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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 2010

HIGHLIGHTS

- Revenue for the year amounted to approximately HK\$27.61 billion, representing an increase of 14.1% over last year.
- Profit attributable to shareholders of the Company amounted to approximately HK\$2.639 billion, representing an increase of 10% over last year.
- Basic earnings per share amounted to HK\$2.32.
- A final dividend of HK45 cents per share is proposed for 2010.

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 2010, together with comparative figures for the previous year. The revenue of the Group was HK\$27.61 billion for 2010, increased by 14.1% as compared to last year. Profit attributable to shareholders of the Company was HK\$2.639 billion, increased by 10% as compared to 2009.

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	Proportion
	<i>HK\$'000</i>	<i>%</i>
Piped gas operation	1,948,718	68.9
Beer production operation	406,090	14.4
Sewage and water treatment operations	386,760	13.7
Expressway and toll road operations	<u>87,978</u>	<u>3</u>
Profit from major operations	2,829,546	100.00
Other operations and headquarter expenses	(342,748)	
Exceptional items, net	<u>152,480</u>	
Profit attributable to shareholders of the Company	<u><u>2,639,278</u></u>	

MANAGEMENT ANALYSIS AND DISCUSSION

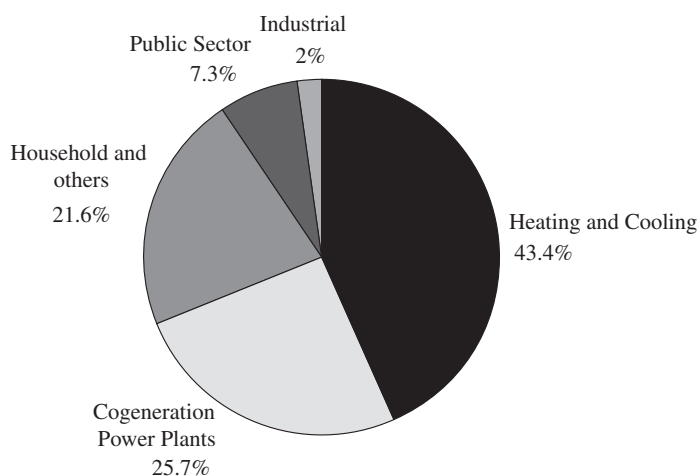
I. Business review

Natural Gas Distribution Business

Beijing Gas Group Company Limited (“Beijing Gas”) recorded a gas sales volume of 6.46 billion cubic meters in 2010, representing a year-on-year growth of 13.5%. The revenue amounted to HK\$14.12 billion, representing a year-on-year growth of 18.2%. Net profit amounted to HK\$0.78 billion, representing a year-on-year growth of 6.3%.

In 2010, there were about 285,000 new subscribers, of which 282,000 were household subscribers and 2,812 were public sector subscribers. At the end of 2010, total number of natural gas subscribers had reached 4,110,000 and operation pipelines increased to over 13,100 kilometres.

The sales volume of Beijing Gas in 2010 is approximately 6.46 billion cubic meters, the analysis by user sector is as follows:



In respect of market development, Beijing suburban market entered into a new layout of comprehensive development. With the registration of Beijing Gas Huairou Company and Miyun Company during the year, the “Co-operation Agreement on Natural Gas Development” with Fangshan district government was signed. Meanwhile, Beijing Gas had reached an understanding with the Management Committee of Yizhuang Development Zone and obtained the dominant rights of the 12 square kilometres natural gas market in the South District of Yizhuang. Beijing Gas had determined the co-operation methods and pipeline network construction plans with Shunyi district and reached a co-operation understanding with Mentougou on a preliminary basis. During the year, the Company accelerated the development of natural gas in new cities and key towns, completed the gas supply works for piped natural gas and compressed natural gas in numerous key towns and built more liquefied gas stations. In addition, some key infrastructures like Phase II of the 6th Ring Road Gas Project and No. 3 Shaanxi-Beijing Pipeline Urban Reception Project were progressing smoothly as scheduled.

