—	—	—	—	—	3,514	—	3,514
Capital contribution by minority shareholders	—	—	—	—	—	—	—	—	—	—	—	25,550	25,550
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	28,369	28,369
Acquisition of minority interests	—	—	—	—	—	—	—	—	—	—	—	(12,903)	(12,903)
Deemed disposal of interest in a subsidiary	—	—	—	134,071	—	—	—	—	(134,071)	—	—	312,104	312,104
Share of reserves of associates	—	—	—	6,869	—	—	1,220	—	—	—	8,089	—	8,089
Final 2008 dividends	—	—	—	—	—	—	—	—	—	(511,650)	(511,650)	—	(511,650)
Proposed interim 2009 dividend	—	—	—	—	—	—	—	—	(227,456)	227,456	—	—	—
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	(100,344)	(100,344)
Transfer to reserves	—	—	—	(138,692)	—	—	—	411,011	(272,319)	—	—	—	—
At 30 June 2009	113,728	20,731,914 *	228 *	924,791 *	1,522 *	29,893 *	2,433,131 *	1,699,280 *	4,358,301 *	227,456	30,520,244	7,237,710	37,757,954

\* These reserve accounts comprise the consolidated reserves of HK\$30,179,060,000 in the consolidated statement of financial position as at 30 June 2009 (31 December 2008: HK\$29,006,598,000).

For the six months ended 30 June 2009

	Attributable to shareholders of the Company												
	Issued capital	Share premium account	Capital redemption reserve	Capital reserve	Share option reserve	Property revaluation reserve	Exchange fluctuation reserve	PRC reserve funds	Retained profits	Proposed dividends	Total	Minority interests	Total equity
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	113,894	20,721,710	–	413,367	4,007	12,332	1,301,481	1,006,361	2,879,370	455,576	26,908,098	4,675,736	31,583,834
Total comprehensive income for the period	–	–	–	–	–	–	1,088,061	–	1,273,378	–	2,361,439	515,644	2,877,083
Repurchase and cancellation of shares	(94)	–	94	–	–	–	–	–	(23,562)	–	(23,562)	–	(23,562)
Acquisition of subsidiaries	–	–	–	5,047	–	–	–	–	–	–	5,047	119,288	124,335
Acquisition of minority interests	–	–	–	–	–	–	–	–	2,184	–	2,184	(6,796)	(4,612)
Disposal of subsidiaries	–	–	–	19,023	–	–	(18,310)	(11,762)	11,049	–	–	(84,429)	(84,429)
Deemed disposal of interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	7,891	7,891
Conversion of convertible bond of a subsidiary	–	–	–	(1,037)	–	–	–	–	–	–	(1,037)	–	(1,037)
Issue of convertible bonds by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	15,388	15,388
Share of reserves of associates	–	–	–	19,368	–	–	–	540	–	–	19,908	–	19,908
Final 2007 dividends	–	–	–	–	–	–	–	–	–	(455,576)	(455,576)	–	(455,576)
Proposed interim 2008 dividend	–	–	–	–	–	–	–	–	(227,600)	227,600	–	–	–
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	–	(177,816)	(177,816)
Transfer to reserves	–	–	–	–	–	–	–	178,403	(178,403)	–	–	–	–
At 30 June 2008	113,800	20,721,710	94	455,768	4,007	12,332	2,371,232	1,173,542	3,736,416	227,600	28,816,501	5,064,906	33,881,407

For the six months ended 30 June 2009

	<b>For the six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
Net cash inflow from operating activities	<b>2,945,446</b>	1,331,997
Net cash outflow from investing activities	<b>(2,094,291)</b>	(949,889)
Net cash inflow/(outflow) from financing activities	<b>2,363,849</b>	(603,516)
	<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents	<b>3,215,004</b>	(221,408)
Cash and cash equivalents at beginning of period	<b>6,256,581</b>	8,042,569
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<b>9,471,585</b>	7,821,161
	<hr/> <hr/>	<hr/> <hr/>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>9,070,067</b>	5,841,897
Cash equivalents	<b>43,731</b>	87,368
Time deposits	<b>1,130,544</b>	1,957,230
	<hr/>	<hr/>
	<b>10,244,342</b>	7,886,495
Less: Pledged deposits	<b>(61,843)</b>	(61,940)
Time deposits with maturity of more than three months when acquired	<b>(710,914)</b>	(3,394)
	<hr/>	<hr/>
	<b>9,471,585</b>	7,821,161
	<hr/> <hr/>	<hr/> <hr/>

## 1. BASIS OF PREPARATION

The unaudited condensed interim consolidated financial statements for the six months ended 30 June 2009 are prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The accounting policies and basis of preparation adopted in the preparation of these interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2008 except for the changes in accounting policies made thereafter in adopting the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which became effective for the Company’s financial year ending 31 December 2009. Details of the effect of changes in the accounting policies are set out in note 2.

## 2. EFFECT OF CHANGES IN ACCOUNTING POLICIES

Amongst all, the adoption of the following new and revised standards had resulted in additional disclosures as further explained below:

### *HKFRS 8 Operating Segments*

This standard requires disclosure of information about the Group’s operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 *Segment Reporting*. Additional disclosures about each of these segments are shown in note 3, including revised comparative information.

### *HKAS 1 (Revised) Presentation of Financial Statements*

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income; it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present the information in two linked statements.

The adoption of other new or revised standards and interpretation has had no material effect on these unaudited condensed interim consolidated financial statements.

### 3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has five reportable operating segments.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

#### Operating segments

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2009 and 2008, respectively.

