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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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

HIGHLIGHTS

- Revenue for the year amounted to approximately HK\$24.21 billion, representing an increase of 22.9% over last year.
- Profit attributable to shareholders of the Company amounted to approximately HK\$2.399 billion, representing an increase of 5.1% over last year.
- Recurring net profit attributable to shareholders of the Company increased by 20.1% to HK\$2.26 billion.
- Basic earnings per share amounted to HK\$2.11.
- A final dividend of HK45 cents per share is proposed for 2009.

RESULTS

The Board of Directors of Beijing Enterprises Holdings Limited (the “Company”) is pleased to present the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2009, together with comparative figures for the previous year. The revenue of the Group was HK\$24.21 billion for 2009, increased by 22.9% comparing to last year. Profit attributable to shareholders of the Company was HK\$2.399 billion, increased by 5.1% as compared to 2008.

Profit attributable to shareholders of the Company contributed by each business segment during the year are set out as follows:

	Profit attributable to shareholders of the Company HK\$'000	Proportion %
Piped gas operation	1,826,124	71.9
Beer production operation	340,550	13.4
Sewage and water treatment operations	267,875	10.5
Toll roads operations	106,539	4.2
Profit from major operations	2,541,088	100
Other operations and headquarter expenses	(155,403)	
Exceptional items, net	37,230	
Eliminations	(24,032)	
Profit attributable to shareholders of the Company	<u><u>2,398,883</u></u>	

MANAGEMENT ANALYSIS AND DISCUSSION

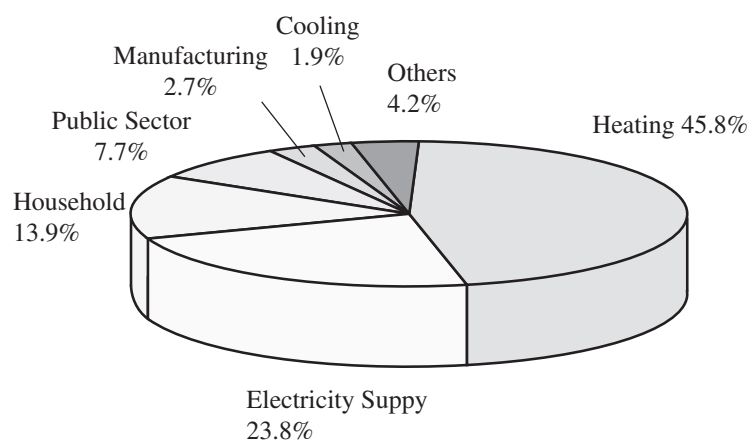
I. Business Review

Natural Gas Distribution Business

Beijing Gas Group Company Limited (“Beijing Gas”) recorded a gas sales volume of 5.69 billion cubic meters in 2009, representing a year-on-year growth of 16.4%. The revenue amounted to HK\$11.943 billion, representing a year-on-year growth of 17.6%. Profit after taxation from gas distribution business was HK\$734 million, representing a year-on-year growth of 29.3%. The continuing stable growth and development in gas distribution business in Beijing was due to the optimal long-term planning and capital investment. In 2009, there were approximately 242,563 new subscribers, of which 239,630 were household subscribers and 2,500 were public sector subscribers. Our fuel gas equipment capacity was 2,653 t/h steam. The growth in different types of subscribers had exceeded our target. During the year, we completed two municipal government dedicated projects including the connection of gas pipes in old buildings for 100,000 subscribers and Phase II of 6th Ring Road Gas Project. During the year, Beijing Gas optimised its organization structure and further strengthened its fundamental management. During the year, Beijing Gas completed the infrastructure investment of HK\$659 million, the newly built 175.4 kilometers pipelines, and the technological improvement overhaul project investment of HK\$265 million, thus ensuring the safe operation of pipeline network.

The sales volume analysis of Beijing Gas during the year are as follows:–

	For the twelve months ended 31 December 2009	
	Sales Volume <i>Thousand cubic meters</i>	Ratio
Heating	2,603,160	45.8%
Electricity Supply	1,352,460	23.8%
Household	793,580	13.9%
Public Sector	440,090	7.7%
Manufacturing	153,150	2.7%
Cooling	108,900	1.9%
Others	238,480	4.2%
Total	5,689,820	100%



In respect of market development, we intensified our efforts in developing the Beijing suburban market. Following the registration of Beijing Gas Ping Gu Company Limited on 20 August 2009, Beijing Gas had signed the co-operation framework agreement with the governments in Miyun county and Huairou district one after another and carried out the acquisitions of the existing gas pipeline assets at Fangshan district, and established a solid development momentum in the sub-urban market.