During the year, Beijing Gas progressively boosted the construction of natural gas ancillary projects of the four largest thermal power centers in Beijing. Also, Beijing Gas signed strategic co-operative framework agreements with those companies like Datang International (大唐國際), Huaneng International (華能國際) and Huadian Operation (華電營運) respectively and determined the gas supply plans for Phase II of Huaneng and Caoqiao Thermal Power Center. Furthermore, with the co-operation made among various district governments and headquarters of certain state-owned enterprises, Beijing Gas also developed the tri-generation application model and opened up new business arena.

Natural Gas Transmission 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 17.24 billion cubic meters in 2010, a year-on-year increase of 19.8%. Profit after taxation attributable to the Company amounted to HK\$1.17 billion, a year-on-year increase of 7%. The slowdown in profit growth was mainly attributable to the impact of additional amortization and depreciation of the compression system pertaining to No. 2 Shaanxi-Beijing Pipeline and increase in relevant electricity expenses. At the end of 2010, Phase I of No. 3 Shaanxi-Beijing Pipeline had formally commenced its gas supply and relevant capital expenditures of approximately RMB7 billion were transferred to fixed assets. The initial gas transmission capacity of Phase I of No. 3 Pipeline can reach 6-7 billion cubic meters per annum.

Beer Business

Beijing Yanjing Brewery Co., Ltd. (北京燕京啤酒有限公司) (“Yanjing Beer”) achieved excellent operating results in 2010, with sales volume of beer reaching 5.03 million thousand-litres, representing a year-on-year increase of 7.7%, and accounted for 11.22% of the total 44.83 million thousand-litres national beer sales volume, which was above national industry average growth rate of 6.28%, and ranked the eighth in the world beer industry. Revenue amounted to HK\$10.54 billion, marking an increase of 8.1% over last year. Profit attributable to shareholders of the Company amounted to approximately HK\$0.41 billion, marking an increase of 19.3% over last year. Yanjing Beer maintained a faster profit increase over its growth in sales revenue, and a positive growth momentum in terms of faster revenue increase over its sale volume growth. For the production and sales volume, revenue and profit all recorded historic high. The reasons of achieving excellent results were mainly due to brand and products profitability improvement, accurately analysing the price movement of raw material and leveraging on the advantages of Group’s economies of scale in achieving low cost purchases, thereby production costs were contained accordingly.

In 2010, the total value of the four brands in Yanjing Beer amounted to RMB24.523 billion, of which, “Yanjing” brand value amounted to RMB16.833 billion, the total value of the remaining three brands, namely, “Liquan (滴泉)”, “Huiquan (惠泉)” and “Xuelu (雪鹿)”, amounted to RMB7.69 billion. The Company continued to optimize the product mix, brand and market structure to ensure the growth in market development and economic benefits.

Yanjing Beer has regarded maintaining its 85% market share in Beijing market as a primary mission. Hence, the Company first initiated the price mechanism in the beginning of the year and adjusted the price of its leading products with huge sales volume, the “10°C Refreshing Beer” and other 10°C products upwards slightly to ensure product profitability. In 2010, sales volume of beer in Beijing area amounted to 1.22 million thousand-litres, representing an increase of 6.7%.

The major economic indicators of enterprises outside Beijing had maintained a steady growth in 2010, of which, sales volume of products had reached 3.81 million thousand-litres, representing an increase of 7.3%. Revenue amounted to HK\$7.5 billion, representing an increase of 8%. In 2010, the product and sales volume of “1+3” brand for enterprises outside Beijing were 3.26 million thousand-litres, representing 88% of the total sales volume of business outside Beijing, of which, “Yanjing” brand represented 1.83 million thousand-litres for enterprises outside Beijing. During the year, some major markets outside Beijing like Guangxi, Guangdong and Inner Mongolia had maintained a leading market position.

