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北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(website: www.behl.com.hk)

(Stock Code: 392)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

HIGHLIGHTS

- Revenue for the first half of 2010 amounted to approximately HK\$15.23 billion, representing an increase of 31% over the corresponding period of last year.
- Profit attributable to shareholders of the Company for the first half of 2010 amounted to HK\$1.56 billion, representing an increase of 10.2% over the corresponding period of last year.
- Recurring net profit attributable to shareholders of the Company increased by 16.4% to HK\$1.55 billion.
- Basic earnings per share attributable to shareholders of the Company amounted to HK\$1.37.
- An interim cash dividend of HK25 cents per share is declared for the six months ended 30 June 2010.

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 2010 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2010 with the comparative figures in 2009. The consolidated revenue of the Group was HK\$15.23 billion for the first half of 2010, increased by 31% comparing to corresponding period in last year. Profit attributable to shareholders of the Company was HK\$1.56 billion, increased by 10.2% compared to the corresponding period in 2009. Recurring net profit attributable to shareholders of the Company increased by 16.4% to HK\$1.55 billion.

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

	Profit After Taxation <i>HK\$'000</i>	Proportion <i>%</i>
Natural Gas Business	1,203,537	77.0
Beer Business	238,030	15.2
Sewage and Water Treatment Operations	153,284	9.8
Toll Roads	44,770	2.9
Headquarter expenses and others	(76,738)	(4.9)
	<u><u> </u></u>	<u><u> </u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

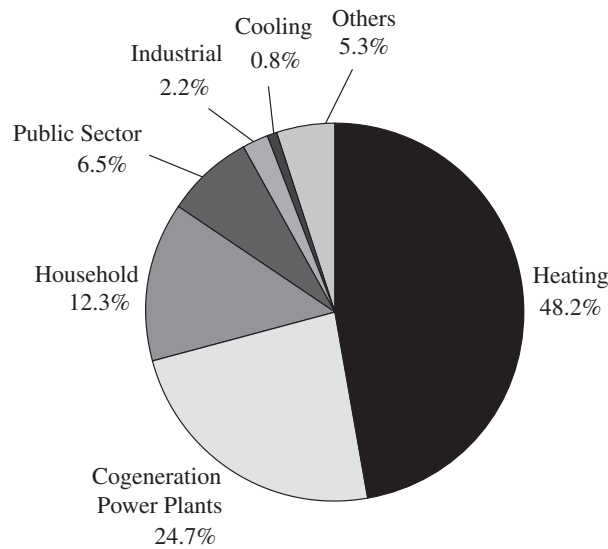
I. BUSINESS REVIEW

Natural Gas Distribution Business

The natural gas distribution business in Beijing recorded a revenue of HK\$7.464 billion, increased by 26.7% comparing to the first half of last year. Net profit from gas distribution business in the first half of the year was HK\$519 million, increased by 15.1% compared to the first half of 2009. Gas sales volume was approximately 3.6 billion cubic meters, up 26% against 2.86 billion cubic meters in corresponding period of last year. The length of the pipeline system in Beijing city further increased to approximately 12,867 kilometers. During the period under review, capital expenditures incurred was HK\$410 million. There were 117,000 new residential subscribers, 1,439 new public sector subscribers, and fuel gas equipment capacity of 916.8 t/h steam. All types of subscribers grew steadily during the period under review.

The sales volume analysis of Beijing Gas during the six months ended 30 June 2010 is as follows:

	For the six months ended 30 June 2010	
	Sales Volume <i>Thousand cubic meter</i>	Ratio
Heating	1,733,970	48.2%
Cogeneration Power Plants	889,574	24.7%
Household	443,212	12.3%
Public Sector	233,253	6.5%
Industrial	78,803	2.2%
Cooling	30,302	0.8%
Others	192,239	5.3%
	<u> </u>	<u> </u>
Total	<u><u>3,601,353</u></u>	<u><u>100%</u></u>



In respect of market development, we completed the acquisition of natural gas pipeline network in Fangshan District during the period and had ended the multiple operators situation in Fangshan District. We conducted active communication and negotiation with Mentougou and Shunyi District local governments and had arrived a mutual co-operative understanding. During the period, we also initiated the gas development works for several key towns at the suburban districts. We achieved the supply of piped gas for some regions while some are developing liquefied natural gas (LNG) stations, and have achieved preliminary success.