For regional expansion, we strengthened our strategic presence in Shandong gas market during the year and invested HK\$226 million in Shandong Natural Gas Pipeline Network Investment Company Limited (山東省天然氣管網投資有限公司). Beijing Gas Group Shandong Company Limited (北京燃氣集團山東有限公司), a jointly controlled entity of Beijing Gas had commenced the construction of long distance gas pipelines in Rushan, Wendeng and Rongcheng. Moreover, the Company carried out multi-level strategic co-operation with PetroChina Company Limited (“PetroChina”), developed the Jinzhou gas market together with Liaohe Oil Field and explored the project co-operation with Kunlun Gas Company (昆侖燃氣公司) in Shandong, North Eastern and Hebei regions.

Gas Upstream Business

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.”), a company in which Beijing Gas holds 40% of its interests, achieved a gas transmission volume of 14.39 billion cubic meters in 2009, a year-on-year increase of 18%. Profit after taxation attributable to the Company amounted to HK\$1.092 billion, a year-on-year increase of 19.6%. The moderate increase was mainly attributable to the increase in amortisation after the completion of compression project for Shaanxi-Beijing Gas Pipelines. During the year, Beijing Gas increased its investment in PetroChina Beijing Pipeline Co. by HK\$520 million, the fund was used for the strategic investments such as construction of No. 3 Shaanxi-Beijing gas transmission project and the underground gas storages project in Central Northern China for improving the gas transmission capability. In October 2009, the comprehensive compression project for No. 2 Shaanxi-Beijing Pipeline was duly completed, and the consolidated transmission capacity was expanded to 20 billion cubic meters per annum, with total investments exceeding HK\$5 billion. Besides, the Datang coal-based natural gas project in Keshiketengqi had commenced its construction.

Beer Business

Beijing Yanjing Brewery Co., Ltd. (北京燕京啤酒有限公司) (“Yanjing Beer”) achieved excellent results in 2009, with sales volume of beer reached 4.67 million thousand-litres, representing a year-on-year increase of 11.45% and above the industry average growth rate of 7%. Sales revenue amounted to HK\$9.758 billion, marking an increase of 15.2% from last year. Profit attributable to shareholders of the Company was approximately HK\$341 million, marking an increase of 62% from last year, and continued to maintain a positive growth momentum in terms of faster sales revenue increase over its sale volume growth and faster profit increase over its sales revenue growth.

Yanjing Beer maintained its 85% market share in Beijing market, with both its production and sales volume hitting historic high. The sales volume increase was significant outside Beijing with sales volume of beer products reaching 3.45 million thousand-litres, representing a year-on-year increase of 11%. Sales growth in major regional markets like Guangxi, Inner Mongolia and Fujian remained stable. After its certain restructuring exercise, sales in Guangdong market had reached 0.31 million thousand-litres, representing a year-on-year increase of 55%. In terms of brand strategy, Yanjing Beer continues to promote the strategy of “1+3”, where “Yanjing” brand keeps on strengthening as a national major brand, the strengths of three regional brands, Liquan (漓泉), Huiquan (惠泉) and Xuelu (雪鹿), continued to grow, thereby enhancing significantly the integrating efforts of the “Yanjing” beer brand. Among which, sales volume under “Yanjing” brand beer was 2.68 million thousand-litres, representing nearly 60% of the Group’s total sales volume; sales volume of beer of “1+3” brand was 4.14 million thousand-litres, representing approximately 90% of the Group’s total sales volume.

For the product structure, based on the unique features in different regions and the on-going changes in the demand structure of places of consumption and consumers, Yanjing Beer strived to develop new products with high technology and high added value and improved the ratio of its medium to high end beer products in order to establish a premium product image. The sales ratio of high end products like Yanjing Wuchun (燕京無醇) and Yanjing Chunsheng (燕京純生) had increased steadily. New products like Bingchun (冰純) and Party beer packaged in aluminium cans were well received among young consumers.

During the reporting period, Yanjing Beer obtained the “High-tech Enterprise Certification”(高新技術企業證書) successfully, and its income tax rate was reduced from 25% to 15%. It’s key subsidiaries are also applying for the high-tech certifications. The above is beneficial to the results of Yanjing Beer where the brand name and influence of the Company can be enhanced.