A new bottling plant of Yanjing Beer with an investment amount RMB250 million and annual production capacity of 0.2 million thousand-litres was established in Jinzhong, Shanxi Province. Its phase one beer production capacity was 0.1 million thousand-litres and operation was commenced in February 2011. Furthermore, the designed annual production capacity of Yanjing Beer (Kunming) Company Limited (燕京啤酒(昆明)有限公司), established in Kunming, was 0.4 million thousand-litres. RMB360 million had already been invested in its phase one construction and its annual production capacity was 0.2 million thousand-litres, and operation was commenced in September 2010. Through merger & acquisition, Yanjing Beer invested RMB227.5 million to acquire Henan Yueshan Beer Company Limited (河南月山啤酒有限公司) in August 2010 with an annual capacity 0.4 million thousand-litres. During the period, Yanjing Beer also invested RMB152 million to acquire the 95.9% equity interest in Inner Mongolia Jinchuan Healthy Beer High-Tech Company Limited (内蒙古金川保健啤酒高科技股份有限公司). The two acquisitions have tremendous profound effects and implications in strengthening the Beijing market and expanding the Northern China market.

Sewage and Water Treatment Operation

The sewage treatment business of the Group carried out through Beijing Enterprises Water Group Limited (“BE Water”) (stock code: 371) continued to achieve a flourish development in 2010. During the year, the Group secured 16 traditional water projects in both contracts and tenders, with a new growth of water processing capacity of 2.41 million tons/day, ahead of other sewage operators.

As of 31 December, in the 14 provinces across the country, BE Water owned a total of 79 water plants of different categories, of which, 62 were sewage treatment plants, 13 were water treatment plants, 3 were reclaimed water plants and 1 was desalination plant. The total designed water processing capacity was 5.91 million tons/day, of which, sewage processing capacity was 4.37 million tons/day, water supply capacity was 1.28 million tons/day, reclaimed water capacity was 0.21 million tons/day and desalination capacity was 0.05 million tons/day. The actual treatment volume was 611 million tons in 2010, representing a growth of 46% over last year. Revenue from operation of BE water was HK\$6.35 billion, and profit attributable to its shareholders was HK\$0.51 billion, representing a growth of 166% over last year. Net profit for the year attributable to the Company was HK\$0.25 billion, representing a growth of 119% over last year. The relative faster profit growth in 2010 was primarily due to the construction service revenue and significant increase in profit, and the simultaneous soaring increase in processing charges and consulting service revenue after the new sewage treatment plants were put into operation.

As for water purification business, net profit of water concession of Beijing No. 9 Water Treatment Plant attributable to the Group was approximately HK\$138 million (2009: HK\$154 million) with its concession term still has 8 years to go.

Toll Roads Business

The toll charging traffic volume of the Airport Expressway in 2010 further came down to 28.03 million (2009: 30.17 million) vehicles. This was due to the full year impact of the implementation of a one-way payment system for return trip of vehicles leaving Beijing. The toll revenue in 2010 amounted to HK\$312 million, representing a year-on-year decrease of 6.1%. Profit attributable to shareholders of the Company was HK\$85 million, posting a year-on-year decline of 21.6%. In 2010, Shenzhen Shiguan Road contributed HK\$2.9 million to the Company’s earnings.

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 in principle approved the proposal of transforming the three coal fire power plants into natural gas power plants in 2010 and that will further enhance the long-term demand of natural gas for power generation. 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 coal burning steam room and the facilitation of tri-generation application model will increase the demand for gas.

Natural Gas Transmission Business

PetroChina Beijing Pipeline Co. had completed the first stage of No. 3 Shaanxi-Beijing gas transmission project and began its first gas transmission at the end of 2010. Gas transmission capacity for the first stage of No. 3 Shaanxi-Beijing gas transmission project could reach 6 to 7 billion cubic meters per year, which would make integrated annual gas transmission capacity for Shaanxi-Beijing System increased to 26 billion cubic meters or above. After No. 3 Shaanxi-Beijing gas transmission project was fully completed, total gas transmission capacity could reach 35 billion cubic meters per year, which was sufficient to meet the growth demand in next 5 year.

