北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(website: www.behl.com.hk)
(Stock code: 392)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

HIGHLIGHTS

- Revenue for the first half of 2008 amounted to approximately HK$9.47 billion, representing an increase of 157.9% over the corresponding period of last year.
- Profit attributable to shareholders of the Company for the first half of 2008 amounted to HK$1.27 billion, representing an increase of 93.7% over the corresponding period of last year.
- Basic earnings per share amounted to HK$1.12.
- An interim cash dividend of HK20 cents per share is declared for the six months ended 30 June 2008.

UNAUDITED INTERIM RESULTS AND INTERIM DIVIDEND

The Board of Directors (the "Board") of Beijing Enterprises Holdings Limited (the "Company") is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008 and the unaudited condensed consolidated balance sheet of the Group as at 30 June 2008 with the restated comparative figures in 2007. The consolidated revenue of the Group was HK$9.47 billion for the first half of 2008, increased by 157.9% comparing to corresponding period of last year. Profit attributable to the shareholders of the Company was HK$1.27 billion, jumped 93.7% compared to 2007 and again a record high since the listing of the Company in 1997.

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

	Net profit After Taxation	Proportion
	HK$'000	%
Natural Gas	**847,182**	66.5
Toll Roads	**126,564**	10.0
Consumer Products	**123,492**	9.7
Water concession	**94,530**	7.4
Others	**81,610**	6.4

The Board has resolved to declare an interim cash dividend for the six months ended 30 June 2008 of HK20 cents per share (2007: interim and special dividends of HK10 cents each per share), which will be payable on or about 28 October 2008 to shareholders whose names appear on the Register of Members of the Company on 8 October 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Notes	For the six months ended 30 June 2008 Unaudited HK$'000	2007 Unaudited HK$'000 (Restated)
REVENUE	3	**9,472,185**	3,673,237
Cost of sales		**(7,183,059)**	(2,434,625)
Gross profit		**2,289,126**	1,238,612
Other income and gains, net	4	**500,295**	482,000
Selling and distribution costs		**(557,202)**	(393,957)
Administrative expenses		**(586,884)**	(325,869)
Other operating expenses, net		**(96,274)**	(33,770)
PROFIT FROM OPERATING ACTIVITIES	5	**1,549,061**	967,016
Finance costs	6	**(183,324)**	(64,221)
Share of profits and losses of:			
Jointly-controlled entities		**441,741**	–
Associates		**(6,132)**	66,491
PROFIT BEFORE TAX		**1,801,346**	969,286
TAX	7	**(281,911)**	(106,228)
PROFIT FOR THE PERIOD		**1,519,435**	863,058

	Notes	For the six months ended 30 June **2008** **Unaudited** ***HK$'000***	2007 Unaudited *HK$'000* (Restated)
ATTRIBUTABLE TO:			
Shareholders of the Company		**1,273,378**	657,433
Minority interests		**246,057**	205,625
		1,519,435	863,058
DIVIDENDS			
Interim	*8*	**227,600**	103,839
Special		**–**	103,839
		227,600	207,678
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*9*		
Basic		**HK$1.12**	HK$1.05
Diluted		**HK$1.12**	HK$1.04

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2008

	Notes	30 June 2008 Unaudited HK$'000	31 December 2007 Unaudited HK$'000 (Restated)
ASSETS			
Non-current assets:			
Property, plant and equipment		**17,339,623**	15,811,579
Investment properties		**122,463**	334,262
Prepaid land premiums		**1,050,344**	837,507
Goodwill		**6,888,105**	6,898,734
Other intangible assets		**1,441,554**	1,453,219
Interests in jointly-controlled entities		**3,552,776**	3,302,725
Interests in associates		**879,737**	881,268
Prepayments, deposits and other receivables		**1,719,426**	1,793,565
Available-for-sale investments		**308,194**	290,424
Deferred tax assets		**445,301**	391,168
Total non-current assets		**33,747,523**	31,994,451
Current assets:			
Prepaid land premiums		**22,894**	18,832
Inventories		**2,841,524**	2,342,259
Amounts due from customers for contract work		**439**	178
Trade and bills receivables	*10*	**976,021**	817,323
Prepayments, deposits and other receivables		**1,758,712**	1,583,590
Financial assets at fair value through profit or loss		**48,582**	39,250
Taxes recoverable		**17,052**	35,196
Restricted cash and pledged deposits		**61,940**	131,800
Cash and cash equivalents		**7,824,555**	8,072,484
Total current assets		**13,551,719**	13,040,912
TOTAL ASSETS		**47,299,242**	45,035,363