Sewage and Water Treatment Operation

The sewage treatment business of the Group is mainly carried out through our 57.35% owned subsidiary Beijing Enterprises Water Group Limited (“BE Water”) (stock code: 371). The business of BE Water continued to develop rapidly in 2009, and by end of the year, BE Water had already participated 47 sewage treatment projects in total. Its planned daily sewage treatment capacity is 3.14 million tons, a growth of 1.66 million tons over last year. The daily treatment capacity of BE Water in operation in late 2009 was 1.62 million tons. The total actual treatment volume of the year was 384 million

tons, or an daily weighted average treatment volume of approximately 1.16 million tons, with weighted average utilization rate of approximately 72%. Revenue from operation of BE water in 2009 was HK\$1.73 billion, representing a 4.3 times growth over last year. Profit attributable to shareholders of the Company was approximately HK\$114 million, representing a 2 times growth over last year.

As for water purification business, net profit of water concession of Beijing No. 9 Water Treatment Plant attributable to the Group was HK\$154 million (2008: HK\$148 million, as restated).

Toll Roads Business

The toll charging traffic volume of the Airport Expressway in 2009 was down by 2.25 million vehicles, with a total 37.56 million. This was due to the implementation of a one-way payment system for return trip of vehicles leaving Beijing at Tianzhu Terminal of Capital Airport Expressway and charges reduced by 50% at Yang Lin (楊林) Terminal since October 2009. The toll revenue in 2009 amounted to HK\$332 million, representing a year-on-year decrease of 14.5%. Profit attributable to shareholders of the Company was HK\$109 million, posting a year-on-year decline of 32.2%. In 2009, the traffic volume of Shenzhen Shiguan Road was 8.35 million vehicles, down by 11% from 2008. Operating profit amounted to HK\$3.13 million, decreased by 83.1% from last year.

II Prospects

Natural Gas Distribution Business

The development of the ten sub-urban districts and counties in Beijing by Beijing Gas is progressing well with main trunk lines construction in sub-urban districts completed one after another. This has supported the long-term gas consumption growth in Greater Beijing district. As the political, cultural and financial service center of China, the Beijing property sector is developing vigorously. The number of resident subscribers will grow steadily and civilian gas demand in city districts will also have a corresponding growth.

On the other hand, the National Development and Reform Commission is studying the proposal of transforming the three fire-electrical power plants into natural gas plants in early 2010 and that will further enhance the long-term demand of natural gas. The ratio of natural gas consumption for power generation purpose will continue to increase. As

Beijing is pushing very hard to develop clean energy resources, the re-structuring of Oven Room and the facilitation of Tri-generation System will increase the demand for gas.

Gas Upstream Business

PetroChina Beijing Pipeline Co. had completed the construction of the important gas storage facility projects like the No. 2 Shaanxi-Beijing Pipeline compression project, Yong Tang Qin extension line and Beijing 58 Project. The annual comprehensive gas transmission capacity of No. 1 and 2 Shaanxi-Beijing Pipeline had already exceeded 20 billion cubic meters and is able to meet the growing demand in next two years.

The construction works of No. 3 Shaanxi-Beijing gas transmission project are progressing smoothly and part of the gas transmission facilities are expected to commence its commercial operation by end of 2010.

Beer Business

The strength of Yanjing Beer as a national brand name becomes stronger and stronger and is very encouraging in the development of Yanjing Beer business. Yanjing Beer will continue its regional markets integration and product range optimisation. Both the sales volume and profitability are expected to achieve a stable growth. Furthermore, Yanjing Beer will continue to invest and expand its productivity with a medium to long term target of reaching a production capacity of 8 million thousand-litres.

Sewage and Water Treatment Operation

BE Water will push forward the construction works of the authorised water treatment projects aggressively and speed up the improvement of our sewage treatment capabilities. The sewage treatment projects are developing rapidly and both the revenue and profitability of BE Water will maintain a rapid growth.

Toll Roads Business

Tianzhu Terminal of Capital Airport Expressway had commenced its one-way payment policy for return trip of vehicles leaving Beijing and tolled traffic volume had decreased significantly. Both the traffic volume and profit of Shenzhen Shiguan Toll Road continue to decline with lack luster prospects. In view of the unpromising development prospect of the two tolled roads, the Group will exit these businesses should opportunities arise and will invest our resources into those businesses with more promising prospects.

III Financial Review

Revenue

The revenue of the Group's continuing operations in 2009 was approximately HK\$24.21 billion, increased by 22.9% compared with the revenue of HK\$19.704 billion in 2008. This was mainly driven by the stable growth of Beijing Gas' revenue and Yanjing Beer's revenue. Other business contributed an aggregate of not more than 11 % of the total revenue.

Cost of Sales

Cost of sales increased by 21.7% to HK\$18.502 billion. The cost of sales for gas distribution business included purchase cost of natural gas as well as depreciation of piped line network. Cost of sales of beer operations includes raw materials, wage expenses and absorption of certain indirect overhead.