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 make merger and acquisition to expand its capacity with a target of reaching a production capacity of 8 million thousand-litres within five years.

Sewage and Water Treatment Operation

BE Water is pushing 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 are expected to 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 and profit base had decreased significantly compared with that of peak in the past. Both the traffic volume and profit of Shenzhen Shiguan Toll Road flattened with lack luster prospects. In view of the unpromising development prospect of the two toll 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 in 2010 was approximately HK\$27.61 billion, increased by 14.1% compared with the revenue of HK\$24.21 billion in 2009. 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 15.4% to HK\$21.21 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 23.2% as compared to 24% in 2009. The decrease in gross profit margin was mainly attributable to the increase in cost of sales of Beijing Gas. The decline in gross profit margin of natural gas distribution business of Beijing Gas compared with that of last year was mainly due to delay on pass on of wellhead price increase. Natural gas distribution business had average gross profit margin of approximately 14.5% which is lower than the higher margin brewery business, toll road and water business due to different direct cost structure.

Other Income

Other income was mainly comprised of total interest income amounted to HK\$107 million; government grants and other gains in aggregate amounted to HK\$238 million and so on.

Selling and Distribution Costs

Selling and distribution costs of the Group in 2010 increased by 21.5% to HK\$1.65 billion and was mainly due to launching of more new bottling plants of Yanjing Beer during the year and higher increase in marketing expenses.

Administration Expenses

Administration expenses of the Group in 2010 was HK\$2.12 billion, increased by 18% comparing to last year. The increase in administration expenses was mainly due to the continuing expansion of the scale of beer business and gas distribution business and increase in related wages and fixed costs.

Finance Costs

Finance costs of the Group in 2010 was HK\$374 million, slightly increased by 3% comparing to HK\$364 million in 2009, which was mainly due to higher interest rate.

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 three long piped lines with an approximate total length of 3,000 kilometers owned by PetroChina Beijing Pipeline Co.. The 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 full year amortization of capital expenditures of No. 2 Shaanxi-Beijing Pipeline compression project and additional electricity expenses.

Share of Results of Associate Companies

The Group's share of net profits of BE Water amounted to HK\$250 million and share of net losses of Beijing Development (Hong Kong) Limited, amounted to HK\$10 million in 2010, both companies were major associates.

Tax

After deducting the non-taxable other income of more than HK\$446 million, the effective income tax rate is approximately 20.5%. The increase in effective income tax rate in 2010 was mainly due to an additional provision of prior years' corporate income tax for certain water treatment operations was made during the year; additional withholding income taxes were charged in relation to distribution of dividends from PRC subsidiaries as well as the tax losses not recognised as deferred tax.

Profit Attributable to Shareholders

The profit attributable to the shareholders of the Company for the year ended 31 December 2010 was HK\$2.639 billion (2009: HK\$2.399 billion).

IV Financial Position of the Group

Cash and Bank Borrowings

As at 31 December 2010, cash and bank deposits held by the Group amounted to HK\$14.57 billion. At the end of the reporting period, the Group had a strong net working capital of HK\$6.99 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\$12.2 billion as at 31 December 2010, which mainly comprised of five year syndicated loans amounting to HK\$5.1 billion and convertible bonds amounting to HK\$2.65 billion with the rest working capital loans of HK\$4.45 billion denominated in Renminbi and Hong Kong dollars. Around 59.4% 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\$2.37 billion as at 31 December 2010.