During the period, Beijing Gas Shandong Company's natural gas pipelines in "Rushan • Wendeng • Rongcheng" had commenced gas supply, laying a solid foundation for the gas market development in Shandong District. In addition, Beijing Gas signed strategic co-operation framework agreements with Datang International, Huaneng International Power Corporation (華能國際電力公司) and Huadian Operation Corporation (華電營運公司) respectively and had officially launched the coal-to-gas conversion works for Gaojing and Huaneng Thermal Power Plant (華能熱電廠).

Gas Upstream Business

The transmission volume of PetroChina Beijing Natural Gas Pipeline Company Limited (中石油北京天然氣管道有限公司) (“PetroChina Beijing Pipeline Co.”) for the first half of 2010 was approximately 8.95 billion cubic meters compared against 6.96 billion in the first half of last year, increased by 28.6%. The strong transmission volume growth was mainly attributable to strong demand from the city gas operators in the Hebei area. Beijing Gas Group Company Limited (“Beijing Gas”) shared a net profit after taxation of HK\$685 million, based on the 40% equity stake in PetroChina Beijing Pipeline Co. in the first half of 2010, representing a 16.2% increase when compared with the first half of 2009. The lower than expected profit growth was mainly due to an additional HK\$450 million of depreciation and electricity expenses related to the compression facilities in operation. The capital expenditures in the first half of 2010 was approximately HK\$1.3 billion.

Beer Business

The overall sales volume of beer products sold under the brandname of “Yanjing” and associated brands increased by approximately 5.13% to 2.46 million thousand-litres. The decrease in sales volume in certain districts in the first half of the year was underpinned by the low temperature in northern China. During the period under review, by strengthening marketing network construction and launching strategic products, Yanjing Beer had firmly mastered more than 85% of the market share in Beijing. During the period, some major regional markets like Guangxi, Guangdong and Inner Mongolia recorded a strong growth in beer sales volume and attributable profit. The newly entered regional markets like Shanxi, Sichuan and Xinjiang delivered a rapid growth in the first half of the year. During the reporting period, Yangjing Beer aggressively promoted the “1+3” brand strategies and realised stable growth in concentration of four major brands of “Yanjing”, “Liquan (漓泉)”, “Huiquan (惠泉)” and “Xuelu (雪鹿)”. During the first half year, sales volume of the four major brands aggregated to 2.25 million thousand-litres, representing a year-on-year increase of 6.64% and accounting for 91.5% of total sales volume of beer.

Overall revenue of Yanjing Beer increased by 5% to HK\$5.24 billion, mainly due to sales volume increase. Profit attributable to the Group increased by 38.3% to approximately HK\$238 million which was mainly due to the optimisation of product mix, higher gross profit margin, lower income tax rate and better cost control. Starting from 20 January 2010, the ex-factory price of 10°c Refreshing Beer sold in the Beijing area was increased by approximately 10%.

Sewage and Water Treatment Operations

The attributable profit of Beijing No. 9 Water Treatment Plant concession to the Group in the first half of 2010 was approximately HK\$72.5 million, representing a decrease of 20% as compared to the same period last year. This was mainly due to the two percentage points decrease in expected return upon the restructure of the concession term.