#### For the six months ended 30 June 2009

	Piped gas operation Unaudited HK\$'000	Sewage and water treatment operations Unaudited HK\$'000	Brewery operation Unaudited HK\$'000	Expressway and toll road operations Unaudited HK\$'000	Corporate and others Unaudited HK\$'000	Eliminations Unaudited HK\$'000	Consolidated Unaudited HK\$'000
Revenue	5,888,694	553,901	5,005,828	204,252	20,297	(44,540)	11,628,432
Cost of sales	(4,942,844)	(262,410)	(3,408,619)	(115,263)	(14,060)	32,742	(8,710,454)
Gross profit	<u>945,850</u>	<u>291,491</u>	<u>1,597,209</u>	<u>88,989</u>	<u>6,237</u>	<u>(11,798)</u>	<u>2,917,978</u>
Profit from operating activities	667,081	238,318	654,723	87,756	78,569	(55,487)	1,670,960
Finance costs	(59,835)	(61,454)	(76,875)	(476)	(28,226)	43,689	(183,177)
Share of profits and losses of:							
Jointly-controlled entities	589,541	4,040	—	—	—	—	593,581
Associates	—	—	(354)	—	(3,521)	—	(3,875)
Profit before tax	<u>1,196,787</u>	<u>180,904</u>	<u>577,494</u>	<u>87,280</u>	<u>46,822</u>	<u>(11,798)</u>	<u>2,077,489</u>
Tax	(156,387)	(34,908)	(132,975)	(21,448)	(548)	—	(346,266)
<b>Profit for the period</b>	<u>1,040,400</u>	<u>145,996</u>	<u>444,519</u>	<u>65,832</u>	<u>46,274</u>	<u>(11,798)</u>	<u>1,731,223</u>
<b>Profit attributable to shareholders of the Company</b>	<u>1,040,271</u>	<u>118,954</u>	<u>172,106</u>	<u>65,163</u>	<u>33,382</u>	<u>(11,798)</u>	<u>1,418,078</u>

**3. SEGMENT INFORMATION** (Continued)

For the six months ended 30 June 2008

	Piped gas operation Unaudited HK\$'000	Sewage and water treatment operations Unaudited HK\$'000	Brewery operation Unaudited HK\$'000	Expressway and toll road operations Unaudited HK\$'000	Corporate and others Unaudited HK\$'000	Eliminations Unaudited HK\$'000	Consolidated Unaudited HK\$'000
Revenue	5,077,756	121,260	4,123,912	267,793	2,724	–	9,593,445
Cost of sales	(4,223,484)	–	(2,857,725)	(99,499)	(2,351)	–	(7,183,059)
Gross profit	<u>854,272</u>	<u>121,260</u>	<u>1,266,187</u>	<u>168,294</u>	<u>373</u>	<u>–</u>	<u>2,410,386</u>
Profit from operating activities	589,135	129,717	536,517	162,650	146,850	(15,808)	1,549,061
Finance costs	(39,476)	(13,187)	(106,123)	(791)	(39,555)	15,808	(183,324)
Share of profits and losses of:							
Jointly-controlled entities	441,741	–	–	–	–	–	441,741
Associates	–	–	(794)	661	(5,999)	–	(6,132)
Profit before tax	991,400	116,530	429,600	162,520	101,296	–	1,801,346
Tax	(143,158)	(22,297)	(82,208)	(33,297)	(951)	–	(281,911)
<b>Profit for the period</b>	<u>848,242</u>	<u>94,233</u>	<u>347,392</u>	<u>129,223</u>	<u>100,345</u>	<u>–</u>	<u>1,519,435</u>
<b>Profit attributable to shareholders of the Company</b>	<u>847,182</u>	<u>93,815</u>	<u>123,492</u>	<u>126,564</u>	<u>82,325</u>	<u>–</u>	<u>1,273,378</u>

### 3. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's assets and equity by operating segment:

	<b>30 June 2009 Unaudited HK\$'000</b>	31 December 2008 Unaudited HK\$'000
<b>Total assets:</b>		
Piped gas operation	<b>26,728,356</b>	25,422,652
Sewage and water treatment operations	<b>7,459,478</b>	7,271,640
Brewery operation	<b>15,142,826</b>	14,044,360
Expressway and toll road operations	<b>2,628,963</b>	2,580,337
Corporate and others	<b>8,399,645</b>	6,126,992
Eliminations	<b>(3,733,846)</b>	(3,749,239)
	<b>56,625,422</b>	51,696,742
<b>Total equity:</b>		
Piped gas operation	<b>20,075,577</b>	19,048,527
Sewage and water treatment operations	<b>4,723,166</b>	3,947,055
Brewery operation	<b>8,820,574</b>	8,435,238
Expressway and toll road operations	<b>1,904,383</b>	2,138,522
Corporate and others	<b>2,246,052</b>	2,754,926
Eliminations	<b>(11,798)</b>	(13,798)
	<b>37,757,954</b>	36,310,470

## 4. OTHER INCOME AND GAINS, NET

	<b>For the six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
<b>Other income</b>		
Bank interest income	<b>43,517</b>	60,803
Imputed interest income	—	6,145
Investment income	—	4,476
Others	<b>179,600</b>	214,040
	<hr/> <b>223,117</b> <hr/>	<hr/> 285,464 <hr/>
<b>Gains, net</b>		
Gain on disposal of interests in subsidiaries	—	65,304
Gain on deemed disposal of interest in a subsidiary	<b>134,071</b>	—
Gain on deemed disposal of interest in an associate	—	2,581
Gain on disposal of available-for-sale investments	<b>7,021</b>	8,690
Others	<b>1,128</b>	16,996
	<hr/> <b>142,220</b> <hr/>	<hr/> 93,571 <hr/>
	<hr/> <b>365,337</b> <hr/>	<hr/> 379,035 <hr/>

## 5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	<b>For the six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
Depreciation	<b>648,554</b>	615,591
Amortisation of operating concessions*	<b>54,740</b>	42,674
	<hr/> <b>703,294</b> <hr/>	<hr/> 658,265 <hr/>

\* The amortisation of operating concessions for the period is included in "Cost of sales" on the face of the condensed consolidated income statement.