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 2010, the issued capital of the Company amounted to 1,137,371,000 shares and the shareholders' equity grew to HK\$34.27 billion. Total equity was HK\$40.94 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. 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 2010 payable to shareholders whose names appear on the register of members of the Company on 28 June 2011. Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend will be paid on or around 28 July 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 23 June 2011 to Tuesday, 28 June 2011 (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 Tuesday, 28 June 2011, 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 Wednesday, 22 June 2011.

EMPLOYEES

At 31 December 2010, the Group had approximately 41,000 employees. The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group's employee remuneration policy and package are periodically reviewed by the management. Apart from pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE 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 2010.

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 2010.

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 2010

		2010	2009
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	2	27,612,778	24,208,430
Cost of sales		<u>(21,213,553)</u>	<u>(18,389,919)</u>
Gross profit		6,399,225	5,818,511
Gain on deemed disposal of interest in a subsidiary		170,911	105,426
Other income and gains, net		421,951	440,783
Selling and distribution costs		(1,653,117)	(1,360,112)
Administrative expenses		(2,117,412)	(1,794,372)
Fair value loss on the derivative component of convertible bonds		(214,184)	–
Other operating expenses, net		<u>(203,457)</u>	<u>(325,430)</u>
PROFIT FROM OPERATING ACTIVITIES	3	2,803,917	2,884,806
Finance costs	4	(374,458)	(363,574)
Share of profits and losses of:			
Jointly-controlled entities		1,168,658	1,092,074
Associates		<u>196,449</u>	<u>(7,920)</u>
PROFIT BEFORE TAX		3,794,566	3,605,386
Income tax	5	<u>(684,850)</u>	<u>(558,997)</u>
PROFIT FOR THE YEAR		<u>3,109,716</u>	<u>3,046,389</u>
ATTRIBUTABLE TO:			
Shareholders of the Company		2,639,278	2,398,883
Non-controlling interests		<u>470,438</u>	<u>647,506</u>
		<u>3,109,716</u>	<u>3,046,389</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	7		
Basic		<u>HK\$2.32</u>	<u>HK\$2.11</u>
Diluted		<u>HK\$2.27</u>	<u>HK\$2.02</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
PROFIT FOR THE YEAR	3,109,716	3,046,389
OTHER COMPREHENSIVE INCOME		
Changes in fair value of available-for-sale investments	6,372	–
Exchange differences on translation of foreign operations	<u>1,318,909</u>	<u>14,397</u>
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX OF NIL	<u>1,325,281</u>	<u>14,397</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>4,434,997</u></u>	<u><u>3,060,786</u></u>
ATTRIBUTABLE TO:		
Shareholders of the Company	3,730,335	2,413,044
Non-controlling interests	<u>704,662</u>	<u>647,742</u>
	<u><u>4,434,997</u></u>	<u><u>3,060,786</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	<i>Notes</i>	2010 HK\$'000	2009 HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment		22,244,006	19,045,485
Investment properties		215,637	204,371
Prepaid land premiums		1,233,403	1,129,884
Goodwill		7,245,773	8,649,068
Operating concessions		1,255,902	1,697,362
Other intangible assets		14,208	26,911
Investments in jointly-controlled entities		6,102,491	5,397,326
Investments in associates		3,109,858	899,778
Amounts due from contract customers		223,672	1,286,205
Receivables under service concession arrangements	<i>8</i>	1,699,231	3,414,841
Trade and bills receivables	<i>9</i>	–	51,710
Prepayments, deposits and other receivables		301,228	270,829
Available-for-sale investments		1,005,154	290,000
Deferred tax assets		598,157	564,490
Total non-current assets		45,248,720	42,928,260
Current assets:			
Prepaid land premiums		27,643	26,433
Inventories		3,726,623	2,995,039
Amounts due from contract customers		2,105	55,089
Receivables under service concession arrangements	<i>8</i>	900,524	659,566
Trade and bills receivables	<i>9</i>	1,347,008	1,097,656
Prepayments, deposits and other receivables		899,533	1,653,855
Other taxes recoverable		303,906	85,141
Restricted cash and pledged deposits		125,932	118,245
Cash and cash equivalents		14,446,800	9,486,026
Total current assets		21,780,074	16,177,050
TOTAL ASSETS		67,028,794	59,105,310