Beijing Enterprises Water Group Limited (“BE Water”) (stock code: 371), a 55.77% owned subsidiary of the Group, recorded a strong turnover of HK\$2.21 billion, and attributable profit of HK\$80.78 million to the Group in the first half of 2010, 408% and 185% higher than the respective comparative figures in 2009. This was mainly due to the substantial revenue brought about by vigorous exploration of construction services during the period. Revenue of other relevant water businesses had achieved stable growth. BE Water is now operating 31 water plants in mainland China with designed water processing capacity of approximately 1.95 million metric tons per day and average processing volume was 1.37 million metric tons per day during the period. We expect to continue investments in quality water projects through BE Water in the future.

Toll Roads Business

The chargeable traffic volume going through the Tianzhu toll gate of Capital Airport Expressway declined by 11.2% to 13.45 million vehicles in the first half of 2010 which was mainly due to the change of toll collection policy to one way toll collection since 1 October 2009.

The revenue of Capital Airport Expressway decreased by 10% accordingly to HK\$149.9 million in the first half of 2010. Attributable profit to the Group also declined by 31.4% to approximately HK\$44 million comparing to corresponding period of last year.

The traffic volume of Shenzhen Shiguan Road was generally unchanged, declined by 0.5% to 3.99 million vehicles in the first half of the year. The attributable profit to the Group was HK\$1.19 million for the six months ended 30 June 2010.

II. PROSPECTS

Natural Gas Distribution Business

The natural gas distribution business in Beijing 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 the medium term.

In addition, the coal-to-gas conversion projects of four largest thermal power centers in Beijing will increase the gas consumption for natural gas power generation significantly in future. Beijing Gas will make investments to cope with the development of relevant projects.

Gas Upstream Business

The existing transmission capacity of 20 billion cubic metres will become saturated in next year and requires new transmission facilities to fulfill the future demand growth in the region. The construction work of No. 3 Shaanxi-Beijing Pipeline is progressing well. The new pipeline will start operation in stage. The facilities with total annual designed capacity of 15 billion cubic metres will be put into operation partially in the first half of 2011 to cater for the ever growing demand.

Beer Business

“Yanjing” will remain one of the strongest local beer brand name in the mainland China. The nationwide bottling facilities together with the established distribution network will further boost the market share in the future. Yanjing Beer’s product margin will maintain stable growth as the more profitable premium sector gains higher market share and contributes higher profit to Yanjing Beer.

Sewage and Water Treatment Operations

The water business conducted through BE Water has significantly built up the processing volume. Currently, the Group has participated in investments and development of 64 water plants. The total designed processing capacity has reached 4.58 million metric tons per day with medium term goal of achieving daily capacity of more than 5 million metric tons. Through aggressive exploration, the capital base and gearing ratio of BE Water has grown significantly. In order to rationalise the existing capital structure, the Group will continue to make additional capital contribution to BE Water to reduce its gearing ratio.

Toll Roads Business

The chargeable traffic volume of Capital Airport Expressway is expected to stabilize at around 75,000 vehicles per day based on the current air traffic volume of terminal one to three of Beijing International Airport. The traffic volume of Shenzhen Shiguan Road is expected to shrink further due to diverting of traffic to other free highways around Shenzhen area. The Group will seriously consider withdrawing from this project and seek reasonable compensation from the relevant Shenzhen authorities.

III. FINANCIAL REVIEW

Revenue

The revenue of the Group's operations in first half of 2010 was approximately HK\$15.23 billion, increased by 31% when compared with the first half in 2009. This was mainly driven by higher gas sales volume and higher water related revenue. Revenue of beer business achieved moderate growth and other businesses contributed an aggregate of not more than 2% of the total revenue.

Cost of Sales

Cost of sales increased by 34.1% to HK\$11.68 billion, slightly higher than 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 23.3% compared to 25.1% in corresponding period of 2009. The decline in overall gross profit margin was due to the decrease of gross profit margin of the sewage operation which revenue growth was much higher than other sectors during the period under review. Natural gas distribution business had average gross margin of approximately 15.9%, representing a slight decrease when compared to the same period last year. This was mainly due to a rapid growth in gas consumption of co-generation power plants which bear lower gross profit margin.