	Notes	30 June 2008 Unaudited *HK$'000*	31 December 2007 Unaudited *HK$'000* (Restated)
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company:			
Issued capital	*11*	**113,800**	113,894
Reserves		**28,475,101**	26,338,628
Proposed dividends		**227,600**	455,576
		28,816,501	26,908,098
Minority interests		**5,064,906**	4,675,736
TOTAL EQUITY		**33,881,407**	31,583,834
Non-current liabilities:			
Bank and other borrowings		**3,164,986**	3,282,325
Convertible bonds		**162,878**	–
Defined benefits plans		**248,781**	223,772
Other long term liabilities		**138,820**	136,690
Deferred tax liabilities		**190,094**	175,518
Total non-current liabilities		**3,905,559**	3,818,305
Current liabilities:			
Trade and bills payables	*12*	**1,422,517**	1,737,563
Amounts due to customers for contract work		**37,338**	20,468
Other payables and accruals		**4,330,801**	4,375,808
Taxes payable		**599,776**	858,110
Bank and other borrowings		**3,121,844**	2,641,275
Total current liabilities		**9,512,276**	9,633,224
TOTAL LIABILITIES		**13,417,835**	13,451,529
TOTAL EQUITY AND LIABILITIES		**47,299,242**	45,035,363

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS:

1. Basis of preparation

The unaudited condensed interim consolidated financial statements for the six months ended 30 June 2008 are prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The accounting policies and basis of preparation adopted in the preparation of these interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2007 except for the changes in accounting policies made thereafter in adopting the new and revised Hong Kong Financial Reporting Standard ("HKFRS") issued by the HKICPA which became effective for the Company's financial year ending 31 December 2008. Details of the change in the accounting policies are set out in note 2.

2. Effect of changes in accounting policies

The following sets out further information on the change in the accounting policies for the annual accounting period beginning on 1 January 2008 which have been reflected in the condensed interim consolidated financial statement HK(IFRIC)-Int 12 *Service Concession Arrangements* is relevant to the condensed interim consolidated financial statements and all relevant changes in accounting policies have been made in accordance with the provisions of the standard.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. So far, the Group has concluded that the adoption of HK(IFRIC)-Int 12 has resulted in changes in accounting policies for the Group's expressway and related structures and three operating concessions of the Group in respect of certain of the Group's operations under public-to-private service concession arrangements.

The above changes have been adopted retrospectively from the earliest period presented and comparative amounts have been restated and the effect on the condensed interim consolidated financial statements is summarised as follows:

	Effect of adopting HK(IFRIC)-Int 12 Service Concession Arrangements Increase/(decrease) (Unaudited) *HK$'000*
(a) Effect on the condensed consolidated balance sheet	
At 1 January 2008	
Assets	
Property, plant and equipment	(1,249,378)
Other intangible assets	7,978
Prepayments, deposits and other receivables	1,816,544
Deferred tax assets	84,354
Trade and bills receivables	(303,116)
	356,382
Equity and liabilities	
Reserves	160,619
Minority interests	(13,721)
Deferred tax liabilities	126,164
Other payables and accruals	83,320
	356,382
At 30 June 2008	
Assets	
Property, plant and equipment	(1,331,056)
Other intangible assets	26,060
Prepayments, deposits and other receivables	1,739,984
Deferred tax assets	94,013
Trade and bills receivables	(162,027)
	366,974
Equity and liabilities	
Reserves	174,796
Minority interests	(14,995)
Deferred tax liabilities	138,173
Other payables and accruals	69,000
	366,974

(b) Effect on condensed consolidated income statement

Six months ended 30 June 2007

Revenue	(266,754)
Cost of sales	166,008
Other income and gains, net	110,824
Finance costs	(4,228)
Tax	13,967
Minority interests	(72)
	19,745

Six months ended 30 June 2008

Revenue	(228,343)
Cost of sales	111,438
Other income and gains, net	121,260
Finance costs	(217)
Tax	89
Minority interests	462
	4,689

3. Segment information

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 business 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 business segments. The following tables present revenue and results for the Group's business segments.