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital		113,737	113,737
Reserves		33,642,355	30,679,528
Proposed final dividends	<i>6</i>	511,817	511,817
		34,267,909	31,305,082
Non-controlling interests		6,668,352	7,711,919
TOTAL EQUITY		40,936,261	39,017,001
Non-current liabilities:			
Bank and other borrowings		7,227,253	5,264,237
Liability component of convertible bonds		2,650,489	2,721,488
Derivative component of convertible bonds		292,384	–
Defined benefit plans		470,515	423,947
Provision for major overhauls		140,192	184,499
Other non-current liabilities		157,081	196,055
Deferred tax liabilities		364,053	413,139
Total non-current liabilities		11,301,967	9,203,365
Current liabilities:			
Trade and bills payables	<i>10</i>	4,553,753	1,408,103
Amounts due to contract customers		59,409	48,342
Other payables and accruals		6,862,394	5,436,612
Income tax payables		626,774	522,316
Other taxes payables		367,927	431,623
Bank and other borrowings		2,320,309	3,037,948
Total current liabilities		14,790,566	10,884,944
TOTAL LIABILITIES		26,092,533	20,088,309
TOTAL EQUITY AND LIABILITIES		67,028,794	59,105,310

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 (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. 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

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

1.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), and amendments to HKFRS 8, HKAS 1, HKAS 7, HKAS 36 and HKAS 38 included in *Improvements to HKFRSs 2009*, and HK Interpretation 5, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

- (a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- *HKFRS 8 Operating Segments*: Clarifies that segment assets and liabilities need only to be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. Accordingly, segment liability information is not disclosed in the financial statements as it is not reviewed by the chief operating decision maker.
- *HKAS 1 Presentation of Financial Statements*: States that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.
- *HKAS 7 Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.
- *HKAS 36 Impairment of Assets*: Clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in HKFRS 8 before aggregation for financial reporting purposes.
- *HKAS 38 Intangible Assets*: Clarifies that (i) if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of assets as a single asset provided that the individual assets have similar useful lives; and (ii) the valuation techniques presented in the standard for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

(c) *HK Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

The interpretation requires a term loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement.

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) the aggregate of 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 operating segment, which is measured consistently with the Group's profit for the year.

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

Operating segment information

Year ended 31 December 2010

	Piped gas operation HK\$'000	Brewery operation HK\$'000	Sewage and water treatment operations HK\$'000	Expressway and toll road operations HK\$'000	Corporate and others HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
Segment revenue	14,119,396	10,544,813	2,405,268	391,833	151,468	-	27,612,778
Cost of sales	(12,076,724)	(6,924,332)	(1,846,283)	(246,621)	(119,593)	-	(21,213,553)
Gross profit	<u>2,042,672</u>	<u>3,620,481</u>	<u>558,985</u>	<u>145,212</u>	<u>31,875</u>	<u>-</u>	<u>6,399,225</u>
Profit from operating activities	1,080,382	1,103,462*	480,999	122,868	16,206	-	2,803,917
Finance costs	(53,391)	(93,021)	(96,860)	(2,970)	(128,216)	-	(374,458)
Share of profits and losses of:							
Jointly-controlled entities	1,168,755	-	(97)	-	-	-	1,168,658
Associates	<u>1,215</u>	<u>(2,117)</u>	<u>168,035</u>	<u>-</u>	<u>29,316</u>	<u>-</u>	<u>196,449</u>
Profit/(loss) before tax	2,196,961	1,008,324	552,077	119,898	(82,694)	-	3,794,566
Income tax	<u>(240,544)</u>	<u>(225,091)</u>	<u>(101,708)</u>	<u>(23,921)</u>	<u>(93,586)</u>	<u>-</u>	<u>(684,850)</u>
Profit/(loss) for the year	<u>1,956,417</u>	<u>783,233</u>	<u>450,369</u>	<u>95,977</u>	<u>(176,280)</u>	<u>-</u>	<u>3,109,716</u>
Segment profit/(loss) attributable to shareholders of the Company	<u>1,948,718</u>	<u>406,090</u>	<u>386,760</u>	<u>87,978</u>	<u>(190,268)</u>	<u>-</u>	<u>2,639,278</u>
Segment assets	<u>35,433,124</u>	<u>18,054,446</u>	<u>4,540,104</u>	<u>2,019,887</u>	<u>11,473,793</u>	<u>(4,492,560)</u>	<u>67,028,794</u>
Segment equity	<u>23,203,314</u>	<u>10,782,468</u>	<u>3,268,465</u>	<u>1,609,654</u>	<u>2,096,392</u>	<u>(24,032)</u>	<u>40,936,261</u>