Other Income

Other income comprised, inter alia, total interest income amounted to HK\$49.3 million; government grants amounted to HK\$49.6 million; and exchange gain etc.

Selling and Distribution Costs

Selling and distribution costs of the Group in the first half of 2010 increased by 18.2% to HK\$784 million, lower than the extent of increase in revenue. The proportion of selling and distribution costs for sewage business was lower than that of gas distribution and brewery business due to much higher advertisement expenses for consumer products business.

Administration Expenses

Administration expenses of the Group in the first half of 2010 was HK\$986 million, increased by 28.7% comparing to the corresponding period of last year. The increase was mainly due to higher increase in wages and relevant welfare charges as a result of the organisation optimisation of natural gas distribution business and consolidation of newly acquired sewage plants from BE Water.

Finance Costs

Finance costs of the Group in the first half of 2010 was HK\$225 million, increased by 22.8% comparing to HK\$183 million in corresponding period of 2009.

Share of Profits and Losses of Jointly-controlled Entities

This substantially represented the 40% share of the net profits of PetroChina Beijing Pipeline Co. for the first half of 2010. 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 No. 1 & No. 2 Shaanxi-Beijing long pipelines 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\$1.08 million in the first half of 2010.

Tax

Effective income tax rate improved slightly to 22.7% due to full year impact of Yanjing Beer's privileged tax rate for its Beijing operations.

IV. FINANCIAL POSITION OF THE GROUP

Cash and Bank Borrowings

As at 30 June 2010, cash and bank deposits held by the Group amounted to HK\$12.36 billion.

At the period end date, the Group had a strong net working capital of HK\$6.44 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\$15.98 billion as at 30 June 2010, which mainly comprised of five year syndicated loans amounting to HK\$2.1 billion, convertible bonds of HK\$2.175 billion, project financing of HK\$7.3 billion and short term working capital loans of HK\$2.2 billion carried in the PRC subsidiaries. Around 57% 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\$3.62 billion as at 30 June 2010.

Liquidity and Capital Resources

During the period under review, there was no movement in the issued capital of the Company. As at 30 June 2010, the issued capital of the Company was 1,137,371,000 shares and equity attributable to shareholders of the Company grew to HK\$32.5 billion. Total equity was HK\$41.22 billion comparing to HK\$39.02 billion as at the end of 2009.

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.

INTERIM DIVIDEND

The Board has resolved to declare an interim cash dividend for the six months ended 30 June 2010 of HK25 cents (2009: HK20 cents) per share, which will be payable on about 28 October 2010 to shareholders whose name appear on the register of members of the Company on 5 October 2010.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Friday, 1 October 2010 to Tuesday, 5 October 2010, 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 Thursday, 30 September 2010.

EMPLOYEE

At 30 June 2010, the Group had approximately 37,900 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 PRACTICES

Save as disclosed below, the directors believe that the Company has complied with the code provisions (the "Code Provisions") contained in Appendix 14 "Code on Corporate Governance Practices" to the Listing Rules throughout the six months ended 30 June 2010.

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.

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 half year ended 30 June 2010.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company, 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 2010 and considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2010.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM 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 interim report will be sent to all shareholders and will be published on the Stock Exchange's website in due course.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