For the six months ended 30 June 2008

	Piped gas operation Unaudited *HK$'000*	**Brewery operation Unaudited** *HK$'000*	**Expressway and toll road operations Unaudited** *HK$'000*	**Corporate and others Unaudited** *HK$'000*	**Consolidated Unaudited** *HK$'000*
Segment revenue:					
Sales to external customers	**5,077,756**	**4,123,912**	**267,793**	**2,724**	**9,472,185**
Other income and gains, net	**37,053**	**132,180**	**7,114**	**19,993**	**196,340**
Total	**5,114,809**	**4,256,092**	**274,907**	**22,717**	**9,668,525**
Segment results	**583,828**	**514,958**	**161,760**	**(15,440)**	**1,245,106**
Unallocated income and gains, net					**303,955**
Profit from operating activities					**1,549,061**
Finance costs					**(183,324)**
Share of profits and losses of:					
Jointy-controlled entities	**441,741**	**–**	**–**	**–**	**441,741**
Associates	**–**	**(794)**	**661**	**(5,999)**	**(6,132)**
Profit before tax					**1,801,346**
Tax					**(281,911)**
Profit for the period					**1,519,435**

For the six months ended 30 June 2007

	Piped gas operation Unaudited *HK$'000*	Brewery operation Unaudited *HK$'000*	Expressway and toll road operations Unaudited *HK$'000* (Restated)	Corporate and others Unaudited *HK$'000* (Restated)	Consolidated Unaudited *HK$'000* (Restated)
Segment revenue:					
Sales to external customers	–	3,308,576	288,810	75,851	3,673,237
Other income and gains, net	–	42,723	4,398	58,464	105,585
Total	–	3,351,299	293,208	134,315	3,778,822
Segment results	–	371,983	218,842	(224)	590,601
Unallocated income and gains, net					376,415
Profit from operating activities					967,016
Finance costs					(64,221)
Share of profits and losses of:					
Associates	–	(350)	–	66,841	66,491
Profit before tax					969,286
Tax					(106,228)
Profit for the period					863,058

4. Other income and gains, net

	For the six months ended 30 June	
	2008	2007
	Unaudited	Unaudited
	HK$'000	*HK$'000*
		(Restated)
Other income		
Bank interest income	**60,803**	21,765
Imputed interest income	**127,405**	113,325
Investment income	**4,476**	–
Corporate income tax and value-added tax refund	**–**	7,915
Others	**214,040**	229,978
	406,724	372,983
Gains, net		
Gain on disposal of interests in subsidiaries	**65,304**	–
Gain on deemed disposal of interests in an associate	**2,581**	61,368
Gain on disposal of available-for-sale investments	**8,690**	–
Others	**16,996**	47,649
	93,571	109,017
	500,295	482,000

5. Profit from operating activities

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

	For the six months ended 30 June	
	2008	2007
	Unaudited	Unaudited
	HK$'000	*HK$'000*
		(Restated)
Depreciation	**615,591**	272,394
Amortisation of intangible assets	**42,674**	39,540
Reversal of impairment of property, plant and equipment	**–**	(28,657)
Reversal of impairment of other receivables	**–**	(44,510)

6. Finance costs

	For the six months ended 30 June	
	2008	2007
	Unaudited	Unaudited
	HK$'000	*HK$'000*
		(Restated)
Interest on bank loans and other loans wholly repayable within five years	**170,971**	50,778
Imputed interest on convertible bonds	**3,483**	–
Interest on other loans	**8,870**	13,443
	183,324	64,221

7. Tax

	For the six months ended 30 June	
	2008	2007
	Unaudited	Unaudited
	HK$'000	*HK$'000*
		(Restated)
Current – the People's Republic of China (the "PRC")		
Hong Kong	**160**	–
Mainland China	**265,126**	105,252
Deferred	**16,625**	976
Total tax charge for the period	**281,911**	106,228

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax had been made during the 6 months ended 30 June 2007 as the Group did not generate any assessable profits arising in Hong Kong during that period. The income tax provision in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company's subsidiaries enjoy income tax exemptions and reductions.