* The amount included a fair value loss on the derivative component of convertible bonds of HK\$214,184,000, which was fully shared by non-controlling shareholders' of the relevant subsidiary company and therefore it did not affect profit for the year attributable to shareholders of the Company.

Year ended 31 December 2009

	Piped gas operation HK\$'000	Brewery operation HK\$'000	Sewage and water treatment operations HK\$'000	Expressway and toll road operations HK\$'000	Corporate and others HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
Segment revenue	11,942,601	9,758,104	1,970,004	410,035	222,420	(94,734)	24,208,430
Cost of sales	(10,143,219)	(6,657,955)	(1,217,767)	(245,805)	(195,875)	70,702	(18,389,919)
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	-	(814)	-	-	(7,106)	-	(7,920)
Profit/(loss) before tax	2,051,921	1,025,045	451,324	131,121	(29,993)	(24,032)	3,605,386
Income tax	(220,405)	(160,535)	(72,877)	(23,896)	(81,284)	-	(558,997)
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>
Segment profit/(loss) 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>
Segment 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>
Segment 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>

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the assets of the Group are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographic information would provide no additional useful information to the users of these financial statements.

Information about major customers

During each of the years ended 31 December 2010 and 2009, none of the Group's individual external customers contributed 10 per cent or more of revenue to the Group.

3. PROFIT FROM OPERATING ACTIVITIES

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Cost of inventories sold	18,909,095	16,577,373
Cost of services provided	2,203,873	1,707,351
Depreciation	1,383,427	1,305,884
Amortisation of operating concessions*	100,570	105,139
Amortisation of patents*	15	56
Amortisation of computer software*	4,659	3,780
Amortisation of prepaid land premiums	27,517	29,092
Loss on disposal of items of property, plant and equipment, net	14,433	18,381
Gain on disposal of subsidiaries	–	60,830
Gain on disposal of available-for-sale investments carried at cost	(244)	(7,021)
Gain on disposal of financial assets at fair value through profit and loss, net	–	(363)
	<u> </u>	<u> </u>

* *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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	282,139	285,814
Interest on other loans	1,210	874
Interest on convertible bonds	57,740	32,423
Imputed interest on convertible bonds	27,619	40,782
Imputed interest on an interest-free other loan from a non-controlling shareholder	8,237	7,396
	<u> </u>	<u> </u>
Total interest expense	376,945	367,289
Increase in discounted amounts of provision for major overhauls arising from the passage of time	4,168	3,587
	<u> </u>	<u> </u>
Total finance costs	381,113	370,876
Less: Interest included in cost of construction contracts	(6,655)	(7,302)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

5. INCOME TAX

No provision for Hong Kong profits tax has been made during the year ended 31 December 2010 as the Group did not generate any assessable profits in Hong Kong during the year (2009: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current – PRC:		
Mainland China	691,730	542,074
Overprovision in prior years	(21,175)	(36,495)
Current – elsewhere	4,320	–
Deferred	9,975	53,418
	<u>684,850</u>	<u>558,997</u>
Total tax charge for the year	<u>684,850</u>	<u>558,997</u>