		For the six months ended 30 June	
		2010	2009
	Notes	Unaudited HK\$'000	Unaudited HK\$'000
REVENUE	3	15,229,015	11,628,432
Cost of sales		<u>(11,684,076)</u>	<u>(8,710,454)</u>
Gross profit		3,544,939	2,917,978
Other income and gains, net	4	196,179	365,337
Selling and distribution expenses		(784,045)	(663,141)
Administrative expenses		(985,858)	(766,097)
Other operating expenses, net		<u>(32,540)</u>	<u>(183,117)</u>
PROFIT FROM OPERATING ACTIVITIES	5	1,938,675	1,670,960
Finance costs	6	(224,897)	(183,177)
Share of profits and losses of:			
Jointly-controlled entities		684,882	593,581
Associates		<u>(1,075)</u>	<u>(3,875)</u>
PROFIT BEFORE TAX		2,397,585	2,077,489
Income tax	7	<u>(389,583)</u>	<u>(346,266)</u>
PROFIT FOR THE PERIOD		<u>2,008,002</u>	<u>1,731,223</u>
ATTRIBUTABLE TO:			
Shareholders of the Company		1,562,883	1,418,078
Non-controlling interests		<u>445,119</u>	<u>313,145</u>
		<u>2,008,002</u>	<u>1,731,223</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	9		
Basic		<u>HK\$1.37</u>	<u>HK\$1.25</u>
Diluted		<u>HK\$1.34</u>	<u>HK\$1.15</u>

Details of interim dividend declared are disclosed in note 8.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE PERIOD	2,008,002	1,731,223
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations	<u>340,460</u>	<u>(36,468)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX OF NIL	<u>2,348,462</u>	<u>1,694,755</u>
ATTRIBUTABLE TO:		
Shareholders of the Company	<u>1,787,162</u>	1,388,343
Non-controlling interests	<u>561,300</u>	<u>306,412</u>
	<u>2,348,462</u>	<u>1,694,755</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2010

		30 June 2010 Unaudited HK\$'000	31 December 2009 Audited HK\$'000
	<i>Notes</i>		
ASSETS			
Non-current assets:			
Property, plant and equipment		19,955,864	19,045,485
Investment properties		200,856	204,371
Prepaid land premiums		1,167,883	1,129,884
Goodwill		8,659,464	8,649,068
Operating concessions		1,663,269	1,697,362
Other intangible assets		25,186	26,911
Interests in jointly-controlled entities		5,176,341	5,397,326
Interests in associates		1,090,574	899,778
Amounts due from contract customers		2,428,326	1,286,205
Receivables under service concession arrangements	<i>10</i>	3,510,763	3,414,841
Trade and bills receivables	<i>11</i>	51,828	51,710
Prepayments, deposits and other receivables		378,081	270,829
Available-for-sale investments		746,584	290,000
Deferred tax assets		608,917	564,490
		<hr/>	<hr/>
Total non-current assets		45,663,936	42,928,260
Current assets:			
Prepaid land premiums		26,215	26,433
Inventories		3,302,802	2,995,039
Amounts due from contract customers		1,710,092	55,089
Receivables under service concession arrangements	<i>10</i>	806,325	659,566
Trade and bills receivables	<i>11</i>	1,230,844	1,097,656
Prepayments, deposits and other receivables		2,458,849	1,653,855
Other taxes recoverable		45,195	85,141
Restricted cash and pledged deposits		693,259	118,245
Cash and cash equivalents		11,669,594	9,486,026
		<hr/>	<hr/>
Total current assets		21,943,175	16,177,050
		<hr/>	<hr/>
TOTAL ASSETS		67,607,111	59,105,310

		30 June 2010 Unaudited HK\$'000	31 December 2009 Audited HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital	<i>12</i>	113,737	113,737
Reserves		32,099,539	30,679,528
Proposed dividends		284,343	511,817
		32,497,619	31,305,082
Non-controlling interests		8,723,947	7,711,919
TOTAL EQUITY		41,221,566	39,017,001
Non-current liabilities:			
Bank and other borrowings		6,892,379	5,264,237
Convertible bonds		2,692,255	2,721,488
Defined benefit plans		446,419	423,947
Provision for major overhauls		241,652	184,499
Other non-current liabilities		194,043	196,055
Deferred tax liabilities		418,563	413,139
Total non-current liabilities		10,885,311	9,203,365
Current liabilities:			
Trade and bills payables	<i>13</i>	2,052,479	1,408,103
Amounts due to contract customers		86,236	48,342
Other payables and accruals		5,844,274	5,436,612
Income tax payable		642,363	522,316
Other taxes payable		474,636	431,623
Bank and other borrowings		6,400,246	3,037,948
Total current liabilities		15,500,234	10,884,944
TOTAL LIABILITIES		26,385,545	20,088,309
TOTAL EQUITY AND LIABILITIES		67,607,111	59,105,310

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS:

1. Basis of preparation

The unaudited condensed interim consolidated financial statements for the six months ended 30 June 2010 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 2009 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 first time for the current period’s financial statements.