## 6. FINANCE COSTS

	For the six months ended 30 June	
	2009 Unaudited HK\$'000	2008 Unaudited HK\$'000
Interest on bank loans and other loans wholly repayable within five years	153,017	170,971
Interest on convertible bonds	23,813	3,483
Interest on other loans	6,347	8,870
	<u>183,177</u>	<u>183,324</u>

## 7. TAX

	For the six months ended 30 June	
	2009 Unaudited HK\$'000	2008 Unaudited HK\$'000
Current – the People's Republic of China		
Hong Kong	7	160
Mainland China	330,321	265,126
Deferred	15,938	16,625
	<u>346,266</u>	<u>281,911</u>
Total tax charge for the period		

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period. The income tax provision in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company's subsidiaries enjoy income tax exemptions and reductions.

## 8. DIVIDEND

On 16 September 2009 the Board declared an interim cash dividend of HK20 cents per share (2008: HK20 cents per share), totalling HK\$227,456,000 (2008: HK\$227,600,000).

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts for the period is based on the unaudited profit attributable to shareholders of the Company for the period, and the weighted average number of 1,137,034,591 (2008: 1,138,919,385) ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts for the six months ended 30 June 2009 is based on the profit for the period attributable to shareholders of the Company, adjusted to reflect the effect of the deemed conversion of all dilutive convertible bonds of the Group, the weighted average number of ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options of the Company and convertible bonds of the Group which are convertible into ordinary shares of the Company.

There was no dilutive event in respect of earnings per share amount for the period ended 30 June 2008.

The calculation of the basic and diluted earnings per share amounts is based on the following data:

	<b>For the six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
<b>Earnings:</b>		
Profit for the period attributable to shareholders of the Company, used in the basic earnings per share calculation	<b>1,418,078</b>	1,273,378
Interest expense for the period relating to the liability component of the dilutive convertible bonds of the Group	<b>23,109</b>	—
Decrease in profit for the period as a result of the dilution of interest in BE Water assuming the exercise of all dilutive convertible bonds issued by BE Water	<b>(127,973)</b>	—
Profit for the period attributable to shareholders of the Company, used in the diluted earnings per share calculation	<b>1,313,214</b>	1,273,378

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Continued)

	For the six months ended 30 June	
	2009	2008
<b>Number of ordinary shares:</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>1,137,034,591</b>	1,138,919,385
Effect of dilution of share options and convertible bonds – weighted average number of ordinary shares	<b>7,849,136</b>	614,114
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<b>1,144,883,727</b>	1,139,533,499

## 10. TRADE AND BILLS RECEIVABLES

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

An aged analysis of the Group's trade and bills receivables as at the statement of financial position date, based on the invoice date and net of impairment, is as follows:

	<b>30 June 2009 Unaudited HK\$'000</b>	31 December 2008 Audited HK\$'000
Within one year	<b>1,136,709</b>	961,288
One to two years	<b>89,172</b>	44,698
Two to three years	<b>8,972</b>	18,548
Over three years	<b>53,562</b>	31,492
	<b>1,288,415</b>	1,056,026

## 11. SHARE CAPITAL

	<b>30 June 2009 Unaudited HK\$'000</b>	31 December 2008 Audited HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.1 each	<b>200,000</b>	200,000
Issued and fully paid:		
1,137,281,000 (2008: 1,137,001,000) ordinary shares of HK\$0.1 each	<b>113,728</b>	113,700

During the period, the subscription rights attaching to 280,000 share options were exercised at the subscription price of HK\$12.55 per share, resulting in the issue of 280,000 shares of HK\$0.1 each for a total cash consideration, before expenses, of HK\$3,514,000.

## 12. CONVERTIBLE BONDS

Summary information of the Group's convertible bonds is set out as follows:

	<b>Tranche 1 Bond*</b>	<b>Tranche 2 Bond*</b>	<b>ZKC Convertible Bonds 1</b>	<b>ZKC Convertible Bonds 2</b>	<b>Guaranteed Convertible Bonds</b>
	<i>(note (a))</i>	<i>(note (a))</i>	<i>(note (b))</i>	<i>(note (b))</i>	<i>(note (c))</i>
Issuance date	27/7/2007	31/3/2008	24/7/2008	6/4/2009	2/6/2009
Maturity date	26/7/2010	30/3/2011	23/7/2013	23/7/2013	1/6/2014
Original principal amount (HK\$'000)	100,000	100,000	589,304	238,696	2,175,000
Coupon rate	Zero	Zero	Zero	Zero	2.25%
Conversion price per ordinary share of (HK\$):					
– The Company	N/A	N/A	N/A	N/A	43.5
– BE Water	0.40	0.40	0.69	0.69	N/A

\* As defined in the respective circulars of BE Water in connection with the issuance of the convertible bonds (see notes below).

## 12. CONVERTIBLE BONDS (Continued)

Except for the Guaranteed Convertible Bonds, each batch of these convertible bonds is bifurcated into a liability component and an equity component for accounting purpose. In the opinion of the directors, the equity component of the Guaranteed Convertible Bonds is not material to the Group and accordingly, the whole amount of the Guaranteed Convertible Bonds is accounted for as a financial liability of the Group.