Gross Profit Margin

Overall gross profit margin was 23.9% compared to 22.9% in 2008. The increase in gross profit margin was mainly due to increase in the average selling price of Yanjing Beer and decrease in cost of raw materials. Natural gas distribution business had average gross profit margin of approximately 15.1% which is lower than the higher margin brewery business, toll road and water business due to different direct cost structure. The improvement in gross profit margin of natural gas distribution business of Beijing Gas compared with that of last year was mainly due to the slight increase in unit gas selling price to electricity plant and heating subscribers who accounted for significant percentage of sales volume.

Other Income

Other income mainly comprised of total interest income amounted to HK\$90 million; gain on disposal of 26.55% interests in Beijing Peking University WBL Biotech Co., Ltd. amounted to HK\$63.11 million; government grants and other gains in aggregate amounted to HK\$246 million.

Selling and Distribution Costs

Selling and distribution costs of the Group in 2009 increased by 19% to HK\$1.36 billion and was mainly due to introduction of more new products of Yanjing Beer during the year and rapid increase in marketing expenses.

Administration Expenses

Administration expenses of the Group in 2009 was HK\$1.79 billion, increased by 23.1% comparing to last year. The increase in administration expenses was mainly due to the continuing expansion of the scale of Yanjing Beer business and sewage treatment operation and increase in related wages and fixed costs.

Finance Costs

Finance costs of the Group in 2009 was HK\$364 million, decreased by 10.7% comparing to HK\$407 million in 2008, which was mainly due to decrease in the borrowings of Yanjing Beer, a subsidiary of the Group.

Share of Profits and Losses of Jointly-Controlled Entities

This mainly represents the 40% share of the profit after taxation of PetroChina Beijing Pipeline Co. PetroChina Beijing Pipeline Co. is 40% owned by Beijing Gas and 60% owned by PetroChina. The primary business of PetroChina Beijing Pipeline Co. is natural gas transmission which supplies natural gas to city gas operators along the two long piped lines with an approximate total length of 2,200 kilometers owned by PetroChina Beijing Pipeline Co. The slight decrease in gross profit margin of PetroChina Beijing Pipeline Co. was mainly due to the increase in the proportion of transmission to nearby city and amortization of capital expenditures of compression project.

Share of Results of Associate Companies

The Group's share of net losses of a major associate company, Beijing Development (Hong Kong) Limited, amounted to HK\$33.52 million in 2009.

Tax

After deducting the non-taxable other income of more than HK\$371 million, the effective income tax rate is approximately 17.3%. The decrease in effective income tax rate in 2009 was mainly due to the decrease from 25% to 15% in income tax rate of Yanjing Beer by reason of obtaining the Certificate of High-Tech Enterprise in that company.

Profit Attributable to Shareholders

The profit attributable to the shareholders of the Company for the year ended 31 December 2009 was HK\$2.399 billion (2008: HK\$2.282 billion).

IV Financial Position of the Group

Cash and Bank Borrowings

As at 31 December 2009, cash and bank deposits held by the Group amounted to HK\$9.486 billion. At the end of the reporting period, the Group had a strong net working capital of HK\$5.292 billion. The Group will maintain 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\$11.02 billion as at 31 December 2009, which mainly comprised of five year syndicated loans amounting to HK\$2.1 billion with the rest working capital loans of HK\$6.2 billion denominated in Renminbi and Hong Kong dollars. Around 31.3% of the bank loans were denominated in Hong Kong dollars with the rest mainly in Renminbi. The Group was in a net bank and other borrowings position of HK\$1.186 billion as at 31 December 2009.

Liquidity and Capital Resources

The downstream gas distribution business and brewery business has been constantly contributing to the operating cash flow of the Group and significantly increased its liquidity. During the year under review, there was no significant movement in the issued capital of the Company. As at the end of 2009, the issued capital of the Company amounted to 1,137,371,000 shares and the shareholders' equity grew to HK\$31.305 billion. Total equity was HK\$39.017 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. The Group will continue its stable dividend distribution policy and at least 30% of its recurring earnings per share will be used for dividend distribution.

DIVIDENDS

The Directors of the Company recommended the payment of a final dividend of HK45 cents per share for the year ended 31 December 2009 payable to shareholders whose names appear on the register of members of the Company on 10 June 2010. Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend will be paid on or around 18 June 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 4 June 2010 to Thursday, 10 June 2010 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the proposed final dividend and for attending the forthcoming annual general meeting of the Company to be held on Thursday, 10 June 2010, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar, Tricor Tengis Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 3 June 2010.

EMPLOYEES

At 31 December 2009, 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 complied with the code provisions (the "Code Provisions") as set out in Appendix 14 "Code on Corporate Governance Practices" to the Listing Rules for the year ended 31 December 2009.