Details of the effect of changes in accounting policies are set out in note 2.

2. Effect of changes in accounting policies

The Group has adopted the following new and revised HKFRSs for the first time for the current period’s financial statements:

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i>
HK Interpretation 4 amendment (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
Improvements to HKFRSs 2009 (May 2009)	<i>Amendments to a number of HKFRSs</i>

HKFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring since 1 January 2010. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. These revised standards were applied by the Group prospectively.

Except for the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised), the adoption of the new and amended HKFRSs has had no significant financial effect on these interim financial statements and there have been no significant changes to the accounting policies applied in these interim financial statements.

3. Operating segment information

For management purpose, 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.

Management monitors the results of its 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 period of each reportable operating segment, which is measured consistently with the Group's profit for the period.

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2010 and 2009, respectively.

For the six months ended 30 June 2010

	Piped gas operation Unaudited HK\$'000	Brewery operation Unaudited HK\$'000	Sewage and water treatment operations 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	7,463,719	5,236,568	2,305,550	186,651	36,527	–	15,229,015
Cost of sales	(6,276,722)	(3,421,787)	(1,844,227)	(107,437)	(33,903)	–	(11,684,076)
Gross profit	<u>1,186,997</u>	<u>1,814,781</u>	<u>461,323</u>	<u>79,214</u>	<u>2,624</u>	<u>–</u>	<u>3,544,939</u>
Profit from operating activities	769,661	762,511	382,013	63,110	6,494	(45,114)	1,938,675
Finance costs	(69,980)	(42,508)	(96,717)	(1,424)	(59,382)	45,114	(224,897)
Share of profits and losses of:							
Jointly-controlled entities	684,979	–	(97)	–	–	–	684,882
Associates	861	(908)	–	–	(1,028)	–	(1,075)
Profit/(loss) before tax	1,385,521	719,095	285,199	61,686	(53,916)	–	2,397,585
Income tax	(180,652)	(119,924)	(44,672)	(14,604)	(29,731)	–	(389,583)
Profit/(loss) for the period	<u>1,204,869</u>	<u>599,171</u>	<u>240,527</u>	<u>47,082</u>	<u>(83,647)</u>	<u>–</u>	<u>2,008,002</u>
Profit/(loss) attributable to shareholders of the Company	<u>1,203,537</u>	<u>238,030</u>	<u>153,284</u>	<u>44,770</u>	<u>(76,738)</u>	<u>–</u>	<u>1,562,883</u>

For the six months ended 30 June 2009

	Piped gas operation Unaudited HK\$'000	Brewery operation Unaudited HK\$'000	Sewage and water treatment operations 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	5,005,828	553,901	204,252	20,297	(44,540)	11,628,432
Cost of sales	(4,942,844)	(3,408,619)	(262,410)	(115,263)	(14,060)	32,742	(8,710,454)
Gross profit	<u>945,850</u>	<u>1,597,209</u>	<u>291,491</u>	<u>88,989</u>	<u>6,237</u>	<u>(11,798)</u>	<u>2,917,978</u>
Profit from operating activities	667,081	654,723	238,318	87,756	78,569	(55,487)	1,670,960
Finance costs	(59,835)	(76,875)	(61,454)	(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	1,196,787	577,494	180,904	87,280	46,822	(11,798)	2,077,489
Income tax	(156,387)	(132,975)	(34,908)	(21,448)	(548)	–	(346,266)
Profit for the period	<u>1,040,400</u>	<u>444,519</u>	<u>145,996</u>	<u>65,832</u>	<u>46,274</u>	<u>(11,798)</u>	<u>1,731,223</u>
Profit attributable to shareholders of the Company	<u>1,040,271</u>	<u>172,106</u>	<u>118,954</u>	<u>65,163</u>	<u>33,382</u>	<u>(11,798)</u>	<u>1,418,078</u>