8. Dividend

On 17 September 2008 the Board declared an interim cash dividend of HK20 cents per share (2007: interim and special dividends of HK10 cents each per share), totalling HK$227,600,000 (2007: HK$207,678,000).

9. Earnings per share attributable to shareholders of the Company

The calculation of basic earnings per share amounts for the period is based on the unaudited profit attributable to shareholders of the Company for the period, and the weighted average number of 1,138,919,385 (2007: 627,971,602) ordinary shares in issue during the period.

There was no dilutive event in respect of earnings per share amounts for the periods ended 30 June 2008 and 2007.

	For the six months ended 30 June	
	2008	2007
	Unaudited	Unaudited
Number of ordinary shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,138,919,385**	627,971,602
Effect of dilution of share options – weighted average number of ordinary shares	**614,114**	1,995,287
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**1,139,533,499**	629,966,889

10. **Trade and bills receivables**

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

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

	30 June 2008 Unaudited ***HK$'000***	31 December 2007 Unaudited *HK$'000* (Restated)
Within one year	**853,466**	732,923
One to two years	**87,051**	34,907
Two to three years	**17,035**	17,612
Over three years	**18,469**	31,881
	976,021	817,323

11. **Share capital**

	30 June 2008 Unaudited ***HK$'000***	31 December 2007 Unaudited *HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
1,138,004,000 (2007: 1,138,940,000) ordinary shares of HK$0.1 each	**113,800**	113,894

During the period, the Company purchased certain of its shares on Stock Exchange and these shares were subsequently cancelled by the Company.

12. Trade and bills payables

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

	30 June 2008	31 December 2007
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Within one year	**1,005,428**	1,334,249
One to two years	**403,154**	392,436
Two to three years	**5,102**	3,947
Over three years	**8,833**	6,931
	1,422,517	1,737,563

13. Event after the balance sheet date

Acquisition of Gainstar Limited

On 3 June 2008, Beijing Enterprises Water Group Limited ("BE Water Group", an indirectly owned subsidiary of the Company), Good Strategy Group Limited (the "Purchaser", an indirect wholly-owned subsidiary of BE Water Group), Besto Holdings Limited (the "Besto"), Tenson Investment Limited (the "Tenson") and Newton Finance Holdings Limited (the "Newton"), (collectively, the "Vendors") and the Warrantors (including the Besto, the Tenson, the Newton, Terisa Yutinnie Liang, Hu Xiaoyong, Zhou Min, Hou Feng and Ngai Hiu Tung) entered into an acquisition agreement (the "Acquisition Agreement"). Pursuant to the Acquisition Agreement: (a) the Vendors agreed to sell and the Purchaser agreed to purchase the entire issued share capital (the "Gainstar Sale Shares") of the Gainstar Limited (the "Gainstar") at a consideration of HK$975,557,782 (the "Gainstar Consideration"); and (b) the Tenson agreed to use its best endeavours to procure the sale to the Purchaser, and the Purchaser agreed to procure Gainstar to purchase the entire issued share capital (the "Monico Sale Shares") of Monico Investments Limited (the "Monico") at a consideration of HK$395,107,218 (the "Monico Consideration").

The Gainstar Consideration will be satisfied at the completion of the sale and purchase of the Gainstar Sale Shares (the "First Completion") by: (i) the allotment and issue of 559,787,908 new shares at HK$0.69 per share, credited as fully paid, by BE Water Group to the Vendors or their respective nominees; and (ii) the issue of convertible bonds in the principal amounts of HK$589,304,125 (the "Gainstar Convertible Bonds") by BE Water Group to the Vendors or their respective nominees. The Monico Consideration will be satisfied at the completion of the sale and purchase of the Monico Sale Shares (the "Second Completion") by: (i) the allotment and issue of 226,683,106 new shares at HK$0.69 per share, credited as fully paid, by BE Water Group to the Tenson or its nominees; and (ii) the issue of convertible bonds in the principal amounts of HK$238,695,875 (the "Monico Convertible Bonds") by BE Water Group to the Tenson or its nominees. The Gainstar Convertible Bonds and the Monico Convertible Bonds are convertible into shares of BE Water Group at a conversion price of HK$0.69 per share and will be matured on the date falling on the fifth anniversary of the date of issue by BE Water Group. Further details of this transaction are set out in BE Water Group's circular dated 30 June 2008.