Code Provision A.4.1

The non-executive directors of the Company are not appointed for specific terms, which deviates from the requirement of Code Provision A.4.1. However, in view of the fact that 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 year ended 31 December 2009.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors of the Company Mr. Wu Jiesi, Mr. Lam Hoi Ham (the Chairman of the Committee) and Mr. Fu Tingmei. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and internal controls system of the Company. The annual results have been reviewed and approved by the Audit Committee of the Company.

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 listed securities during the year.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
REVENUE	2	24,208,430	19,704,247
Cost of sales		<u>(18,389,919)</u>	<u>(15,199,351)</u>
Gross profit		5,818,511	4,504,896
Gain on deemed disposal of interest in a subsidiary		105,426	450,791
Other income and gains, net		440,783	534,930
Selling and distribution costs		(1,360,112)	(1,142,871)
Administrative expenses		(1,794,372)	(1,457,685)
Other operating expenses, net		<u>(325,430)</u>	<u>(193,225)</u>
PROFIT FROM OPERATING ACTIVITIES	3	2,884,806	2,696,836
Finance costs	4	(363,574)	(407,068)
Share of profits and losses of:			
Jointly-controlled entities		1,092,074	912,628
Associates		<u>(7,920)</u>	<u>(146,811)</u>
PROFIT BEFORE TAX		3,605,386	3,055,585
Income tax	5	<u>(558,997)</u>	<u>(359,297)</u>
PROFIT FOR THE YEAR		<u>3,046,389</u>	<u>2,696,288</u>
ATTRIBUTABLE TO:			
Shareholders of the Company		2,398,883	2,281,828
Minority interests		<u>647,506</u>	<u>414,460</u>
		<u>3,046,389</u>	<u>2,696,288</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	7		
Basic		<u>HK\$2.11</u>	<u>HK\$2.01</u>
Diluted		<u>HK\$2.02</u>	<u>HK\$1.90</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE YEAR	3,046,389	2,696,288
OTHER COMPREHENSIVE INCOME		
Fair value gain on revaluation of a building upon transfer to investment properties	–	17,561
Exchange differences on translation of foreign operations	<u>14,397</u>	<u>1,477,295</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>14,397</u>	<u>1,494,856</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>3,060,786</u>	<u>4,191,144</u>
ATTRIBUTABLE TO:		
Shareholders of the Company	2,413,044	3,481,902
Minority interests	<u>647,742</u>	<u>709,242</u>
	<u>3,060,786</u>	<u>4,191,144</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
ASSETS			
Non-current assets:			
Property, plant and equipment		19,045,485	17,988,216
Investment properties		204,371	198,759
Prepaid land premiums		1,129,884	1,136,358
Goodwill		8,649,068	8,537,759
Operating concessions		1,697,362	1,813,494
Other intangible assets		26,911	14,969
Interests in jointly-controlled entities		5,397,326	4,508,590
Interests in associates		899,778	802,207
Amounts due from contract customers		1,286,205	–
Receivables under service concession arrangements	<i>8</i>	3,414,841	2,821,311
Trade and bills receivables	<i>9</i>	51,710	–
Prepayments, deposits and other receivables		270,829	124,270
Available-for-sale investments		290,000	309,789
Deferred tax assets		564,490	484,772
		<hr/>	<hr/>
Total non-current assets		42,928,260	38,740,494
Current assets:			
Prepaid land premiums		26,433	24,356
Inventories		2,995,039	3,067,436
Amounts due from contract customers		55,089	202,512
Receivables under service concession arrangements	<i>8</i>	659,566	380,792
Trade and bills receivables	<i>9</i>	1,097,656	1,056,026
Prepayments, deposits and other receivables		1,653,855	1,419,334
Financial assets at fair value through profit or loss		–	1,566
Other taxes recoverable		85,141	72,873
Restricted cash and pledged deposits		118,245	64,413
Cash and cash equivalents		9,486,026	6,666,940
		<hr/>	<hr/>
Total current assets		16,177,050	12,956,248
		<hr/>	<hr/>
TOTAL ASSETS		59,105,310	51,696,742