The following tables summarise the movements in the principal amounts and the liability component of the Group's convertible bonds during the period:

	<b>Tranche 1</b>	<b>Tranche 2</b>	<b>ZKC</b>	<b>ZKC</b>	<b>Guaranteed</b>	
	<b>Bond</b>	<b>Bond</b>	<b>Convertible</b>	<b>Convertible</b>	<b>Convertible</b>	<b>Total</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Bonds 1</b>	<b>Bonds 2</b>	<b>Bonds</b>	<b>Unaudited</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(note (a))</i>	<i>(note (a))</i>	<i>(note (b))</i>	<i>(note (b))</i>	<i>(note (c))</i>	
<b>Principal amount outstanding</b>						
At 1 January 2009	34,000	80,000	589,304	—	—	703,304
Issue of convertible bonds	—	—	—	238,696	2,175,000	2,413,696
Conversion to ordinary shares	(34,000)	(40,000)	(34,245)	—	—	(108,245)
	<u>—</u>	<u>40,000</u>	<u>555,059</u>	<u>238,696</u>	<u>2,175,000</u>	<u>3,008,755</u>
At 30 June 2009	<u>—</u>	<u>40,000</u>	<u>555,059</u>	<u>238,696</u>	<u>2,175,000</u>	<u>3,008,755</u>
<b>Liability component</b>						
At 1 January 2009	30,776	66,907	418,225	—	—	515,908
Issue of convertible bonds	—	—	—	186,256	2,130,849	2,317,105
Interest expense (note 6)	713	2,064	14,741	2,549	3,746	23,813
Conversion to ordinary shares	(31,489)	(34,172)	(24,326)	—	—	(89,987)
	<u>—</u>	<u>34,799</u>	<u>408,640</u>	<u>188,805</u>	<u>2,134,595</u>	<u>2,766,839</u>
At 30 June 2009	<u>—</u>	<u>34,799</u>	<u>408,640</u>	<u>188,805</u>	<u>2,134,595</u>	<u>2,766,839</u>

## 12. CONVERTIBLE BONDS (Continued)

Notes:

- (a) Tranche 1 Bond and Tranche 2 Bond were issued to Pioneer Wealth Limited, a shareholder of the BE Water, pursuant to a convertible bond subscription agreement dated 12 April 2007 for the purpose of financing future investments in water treatment businesses in the PRC and providing additional working capital to the BE Water. Further details of these convertible bonds are set out in the BE Water's circular dated 3 May 2007 and announcements dated 27 July 2007, 31 March 2008 and 12 June 2008. During the period ended 30 June 2009, Tranche 1 Bond was fully converted.
- (b) The ZKC Convertible Bonds 1 and ZKC Convertible Bonds 2 were issued to Besto Holdings Limited ("Besto"), Tenson Investment Limited ("Tenson") and Newton Finance Holdings Limited ("Newton") (collectively the "ZKC Environmental Vendors") as part of the consideration payable by the Group for the acquisition of the 100% equity interest in Gainstar Limited, which holds indirectly an 88.43% equity interest in Beijing Enterprises ZKC Environmental Group Co., Ltd (formerly known as ZKC Environmental Group Co., Ltd), pursuant to a sale and purchase agreement entered into between, among others, BE Water and the ZKC Environmental Vendors. Further details of the ZKC Convertible Bonds 1 and ZKC Convertible Bonds 2 are set out in BE Water's circular dated 30 June 2008.
- (c) On 2 June 2009, Power Regal Group Limited, a wholly-owned subsidiary of the Company, issued convertible bonds with an aggregate principal amount of HK\$2.175 billion (the "Guaranteed Convertible Bonds") to certain institutional investors, pursuant to a convertible bond subscription agreement dated 25 April 2009. The convertible bonds bear an annual interest of 2.25% and will mature at the fifth anniversary of the issue date. The conversion price was set as HK\$43.5 per share of the Company and the outstanding principal amount of the convertible bonds, if not converted, will be repaid on the maturity date at 100% of the outstanding amount. Further details of the Guaranteed Convertible Bonds are set out in the Company's announcement dated 27 April 2009.

## 13. TRADE AND BILLS PAYABLES

An aged analysis of the Group's trade and bills payables as at the statement of financial position date, based on invoice date, is as follows:

	<b>30 June 2009 Unaudited HK\$'000</b>	31 December 2008 Audited HK\$'000
Within one year	<b>1,029,671</b>	997,868
One to two years	<b>48,222</b>	158,266
Two to three years	<b>42,152</b>	18,351
Over three years	<b>11,163</b>	15,737
	<b>1,131,208</b>	1,190,222

## 14. BUSINESS COMBINATION

Except for the property, plant and equipment and prepaid land premiums with respective carrying amounts of HK\$168,463,000 and HK\$16,599,000 immediately before the acquisition of 廣西貴港北控水務有限公司 (Guangxi Guigang Beijing Enterprises Water Supply Company Limited) ("Guigang Water"), formerly known as 貴港市供水有限責任公司 (Guigang Water Supply Limited Liability Company), by BE Water, the fair values of the identifiable assets and liabilities acquired during the period as at the date of acquisition have no significant differences from their respective carrying amounts, and are set out as follows:

	Unaudited HK\$'000
<b>Net assets acquired:</b>	
Property, plant and equipment	172,016
Prepaid land premiums	16,199
Prepayments, deposits and other receivables	3,419
Inventories	2,517
Trade receivables	3,776
Cash and bank balances	6,161
Trade payables	(1,781)
Other payables and accruals	(17,413)
Income tax payable	(105)
Bank and other borrowings	(71,133)
Deferred income	(28,541)
Minority interests	(28,369)
	<hr/>
	56,746
Goodwill on acquisition	2,868
	<hr/>
	59,614
	<hr/> <hr/>
Satisfied by :	
Cash	56,837
Costs associated with the acquisition	2,777
	<hr/>
	59,614
	<hr/> <hr/>
Profit for the period since acquisition	1,973
	<hr/> <hr/>

**14. BUSINESS COMBINATION** (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of Guigang Water is as follows:

	Unaudited HK\$'000
Cash consideration	(56,837)
Cash and bank balances acquired	6,161
Cash paid for costs associated with the acquisition	(2,777)
	<u>(53,453)</u>
Cash consideration prepaid in prior year	<u>56,837</u>
Net inflow of cash and cash equivalents in respect of the acquisition during the period ended 30 June 2009	<u>3,384</u>

The effect to the Group's revenue and profit for the period ended 30 June 2009 was insignificant had the above acquisition taken place at the beginning of the period.

*Note:* Pursuant to the share transfer agreement entered into between, among others, BE Water and 貴港市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of People's Government of Guigang Municipality, the "Vendor") on 17 November 2008 and as approved by BE Water's shareholders at a special general meeting held on 19 January 2009, BE Water acquired a 66.67% equity interests in Guigang Water for a cash consideration of RMB50,001,600 (equivalent to HK\$56,837,000). The consideration was fully settled by cash during the year ended 31 December 2008.

Since BE Water and Vendors are still under negotiation for the valuation of assets and liabilities of Guigang Water as at the date of acquisition of 19 January 2009, the consideration and the fair value of the identifiable assets and liabilities of Guigang Water as disclosed above may subject to change.

**15. CONTINGENT LIABILITY**

	<b>30 June 2009 Unaudited HK\$'000</b>	31 December 2008 Audited HK\$'000
Guarantee given in respect of a specific performance of an infrastructure project to be undertaken by a jointly-controlled entity	<u><b>92,997</b></u>	<u>92,993</u>

## 16. COMMITMENTS

### (a) CAPITAL COMMITMENTS

The Group had the following capital commitments at the statement of financial position date:

	<b>30 June 2009 Unaudited HK\$'000</b>	31 December 2008 Audited HK\$'000
Contracted, but not provided for:		
Buildings	<b>49,446</b>	45,128
Gas pipelines	<b>311,098</b>	166,296
Plant and machinery	<b>53,944</b>	201,067
Capital contribution to a jointly-controlled entity	<b>2,610,302</b>	2,111,702
	<b>3,024,790</b>	2,524,193
Authorised, but not contracted for:		
Buildings	<b>3,109</b>	579
Plant and machinery	<b>2,746</b>	90,334
Capital contribution to a jointly-controlled entity	<b>120,263</b>	53,951
	<b>126,118</b>	144,864
Total capital commitments	<b>3,150,908</b>	2,669,057

In addition, the Group's share of the jointly-controlled entities own capital commitments, which are not included in the above, is as follows:

	<b>30 June 2009 Unaudited HK\$'000</b>	31 December 2008 Audited HK\$'000
Contracted, but not provided for	<b>226,145</b>	366,447

## 16. COMMITMENTS (Continued)

### (b) OTHER COMMITMENTS

In addition to the capital commitments as disclosed above, the Group had the following commitments at the statement of financial position date:

	<b>30 June 2009 Unaudited HK\$'000</b>	31 December 2008 Audited HK\$'000
Purchase of plant and equipment, and land use rights for construction services under service concession arrangement:		
Authorised, but not contracted for	<b>445,184</b>	77,839
Contracted, but not provided for	<b>148,368</b>	110,368
	<b>593,552</b>	188,207

## 17. RELATED PARTY DISCLOSURES

In addition to the transactions detailed elsewhere in these financial statements, the Group entered into the following material transactions with related parties during the period:

Name of related party	Nature of transaction	Notes	For the six months ended 30 June	
			2009 Unaudited HK\$'000	2008 Unaudited HK\$'000
<i>Fellow subsidiaries:</i>				
北京北燃實業有限公司	Sale of piped natural gas	(a)	<b>93,018</b>	86,001
and its subsidiaries	Service contract income	(b)	<b>5,200</b>	4,815
	Sale of raw materials	(c)	<b>17,495</b>	18,581
	Purchase of raw materials	(d)	<b>24,306</b>	99,466
	Repair and maintenance expenses	(c)	<b>7,629</b>	4,350
北京京泰國際貿易有限公司	Purchase of construction materials	(d)	<b>17,223</b>	48,556
<i>Jointly-controlled entity:</i>				
PetroChina Beijing Pipeline Co	Natural gas transmission fee expenses	(a)	<b>1,446,234</b>	1,226,765
<i>Joint venture partners of subsidiaries and their associates:</i>				
Beijing Yanjing Beer Group	Purchase of bottle labels	(e)	<b>55,396</b>	51,419
Company ("Yanjing Beer	Purchase of bottle caps	(e)	<b>40,775</b>	38,432
Group") and its associates	Import of raw materials	(f)	<b>149,382</b>	59,849
	Sales of beer	(g)	<b>5,826</b>	5,750
	Canning service fees paid	(h)	<b>13,396</b>	14,420
	Comprehensive support service fees paid	(i)	<b>8,819</b>	8,589
	Land rent expenses	(j)	<b>1,049</b>	1,022
	Trademark licensing fees paid	(k)	<b>22,254</b>	19,523
	Less: Refund for advertising subsidies	(k)	<b>(3,248)</b>	(2,934)

In the opinion of the directors, the above transactions were entered into by the Group in the normal course of its business.