Since over 90% of the Group's revenue from external customers is generated in the People's Republic of China (the "PRC") and 90% of the assets of the Group are located in the PRC, in the opinion of the directors, the presentation of geographic information is not meaningful to the users of financial statements, and accordingly, no geographic information is presented.

During each of the six months ended 30 June 2010 and 2009, none of the Group's revenue was derived from transactions with individual external customers amounting to 10 per cent or more of the Group's revenue.

4. Other income and gains, net

	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Other income		
Bank interest income	49,256	43,517
Others	137,879	179,600
	<u>187,135</u>	<u>223,117</u>
Gains, net		
Gain on deemed disposal of interest in a subsidiary	–	134,071
Gain on disposal of available-for-sale investments	–	7,021
Others	9,044	1,128
	<u>9,044</u>	<u>142,220</u>
	<u>196,179</u>	<u>365,337</u>

5. Profit from operating activities

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

	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Depreciation	675,811	648,554
Amortisation of operating concessions*	54,112	54,740
	<u>675,811</u>	<u>648,554</u>
	<u>54,112</u>	<u>54,740</u>

* 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	
	2010	2009
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest on bank loans and other loans wholly repayable within five years	160,318	153,017
Interest on convertible bonds	51,710	23,813
Interest on other loans	16,761	5,686
Total interest expense	228,789	182,516
Increase in discounted amount of provision for major overhauls arising from the passage of time	2,763	1,753
Total finance costs	231,552	184,269
Less: interest included in cost of construction contracts	(6,655)	(1,092)
	<u>224,897</u>	<u>183,177</u>

7. Income tax

	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Current – the People's Republic of China		
Hong Kong	–	7
Mainland China	372,656	330,321
Deferred	16,927	15,938
Total tax charge for the period	<u>389,583</u>	<u>346,266</u>

No provision for Hong Kong profits tax has been made during the period ended 30 June 2010 as the Group did not generate any assessable profits in Hong Kong during the period. Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period ended 30 June 2009. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company's subsidiaries enjoy income tax exemptions and reductions.

8. Interim dividend

On 31 August 2010, the Board declared an interim cash dividend of HK25 cents per share (six months ended 30 June 2009: HK20 cents per share), totalling HK\$284,343,000 (six months ended 30 June 2009: HK\$227,456,000).

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 1,137,371,000 (2009: 1,137,034,591) ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts for the period 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 the deemed conversion of those convertible bonds of the Group which are convertible into ordinary shares of the Company.

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

	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Earnings:		
Profit for the period attributable to shareholders of the Company, used in the basic earnings per share calculation	1,562,883	1,418,078
Imputed interest expense for the period relating to the liability component of the dilutive convertible bonds of the Group	36,946	23,109
Decrease in profit for the period as a result of the dilution of interest in Beijing Enterprises Water Group Limited ("BE Water") assuming the exercise of all dilutive convertible bonds issued by BE Water	<u>(6,445)</u>	<u>(127,973)</u>
Profit for the period attributable to shareholders of the Company, used in the diluted earnings per share calculation	<u>1,593,384</u>	<u>1,313,214</u>
	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
Number of ordinary shares:		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	1,137,371,000	1,137,034,591
Effect of dilution – weighted average number of ordinary shares:		
Share options	225,950	390,573
Convertible bonds	<u>50,000,000</u>	<u>7,458,563</u>
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	<u>1,187,596,950</u>	<u>1,144,883,727</u>

10. Receivables under service concession arrangements

In respect of the Group's receivables under service concession arrangements, the various group companies have different credit policies, depending on the requirements of the locations in which they operate. Aged analysis of receivables under service concession arrangements are closely monitored in order to minimise any credit risk associated with the receivables.