		2009	2008
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital		113,737	113,700
Reserves		30,679,528	29,006,598
Proposed final dividends	6	<u>511,817</u>	<u>511,650</u>
		31,305,082	29,631,948
Minority interests		<u>7,711,919</u>	<u>6,678,522</u>
TOTAL EQUITY		<u>39,017,001</u>	<u>36,310,470</u>
Non-current liabilities:			
Bank and other borrowings		5,264,237	3,895,388
Convertible bonds		2,721,488	515,908
Defined benefit plans		423,947	389,815
Provision for major overhauls		184,499	121,438
Other long term liabilities		196,055	204,442
Deferred tax liabilities		<u>413,139</u>	<u>279,859</u>
Total non-current liabilities		<u>9,203,365</u>	<u>5,406,850</u>
Current liabilities:			
Trade and bills payables	10	1,408,103	1,190,222
Amounts due to contract customers		48,342	107,831
Other payables and accruals		5,436,612	4,689,729
Income tax payable		522,316	457,983
Other taxes payable		431,623	361,021
Bank and other borrowings		<u>3,037,948</u>	<u>3,172,636</u>
Total current liabilities		<u>10,884,944</u>	<u>9,979,422</u>
TOTAL LIABILITIES		<u>20,088,309</u>	<u>15,386,272</u>
TOTAL EQUITY AND LIABILITIES		<u>59,105,310</u>	<u>51,696,742</u>

Notes:

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial assets which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2009. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company’s subsidiaries. An acquisition of minority interests is accounted for using the parent extension method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised in the consolidated statement of financial position as goodwill or in the income statement as an excess over cost of acquisition, where appropriate.

1.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKFRS 8 Amendment*	Amendment to HKFRS 8 <i>Operating Segments – Disclosure of Information about Segment Assets</i> (early adopted)
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 <i>Revenue – Determining Whether an Entity is Acting as a Principal or as an Agent</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*, which is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKFRS 8, HKAS 1 (Revised) and HK(IFRIC)-Int 18, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

(a) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14.

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

HKAS 1 (Revised) introduces changes in the presentation and disclosures 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 all non-owner changes in equity presented as a single line. In addition, this revised standard introduces the statement of comprehensive income, with all items of income and expense recognised in the income statement, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(c) HK(IFRIC)-Int 18 *Transfers of Assets from Customers* (adopted from 1 July 2009)

HK(IFRIC)-Int 18 provides guidance on accounting by recipients that receive from customers items of property, plant and equipment or cash for the acquisition or construction of such items, provided that these assets must then be used to connect customers to networks or to provide ongoing access to a supply of goods or services, or both. The Group has recognised the assets (e.g. gas pipelines and gas metres) transferred from the property developers or builders at their fair values on the dates of the transfers, with the credit recognised as revenue in accordance with HKAS 18 *Revenue*.

2. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents (1) the aggregate of the invoiced value of goods sold, net of value-added tax, consumption tax and government surcharges, and after allowances for returns and trade discounts; (2) toll revenue, net of business tax; (3) an appropriate proportion of contract revenue of construction contracts and service contracts, net of value-added tax, business tax and government surcharges; and (4) the imputed interest income on receivables under service concession arrangements.

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 year of each reportable segment, which is measured consistently with the Group's profit for the year.

Segment assets and equity of each of the reporting segments are separately managed by each of the individual operating segments.

Operating segments

For the year ended 31 December 2009

	Piped gas operation <i>HK\$'000</i>	Brewery operation <i>HK\$'000</i>	Sewage and water treatment operations <i>HK\$'000</i>	Expressway and toll road operations <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Inter- segment reconciliation <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	11,942,601	9,758,104	1,970,004	410,035	222,420	(94,734)	24,208,430
Cost of sales	<u>(10,143,219)</u>	<u>(6,657,955)</u>	<u>(1,217,767)</u>	<u>(245,805)</u>	<u>(195,875)</u>	<u>70,702</u>	<u>(18,389,919)</u>
Gross profit	<u>1,799,382</u>	<u>3,100,149</u>	<u>752,237</u>	<u>164,230</u>	<u>26,545</u>	<u>(24,032)</u>	<u>5,818,511</u>
Profit from operating activities	1,002,607	1,138,709	577,077	140,277	53,258	(27,122)	2,884,806
Finance costs	(42,760)	(112,850)	(125,753)	(9,156)	(76,145)	3,090	(363,574)
Share of profits and losses of:							
Jointly-controlled entities	1,092,074	–	–	–	–	–	1,092,074
Associates	<u>–</u>	<u>(814)</u>	<u>–</u>	<u>–</u>	<u>(7,106)</u>	<u>–</u>	<u>(7,920)</u>
Profit/(loss) before tax	2,051,921	1,025,045	451,324	131,121	(29,993)	(24,032)	3,605,386
Income tax	<u>(220,405)</u>	<u>(160,535)</u>	<u>(72,877)</u>	<u>(23,896)</u>	<u>(81,284)</u>	<u>–</u>	<u>(558,997)</u>
Segment profit/(loss) for the year	<u>1,831,516</u>	<u>864,510</u>	<u>378,447</u>	<u>107,225</u>	<u>(111,277)</u>	<u>(24,032)</u>	<u>3,046,389</u>
Profit/(loss) for the year attributable to shareholders of the Company	<u>1,826,124</u>	<u>340,550</u>	<u>267,875</u>	<u>106,539</u>	<u>(118,173)</u>	<u>(24,032)</u>	<u>2,398,883</u>
Total assets	<u>28,199,858</u>	<u>14,337,407</u>	<u>9,833,492</u>	<u>2,394,378</u>	<u>8,098,831</u>	<u>(3,758,656)</u>	<u>59,105,310</u>
Total equity	<u>20,819,028</u>	<u>9,023,958</u>	<u>5,091,618</u>	<u>1,946,805</u>	<u>2,159,624</u>	<u>(24,032)</u>	<u>39,017,001</u>