## 17. RELATED PARTY DISCLOSURES (Continued)

Notes:

- (a) The selling price of piped natural gas and the natural gas transmission fee were prescribed by the PRC government.
- (b) The service fee was determined by reference to the then prevailing market rates and set at prices not higher than the guidance prices set by the PRC government.
- (c) The selling prices of raw materials and the repair and maintenance expenses paid were determined on a cost-plus basis.
- (d) The purchase prices of raw materials and construction materials were determined by reference to the then prevailing market rates.
- (e) The purchase prices for bottle labels and bottle caps were determined by reference to the agreed prices for the preceding year and an annual adjustment determined by reference to the price index in Beijing for the preceding year.
- (f) The import of certain raw materials for the Group's brewery operations was procured by Yanjing Beer Group from overseas suppliers on behalf of Yanjing Brewery and its subsidiaries as the Group's brewery operation does not have the licence to import commodities from overseas suppliers. The purchase prices for the raw materials were charged at rates equal to the costs incurred by Yanjing Beer Group.
- (g) The selling prices of the beer were determined by reference to the then prevailing market rates.
- (h) The canning service fees were charged at a rate equal to the costs of the canning services incurred by Yanjing Beer Group plus a mutually agreed profit margin.
- (i) The comprehensive support service fees paid included the following:
- fees for security and canteen services which were determined based on the annual cost of labour, depreciation and maintenance for the preceding year and an annual adjustment by reference to the price index in Beijing; and
  - rental expenses, related to the premises occupied and used by Yanjing Brewery as its office, canteen and staff dormitories, were determined by reference to the prevailing market rentals at the time when the relevant agreements were entered into.
- (j) The land rent expenses were charged at a mutually agreed amount of RMB1,849,000 per annum.
- (k) The trademark licensing fees paid were for the use of "Yanjing" trademark and were determined based on 1% of the annual sales of beer and mineral water products made by Yanjing Brewery and RMB0.008 per bottle of beer sold by the subsidiaries of Yanjing Brewery. Yanjing Beer Group would refund 20% of the trademark licensing fees received from Yanjing Brewery for the use by Yanjing Brewery to develop and promote the "Yanjing" trademark.

### Compensation of key management personnel of the Group

	<b>For the six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
Short term employee benefits	<b>8,885</b>	7,602
Pension scheme contributions	<b>10</b>	6
Total compensation paid to key management personnel	<b>8,895</b>	7,608

## 18. EVENT AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 3 July 2009 and 28 July 2009, certain of the Tranche 2 Bond and the ZKC Convertible Bonds 2 of BE Water, a subsidiary of the Company, in principal amounts of HK\$40,000,000 and HK\$34,090,784 were converted into 100,000,000 and 49,406,933 new ordinary shares of BE Water at conversion prices of HK\$0.40 and HK\$0.69, respectively, resulting in additional issued share capital and share premium of BE Water of HK\$14,941,000 and HK\$62,960,000, respectively, and a decrease in the Group's equity interest in BE Water from 60.22% to 57.62%. The Group is not yet in a position to disclose any financial impact of these transactions on the Group.

## 19. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current period presentation.

## 20. OTHER FINANCIAL INFORMATION

The net current assets and total assets less current liabilities of the Group as at 30 June 2009 amounted to HK\$6,739,040,000 (2008: HK\$2,976,826,000) and HK\$46,556,300,000 (2008: HK\$41,717,320,000), respectively.

## BOARD

### Executive Directors

Mr. Wang Dong	<i>(Chairman)</i>
Mr. Zhang Honghai	<i>(Vice Chairman and Chief Executive Officer)</i>
Mr. Li Fucheng	<i>(Vice Chairman)</i>
Mr. Bai Jinrong	<i>(Vice Chairman)</i>
Mr. Zhou Si	<i>(Vice Chairman)</i>
Mr. E Meng	<i>(Executive Vice President)</i>
Mr. Liu Kai	<i>(Vice President)</i>
Mr. Guo Pujin	
Mr. Lei Zhengang	
Mr. Jiang Xinhao	<i>(Vice President)</i>
Mr. Tam Chun Fai	<i>(Chief Financial Officer and Company Secretary)</i>

### Independent Non-executive Directors

Mr. Wu Jiesi  
Mr. Robert A. Theleen  
Mr. Lam Hoi Ham  
Mr. Fu Tingmei

## COMMITTEES

### Audit Committee

Mr. Wu Jiesi  
Mr. Lam Hoi Ham *(Committee Chairman)*  
Mr. Fu Tingmei

### Remuneration Committee

Mr. Liu Kai  
Mr. Wu Jiesi *(Committee Chairman)*  
Mr. Lam Hoi Ham

## BOARD CHANGES

Board changes since the date of the 2008 Annual Report are set out below:

Mr. Wang Dong was appointed as the successor for retiring executive director and chairman of the Board Mr. Yi Xiqun with effect from 18 August 2009.