6. DIVIDENDS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interim – HK\$0.25 (2009: HK\$0.20) per ordinary share	284,343	227,457
Proposed final – HK\$0.45 (2009: HK\$0.45) per ordinary share	511,817	511,817
	<u>796,160</u>	<u>739,274</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 amounts 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 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:

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings:		
Profit for the year attributable to shareholders of the Company, used in the basic earnings per share calculation	2,639,278	2,398,883
Interest expense for the year relating to the liability component of the dilutive convertible bonds of the Group	57,740	73,205
Decrease in profit for the year as a result of the dilution of interest in Beijing Enterprises Water Group Limited ("BE Water") assuming the conversion of all dilutive convertible bonds issued by BE Water	<u>—</u>	<u>(119,197)</u>
Profit for the year attributable to shareholders of the Company, used in the diluted earnings per share calculation	<u>2,697,018</u>	<u>2,352,891</u>
Number of ordinary shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	1,137,371,000	1,137,162,342
Effect of dilution – weighted average number of ordinary shares		
Share options	226,990	342,838
Convertible bonds	<u>50,000,000</u>	<u>28,904,109</u>
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	<u>1,187,597,990</u>	<u>1,166,409,289</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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Billed:		
Within one year	357,509	413,028
One to two years	288,782	246,538
Two to three years	254,233	–
	<u>900,524</u>	<u>659,566</u>
Unbilled	1,699,231	3,414,841
	<u>2,599,755</u>	<u>4,074,407</u>
Portion classified as current assets	<u>(900,524)</u>	<u>(659,566)</u>
Non-current portion	<u><u>1,699,231</u></u>	<u><u>3,414,841</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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Billed:		
Within one year	151,468	449,129
One to two years	5,819	35,162
Two to three years	3,215	10,403
Over three years	12,474	28,168
Balance with extended credit period	<u> –</u>	<u> 51,710</u>
	172,976	574,572
Unbilled	<u>1,174,032</u>	<u> 574,794</u>
	1,347,008	1,149,366
Portion classified as current assets	<u>(1,347,008)</u>	<u>(1,097,656)</u>
Non-current portion	<u> –</u>	<u> 51,710</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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Within one year	4,521,600	1,345,637
One to two years	17,024	36,131
Two to three years	4,293	9,362
Over three years	<u>10,836</u>	<u>16,973</u>
	<u>4,553,753</u>	<u>1,408,103</u>

11. EVENT AFTER THE REPORTING PERIOD

- (a) On 15 March 2011, BE Water, an associate of the Company, completed an open offer (the “Open Offer”) of new ordinary shares of BE Water by issuing 2,283,378,231 shares at a price of HK\$1.485 per share on the basis of one offer share for every two existing shares held by the shareholders. The total gross proceeds of the Open Offer is HK\$3,390,817,000.
- (b) On 28 March 2011, BE Water entered into a term loan facility agreement (the “Facility Agreement”) with a syndicate of banks for a term loan facility in the amount of HK\$1,300,000,000. The facility is for a term of five years commencing from 28 March 2011. Pursuant to the Facility Agreement, it shall be an event of default (unless remedied by the Company or waived by the syndicate of banks) if the Company does not or ceases to own, directly or indirectly, at least 35% of the beneficial shareholding carrying at least 35% of the voting rights in BE Water.

12. OTHER FINANCIAL INFORMATION

The net current assets and total assets less current liabilities of the Group as at 31 December 2010 amounted to HK\$6,989,508,000 (2009: HK\$5,292,106,000) and HK\$52,238,228,000 (2009: HK\$48,220,366,000), respectively.

By order of the Board

Wang Dong

Chairman

Hong Kong, 31 March 2011

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.