For the year ended 31 December 2008

	Piped gas operation <i>HK\$'000</i>	Brewery operation <i>HK\$'000</i>	Sewage and water treatment operations <i>HK\$'000</i>	Expressway and toll road operations <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Inter- segment reconciliation <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	10,151,850	8,473,234	570,616	475,323	33,224	–	19,704,247
Cost of sales	<u>(8,707,557)</u>	<u>(6,079,221)</u>	<u>(175,483)</u>	<u>(218,093)</u>	<u>(18,997)</u>	<u>–</u>	<u>(15,199,351)</u>
Gross profit	<u>1,444,293</u>	<u>2,394,013</u>	<u>395,133</u>	<u>257,230</u>	<u>14,227</u>	<u>–</u>	<u>4,504,896</u>
Profit from operating activities	793,642	900,602	319,702	233,280	460,511	(10,901)	2,696,836
Finance costs	(42,780)	(208,606)	(65,196)	(10,226)	(91,161)	10,901	(407,068)
Share of profits and losses of:							
Jointly-controlled entities	913,439	–	(811)	–	–	–	912,628
Associates	<u>–</u>	<u>(1,091)</u>	<u>–</u>	<u>205</u>	<u>(145,925)</u>	<u>–</u>	<u>(146,811)</u>
Profit before tax	1,664,301	690,905	253,695	223,259	223,425	–	3,055,585
Income tax	<u>(174,324)</u>	<u>(57,818)</u>	<u>(51,868)</u>	<u>(44,041)</u>	<u>(31,246)</u>	<u>–</u>	<u>(359,297)</u>
Segment profit for the year	<u>1,489,977</u>	<u>633,087</u>	<u>201,827</u>	<u>179,218</u>	<u>192,179</u>	<u>–</u>	<u>2,696,288</u>
Profit for the year attributable to shareholders of the Company	<u>1,481,171</u>	<u>210,276</u>	<u>186,000</u>	<u>171,936</u>	<u>232,445</u>	<u>–</u>	<u>2,281,828</u>
Total assets	<u>25,422,652</u>	<u>14,044,360</u>	<u>7,271,640</u>	<u>2,580,337</u>	<u>6,113,194</u>	<u>(3,735,441)</u>	<u>51,696,742</u>
Total equity	<u>19,048,527</u>	<u>8,435,238</u>	<u>3,947,055</u>	<u>2,138,522</u>	<u>2,741,128</u>	<u>–</u>	<u>36,310,470</u>

Geographical information

Since over 90% of the Group's revenue from external customers is generated in the People's Republic of China (the "PRC") and over 90% of the assets of the Group are located in the PRC, no geographic information is presented.

Information about major customers

During the years ended 31 December 2009 and 2008, 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.

3. PROFIT FROM OPERATING ACTIVITIES

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

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	16,577,373	14,587,099
Cost of services provided	1,707,351	612,252
Depreciation	1,305,884	1,208,107
Amortisation of operating concessions*	105,139	90,222
Amortisation of patents*	56	26
Amortisation of computer software*	3,780	23,483
Amortisation of prepaid land premiums	29,092	26,652
Loss on disposal of items of property, plant and equipment, net	18,381	2,234
(Gain)/loss on disposal of subsidiaries	60,830	(94,707)
Gain on disposal of available-for-sale investments carried at cost	(7,021)	(10,456)
Gain on disposal of financial assets at fair value through profit and loss, net	(363)	(393)
Gain on deemed disposal of interest in an associate	–	(2,084)
Investment income	–	(1,370)
Interest income	(90,084)	(116,234)

* *The amortisations of operating concessions and patents for the year are included in "Cost of sales" on the face of the consolidated income statement. The amortisation of computer software for the year is included in "Administrative expenses" on the face of the consolidated income statement.*