## CHANGES IN DIRECTORS' INFORMATION

Changes in directors' information since the date of the 2008 Annual Report are set out below:

	<b>Appointment (effective)</b>	<b>Cessation of Office (effective)</b>
<b>Mr. Zhang Honghai</b>		
<ul style="list-style-type: none"> <li>• China Information Technology Development Limited (stock code: 8178)</li> <li>– executive director</li> <li>– non-executive director</li> </ul>	<p>—</p> <p>25 August 2009</p>	<p>25 August 2009</p> <p>—</p>
<b>Mr. Lei Zhengang</b>		
<ul style="list-style-type: none"> <li>• Peaktop International Holdings Limited (stock code: 925)</li> <li>– chairman and executive director</li> </ul>	<p>17 July 2009</p>	<p>—</p>
<b>Mr. Wu Jiesi</b>		
<ul style="list-style-type: none"> <li>• Silver Base Group Holdings Limited (stock code: 886)*</li> <li>– non-executive director</li> </ul>	<p>6 March 2008</p>	<p>—</p>

*Note\**: Silver Base Group Holdings Limited was listed on The Main Board of The Stock Exchange of Hong Kong Limited in April 2009.

Directors' updated biographies are available on the Company's website.

Save for the information disclosed in this section "Board and Committees", there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Main Board Listing Rules.

## DIRECTORS' SERVICE CONTRACTS

Each of Messrs. Zhang Honghai, E Meng and Liu Kai has a service contract with the Company for a term of three years commencing on 3 December 2006, 17 June 2008 and 16 January 2007, respectively, with respective unexpired periods of approximately 5 months, 24 months and 6 months as at 30 June 2009.

As of 30 June 2009, no director had a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party during the period.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2009, the interests and short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), were as follows:

(a) Long positions in ordinary shares of the Company

<b>Name of directors</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
Mr. Li Fucheng	12,000 <sup>#</sup>	0.0011%
Mr. Bai Jinrong	80,000 <sup>#</sup>	0.0070%
Mr. E Meng	40,000 <sup>#</sup>	0.0035%
Mr. Jiang Xinhao	50,000 <sup>#</sup>	0.0044%
Mr. Tam Chun Fai	1,000 <sup>#</sup>	0.0001%

<sup>#</sup> All interests are directly beneficially owned by the directors.

(b) Long positions in underlying shares of the Company

The interests of the directors and chief executive in the share options of the Company are separately disclosed in the section "Share option schemes" below.

## (c) Long positions in ordinary shares of associated corporations

<b>Name of directors</b>	<b>Name of associated corporations</b>	<b>Number of ordinary shares held</b>	<b>Percentage of associated corporations' issued share capital</b>
Mr. Zhang Honghai	Beijing Development (Hong Kong) Limited <sup>@</sup> ("Beijing Development")	4,000,000 <sup>#</sup>	0.59%
Mr. Li Fucheng	Beijing Yanjing Brewery Company Limited <sup>@</sup>	38,898 <sup>#</sup>	0.0032%
Mr. E Meng	Beijing Development <sup>@</sup>	601,000 <sup>#</sup>	0.09%

<sup>@</sup> All interests in these associated corporations are indirectly held by the Company

<sup>#</sup> All interests are directly beneficially owned by the director

## (d) Long positions in underlying shares of associated corporations

<b>Name of directors</b>	<b>Name of associated corporations</b>	<b>Number of share options</b>
Mr. Zhang Honghai	Beijing Development <sup>@</sup>	6,800,000 <sup>(i)</sup>
	China Information Technology Development Limited <sup>@</sup> ("CIT Development")	20,000,000 <sup>(iv)</sup>
Mr. E Meng	Beijing Development <sup>@</sup>	4,500,000 <sup>(i)</sup>
		1,500,000 <sup>(ii)</sup>
		3,000,000 <sup>(iii)</sup>

*Notes:*

- (i) These share options were granted on 30 October 2007 at an exercise price of HK\$4.03\* per ordinary share of Beijing Development. The closing price of Beijing Development's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK\$4.07. The share options may be exercised in two equal portions. The first portion is exercisable at any time commencing on 1 May 2008, and the other portion is exercisable from 1 May 2009 and, if not otherwise exercised, will lapse on 17 June 2011. The vesting periods of each of the portion is from the date of grant to the respective commencement dates of the exercise periods. Subject to the approval of the remuneration committee of Beijing Development, directors of Beijing Development are entitled to exercise all the share options within three months from the date of termination of their employment with Beijing Development.
- (ii) These share options were granted on 4 February 2008 at an exercise price of HK\$3.17\* per ordinary share of Beijing Development. The closing price of Beijing Development's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK\$3.11. The share options may be exercised at any time commencing on 1 May 2008, and if not otherwise exercised, will lapse on 17 June 2011. The vesting period is from the date of grant to the commencement date of the exercise period.

- (iii) These share options were granted on 9 July 2008 at an exercise price of HK\$2.07\* per ordinary share of Beijing Development. The closing price of Beijing Development's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK\$2.06. The share options may be exercised at any time commencing on 11 August 2008, and if not otherwise exercised, will lapse on 17 June 2011. The vesting period is from the date of grant to the commencement date of the exercise period.
  - (iv) These share options were granted on 11 February 2008 at an exercise price of HK\$0.53\* per share. The share options may be exercised at any time commencing on 11 August 2008 and, if not exercised, will lapse on 10 February 2013. The exercise of the share option is subject to an annual cap of 25% of the share options granted. Subject to the approval of the share option committee and the remuneration committee of CIT Development, Mr. Zhang Honghai is entitled to exercise all the share options within three months from the date of termination of his employment with CIT Development.
- ⊗ All interests in these associated corporations are indirectly held by the Company
- \* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues or other similar changes in the share capital of Beijing Development and CIT Development.