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

	30 June 2010 Unaudited HK\$'000	31 December 2009 Audited HK\$'000
Billed:		
Within one year	405,819	413,028
One to two years	400,506	246,538
	806,325	659,566
Unbilled	3,510,763	3,414,841
	4,317,088	4,074,407
Portion classified as current assets	(806,325)	(659,566)
Non-current portion	3,510,763	3,414,841

11. 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.

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

	30 June 2010 Unaudited HK\$'000	31 December 2009 Audited HK\$'000
Billed:		
Within one year	914,999	449,129
One to two years	41,836	35,162
Two to three years	14,102	10,403
Over three years	31,739	28,168
Balance with extended credit period	<u>51,828</u>	<u>51,710</u>
	1,054,504	574,572
Unbilled	<u>228,168</u>	<u>574,794</u>
	1,282,672	1,149,366
Portion classified as current assets	<u>(1,230,844)</u>	<u>(1,097,656)</u>
Non-current portion	<u>51,828</u>	<u>51,710</u>

12. Share capital

	30 June 2010 Unaudited HK\$'000	31 December 2009 Audited HK\$'000
<i>Authorised:</i>		
2,000,000,000 ordinary shares of HK\$0.1 each	<u>200,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
1,137,371,000 ordinary shares of HK\$0.1 each	<u>113,737</u>	<u>113,737</u>

13. Trade and bills payables

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

	30 June 2010 Unaudited HK\$'000	31 December 2009 Audited HK\$'000
Within one year	1,951,590	1,345,637
One to two years	67,512	36,131
Two to three years	14,275	9,362
Over three years	<u>19,102</u>	<u>16,973</u>
	<u>2,052,479</u>	<u>1,408,103</u>

14. Events after the reporting period

On 2 August 2010, the Company as borrower entered into a term loan facility agreement (the “Facility Agreement”) with several banks for a term loan facility (“Loan Facility”) in the amount of HK\$3 billion. The Loan Facility is for a term of 5 years commencing from the date of the Facility Agreement, i.e. 2 August 2010. Pursuant to the Facility Agreement, it shall be an event of default if Beijing Enterprises Group Company Limited (“BE Group”) ceases to hold, directly or indirectly, at least 40% of the issued share capital of the Company, or ceases to supervise the Company, or ceases to be the single largest shareholder of the Company, or ceases to be wholly-owned, supervised and controlled by the State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會). As at the date of this announcement, BE Group holds indirectly approximately 59.35% of the issued share capital of the Company.

On 26 July 2010 and 18 August 2010, certain convertible bonds in aggregate amount of HK\$665,104,645 were converted into 963,919,775 new ordinary shares of BE Water at a conversion price of HK\$0.69. Upon the allotments, the Company’s interest in BE Water was diluted to approximately 43.9%.

The Group is not yet in a position to disclose any financial impact of these transactions on the Group.

15. Other financial information

The net current assets and total assets less current liabilities of the Group as at 30 June 2010 amounted to HK\$6,442,941,000 (31 December 2009: HK\$5,292,106,000) and HK\$52,106,877,000 (31 December 2009: HK\$48,220,366,000), respectively.

By order of the Board

Wang Dong

Chairman

Hong Kong, 31 August 2010

As at the date of this announcement, the board of directors of the Company comprises Mr. Wang Dong, Mr. Zhang Honghai, Mr. Li Fucheng, Mr. Bai Jinrong, Mr. Zhou Si, Mr. E Meng, Mr. Liu Kai, Mr. Guo Pujin, Mr. Lei Zhengang, Mr. Jiang Xinhao and Mr. Tam Chun Fai as executive directors; Mr. Wu Jiesi, Mr. Robert A. Theleen, Mr. Lam Hoi Ham and Mr. Fu Tingmei as independent non-executive directors.