As at 30 June 2008, the Gainstar held all the issued share capital of China Field Development Limited ("China Field"), which in turn held a 62.94% equity interest in 中科成環保集團有限公司 (Z.K.C Environmental Group Co., Ltd.), (the "ZKC", a Sino-foreign joint venture established in the PRC). As at 30 June 2008, the Monico held approximately 25.49% equity interest in the ZKC. The Gainstar and the Monico are investment holding companies. As at 30 June 2008, the Gainstar held all the issued share capital of the Monico, which in turn directly held an approximately 25.49% equity interest in the ZKC. The Gainstar therefore, indirectly holds approximately 88.43% equity interests in the ZKC. The ZKC, through its subsidiaries, is principally engaged in waste water treatment in China. Accordingly, the Gainstar, the Monico and the ZKC and its subsidiaries (collectively, the "Gainstar Group") will become subsidiaries of BE Water Group and their results will be consolidated into the Group's financial statements.

The abovementioned transactions were approved by the shareholders of BE Water Group in a special general meeting held on 15 July 2008. Subsequently, the First Completion took place on 24 July 2008 and the Gainstar became a wholly-owned subsidiary of BE Water Group. As at the date of this announcement, the Second Completion has not yet taken place. The Group is in the progress of making an assessment of the amounts for each class of Gainstar Group's assets, liabilities and contingent liabilities to be recognised at the acquisition date, their respective carrying amounts immediately before the acquisition and whether a goodwill or an excess over the cost of business combination was resulted from the acquisition. However, the Group is not yet in a position to disclose any of the above information in these financial statements.

14. Comparative amounts

As further explained in note 2, due to the adoption of HK(IFRIC)-Int 12 during the current period, the accounting treatment and the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been restated. In addition, certain comparative amounts have been restated to conform to the current period presentation.

15. Other financial information

The net current assets and total assets less current liabilities of the Group as at 30 June 2008 amounted to HK$4,039,443,000 (2007: HK$3,407,688,000) and HK$37,786,966,000 (2007: HK$35,402,139,000), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS SCOPE OF CONSOLIDATION

The results and financial position of toll roads and water concession have been presented in accordance with HK(IFRIC)-Int12. Accordingly, the comparative figures in 2007 have been restated in accordance with the requirements of the relevant accounting standards. For details, please refer to "Notes To Condensed Interim Consolidated Financial Statements – 2. Effect of Changes in Accounting Policies".

BUSINESS REVIEW

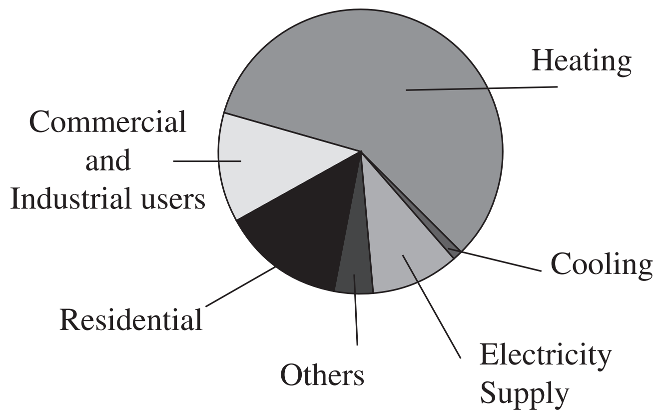
I. Infrastructure and Utilities

Natural Gas business

The natural gas distribution business in Beijing recorded a revenue of HK$5.08 billion and net profit attributable to the Group of HK$405 million in the first half of 2008. Gas sales volume was approximately 2.49 billion cubic meters against estimated 2 billion cubic meters in corresponding period of last year. The results of Beijing Gas Group Company Limited ("Beijing Gas") was consolidated since 1 July 2007 and therefore no publicised comparative figures are available for corresponding period of last year. The pipeline system with a total length of approximately 7,800 kilometers in Beijing city is capable of supplying daily maximum volume of 40 million cubic meters of natural gas to approximately 3.5 million of subscribers during the winter season.