4. FINANCE COSTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	285,814	370,398
Interest on other loans	874	1,415
Interest on convertible bonds	73,205	21,294
Imputed interest on an interest-free amount due to the immediate holding company with an extended credit period of one year	–	10,780
Imputed interest on an interest-free other loan from a minority shareholder	7,396	7,410
	<hr/>	<hr/>
Total interest expense	367,289	411,297
Increase in discounted amounts of provision for major overhauls arising from the passage of time	3,587	1,022
	<hr/>	<hr/>
Total finance costs	370,876	412,319
Less: Interest included in cost of construction contracts	(7,302)	(5,251)
	<hr/>	<hr/>
	363,574	407,068
	<hr/> <hr/>	<hr/> <hr/>

5. INCOME TAX

No provision for Hong Kong profits tax has been made during the year ended 31 December 2009 (2008: Nil) as the Group did not generate any assessable profits in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current – PRC:		
Hong Kong	–	–
Mainland China	542,074	415,952
Overprovision in prior years	(36,495)	(57,959)
Deferred	<u>53,418</u>	<u>1,304</u>
Total tax charge for the year	<u><u>558,997</u></u>	<u><u>359,297</u></u>

6. DIVIDENDS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interim – HK\$0.20 (2008: HK\$0.20) per ordinary share	<u>227,457</u>	<u>227,479</u>
Proposed final – HK\$0.45 (2008: HK\$0.40) per ordinary share	511,817	454,800
Proposed final special – Nil (2008: HK\$0.05 per ordinary share)	<u>–</u>	<u>56,850</u>
	<u><u>511,817</u></u>	<u><u>511,650</u></u>
	<u><u>739,274</u></u>	<u><u>739,129</u></u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

7. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year is based on the profit for the year attributable to shareholders of the Company, adjusted to reflect the effect of the deemed conversion of all dilutive convertible bonds of the Group and 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 deemed conversion of all dilutive 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:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Earnings:		
Profit for the year attributable to shareholders of the Company, used in the basic earnings per share calculation	2,398,883	2,281,828
Interest expense for the year relating to the liability component of the dilutive convertible bonds of the Group	73,205	21,294
Decrease in profit for the year 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>(119,197)</u>	<u>(145,292)</u>
Profit for the year attributable to shareholders of the Company, used in the diluted earnings per share calculation	<u><u>2,352,891</u></u>	<u><u>2,157,830</u></u>
Number of ordinary shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	1,137,162,342	1,138,028,340
Effect of dilution of share option and convertible bonds – weighted average number of ordinary shares	<u>29,246,947</u>	<u>525,258</u>
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	<u><u>1,166,409,289</u></u>	<u><u>1,138,553,598</u></u>

8. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

The Group's receivables under service concession arrangements represented the Group's unconditional right to receive cash or another financial asset for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service under service concession arrangements. The various group companies have different credit policies, depending on the requirements of the locations 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 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:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Unbilled	3,414,841	2,821,311
Within one year	413,028	380,537
One to two years	246,283	255
Two to three years	<u>255</u>	<u>–</u>
	4,074,407	3,202,103
Portion classified as current assets	<u>(659,566)</u>	<u>(380,792)</u>
Non-current portion	<u><u>3,414,841</u></u>	<u><u>2,821,311</u></u>

9. 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 the receivables.

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within one year	1,075,633	961,288
One to two years	35,162	44,698
Two to three years	10,403	18,548
Over three years	<u>28,168</u>	<u>31,492</u>
	1,149,366	1,056,026
Portion classified as current assets	<u>(1,097,656)</u>	<u>(1,056,026)</u>
Non-current portion	<u><u>51,710</u></u>	<u><u>–</u></u>

10. 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 the invoice date, is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within one year	1,345,637	997,868
One to two years	36,131	158,266
Two to three years	9,362	18,351
Over three years	<u>16,973</u>	<u>15,737</u>
	<u><u>1,408,103</u></u>	<u><u>1,190,222</u></u>

11. EVENT AFTER THE REPORTING PERIOD

On 27 January 2010, certain convertible bonds of BE Water with an aggregate principal amount of HK\$68,150,000 were converted by certain bondholders into 98,768,668 new ordinary shares of BE Water at the conversion price of HK\$0.69 per share, resulting in a decrease in the Group's equity interest in BE Water from 57.35% to 55.77%. The Group is not yet in a position to disclose any financial impact of this transaction on the Group.

12. OTHER FINANCIAL INFORMATION

The net current assets and total assets less current liabilities of the Group as at 31 December 2009 amounted to HK\$5,292,106,000, (2008: HK\$2,976,826,000) and HK\$48,220,366,000 (2008: HK\$41,717,320,000), respectively.

By order of the Board

Wang Dong

Chairman

Hong Kong, 31 March 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.