Save as disclosed above, as at 30 June 2009, none of the directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTION SCHEMES

The Company operates a share option scheme (the "Scheme") which became effective on 17 October 2005 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group's operations; to provide additional incentives to employees, officers and directors of the Group; and to promote the long term financial success of the Company by aligning the interests of option holders to those of shareholders. The directors of the Company may, at their discretion, invite employees (including executive directors) and non-executive directors of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK\$1 per grant of options.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the total number of ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

An option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

The period during which an option granted under the Scheme may be exercised will be determined by the directors at their discretion, save that no option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's ordinary shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of an ordinary share of the Company.

The following set out the movements in the share options granted under the Scheme during the period ended 30 June 2009:

Name or category of participant	Number of share options			At 30 June 2009
	At 1 January 2009	Granted during the period	Exercised during the period	
Directors:				
Mr. Zhou Si	300,000	—	—	300,000
Mr. Guo Pujin	60,000	—	—	60,000
Mr. Lei Zhengang	150,000	—	(150,000)	—
Mr. Jiang Xinhao	110,000	—	(80,000)	30,000
	<u>620,000</u>	<u>—</u>	<u>(230,000)</u>	<u>390,000</u>
Other employees:				
In aggregate	<u>50,000</u>	<u>—</u>	<u>(50,000)</u>	<u>—</u>
	<u>670,000</u>	<u>—</u>	<u>(280,000)</u>	<u>390,000</u>

*Notes:*

- (a) These share options were granted on 19 July 2006 at an exercise price of HK\$12.55 per ordinary share of the Company. The exercise price was determined based on the average closing price of the previous five trading days before the date of grant. The cash consideration paid by each director and employee for the share options granted was HK\$1 per grant of share options. The share options are exercisable at any time six months after date of grant. All share options if not otherwise exercised, will lapse on 19 July 2011.

Each grant of the share options to executive directors has complied with the requirements of Rule 17.04 of the Listing Rules and was approved by the independent non-executive directors of the Company to whom share options have not been granted.

- (b) At 30 June 2009, the Company had 390,000 share options outstanding under the Scheme, which represented approximately 0.03% of the shares of the Company in issue at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 390,000 additional ordinary shares of the Company and additional share capital of HK\$39,000 and share premium of HK\$4,855,500 (before any issue expenses).

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR CONVERTIBLE BONDS

Apart from the foregoing and save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares and underlying shares" and "Share option schemes" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2009, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Others	Total	
Modern Orient Limited	100,050,000	—	100,050,000	8.80%
Beijing Enterprises Investments Limited ("BEIL")	163,730,288	100,050,000 <sup>(a)</sup>	263,780,288	23.19%
Beijing Enterprises Group (BVI) Company Limited ("BE Group BVI")	411,250,000	263,780,288 <sup>(b)</sup>	675,030,288	59.35%
Beijing Enterprises Group Company Limited ("BE Group")	—	675,030,288 <sup>(c)</sup>	675,030,288	59.35%
JPMorgan Chase & Co.	435,000	79,139,868 <sup>(d)</sup>	79,574,868	7.00%

Notes:

- (a) The interest disclosed includes the shares owned by Modern Orient Limited. Modern Orient Limited is a wholly-owned subsidiary of BEIL. Accordingly, BEIL is deemed to be interested in the shares owned by Modern Orient Limited.
- (b) The interest disclosed includes the shares owned by BEIL and Modern Orient Limited. BEIL, the holding company of Modern Orient Limited, is held directly as to 72.72% by BE Group BVI. Accordingly, BE Group BVI is deemed to be interested in the shares owned by BEIL and Modern Orient Limited.
- (c) The interest disclosed includes the interest in shares held by BE Group BVI as detailed in note (b). BE Group BVI is a wholly-owned subsidiary of BE Group. Accordingly, BE Group is deemed to be interested in the shares held by BE Group BVI, BEIL and Modern Orient Limited.

- (d) The interest disclosed includes 20,872,000 shares held as an investment manager and 58,267,868 shares held as a custodian corporation/approved lending agent.

Lending pool:

<b>Name</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
JPMorgan Chase & Co.	58,267,868	5.12%

Save as disclosed above, as at 30 June 2009, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

The Company is committed to ensuring high standard of corporate governance and transparency as the Directors believe it would increase efficiencies in the overall operations of the Group such that the Group could become more competitive in markets, enhancing shareholders' value in consequence. During the period under review, the Group has adopted various corporate governance practices to ensure an effective internal control system and the proper delegation of authority.

## COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SHARE DEALING

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. All Directors have confirmed, following specific enquiry by the Company, that they complied with the required standards set out in the Model Code for Directors' Share Dealing as set out in Appendix 10 to the Listing Rules throughout the review period.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to building and maintaining high standards of corporate governance practices. Save the deviation as disclosed below, the Company has complied with the code provisions (the "Code Provisions") contained in Appendix 14 "Code on Corporate Governance Practices" of the Listing Rules throughout the six months ended 30 June 2009.

The non-executive directors (all are independent non-executive directors) of the Company are not appointed with specific terms, which deviates from the requirement of Code Provision A.4.1. However, in view of the fact that the non-executive directors are subject to retirement by rotation in accordance with the Company's Articles of Association, the Company considers that there are sufficient measures to ensure that the corporate governance standard of the Company is not less exacting than that of the Code Provisions.

## AUDIT COMMITTEE

At 30 June 2009, the Audit Committee comprised three independent non-executive directors, namely, Mr. Wu Jiesi, Mr. Lam Hoi Ham (Chairman of Audit Committee) and Mr. Fu Tingmei. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting process and internal controls of the Company. The Audit Committee of the Company has already reviewed the unaudited interim results for the six months ended 30 June 2009 and considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.