The transmission volume of Huayou Company Limited ("Huayou"), a jointly-controlled entity of Beijing Gas, for the first half of 2008 was approximately 5.85 billion cubic meters compared against an estimated volume of 3.93 billion in the corresponding period of last year. Beijing Gas shared a net profit after taxation of HK$442 million, based on the 40% equity stake in Huayou, in the first half of 2008.

	For the six months ended 30 June 2008	
	Sales Volume	**Ratio**
	million cubic meter	
Residential	350	14.1%
Commercial and Industrial users	306	12.3%
Heating	1,450	58.3%
Cooling	23	0.9%
Electricity Supply	251	10.1%
Others	106	4.3%
Total	2,487	100.0%



Toll Roads

The traffic volume going through the Tianzhu toll gate of Capital Airport Expressway declined by 13.1% to 23.15 million vehicles in the first half of 2008 mainly due to diversion of traffic to the South Extension Line connecting to the Terminal three of Beijing Capital International Airport. South Extension Line and its toll gate are operated by Beijing Highway Development Company Limited which is a 4% minority shareholder of the Capital Airport Expressway.

The revenue of Capital Airport Expressway decreased by 9.5% accordingly to HK$225 million in the first half of 2008. Attributable profit to the Group also declined by 12.7% to approximately HK$120 million comparing to corresponding period in last year.

The traffic volume of Shenzhen Shiguan Road edged down by 1.5% to 4.66 million vehicles in the first half of the year. The attributable profit to the Group was HK$6.43 million for the six months ended 30 June 2008, 16.9% lower than corresponding period in last year.

Water Business

The attributable profit of Beijing No.9 water treatment concession to the Group in the first half of 2008 was approximately HK$94 million, 3.6% higher than the restated comparative figure of last year.

The newly acquired Beijing Enterprises Water Group Limited ("BE Water Group") (stock code: 371) recorded moderate results of attributable profit of HK$2.3 million to the Group since the acquisition completed in March 2008. The Group is now operating more than approximately 1.5 million metric tons of daily water purification and sewage processing capacity in mainland China. We expect to continue investments in quality water projects through Beijing Enterprises Water Group Limited in the future.

II. Consumer Products

Beer operations

The overall sales volume of beer products sold under the brandname of Yanjing and associated brands increased by approximately 6.2% to 2.06 million thousand litres. Revenue increased by 24.9% to HK$4.12 billion, mainly due to upward revision of product prices and continuous appreciation of Renminbi exchange rate. Profit attributable to the Group increased by 39.6% to approximately HK$123 million mainly due to higher growth in premium products, effective costs control measure, appreciation of the Renminbi exchange rate and receipts of certain government grants.

FINANCIAL REVIEW

I. Analysis of Financial Results

Revenue

The revenue of the Group in 2008 was approximately HK$9.47 billion, jumped 157.9% compared with the restated HK$3.67 billion in 2007. This was mainly driven by the consolidation of Beijing Gas' revenue of HK$5.08 billion in the first half of 2008. Yanjing Beer's revenue also grew healthily by 24.9% to HK$4.12 billion. Other business contributed an aggregate of not more than 2.9% of the total revenue.

Cost of sales

Cost of sales jumped 195% to HK$7.18 billion, mainly due to consolidation of the results of natural gas distribution business in Beijing since 1 July 2007. The cost of sales for gas distribution business included purchase cost of natural gas as well as depreciation of pipeline network.

Gross profit margin

Overall gross profit margin was 24.2% compared to 33.7% (as restated) in corresponding period of 2007. The decline in profit margin was due to consolidation of the gas distribution business since 1 July 2007. Natural gas distribution business had average gross margin of approximately 16.8% which is lower than the higher margin brewery business, toll road and water business due to different direct cost structure.

Other income

Other income comprised of, inter alia, total interest income amounted to HK$188 million; gain on disposal of interests in subsidiaries amounted to HK$65.3 million; receipts of tax refund and government grants amounted to HK$98 million; sale proceeds from scrap materials and raw materials amounted to HK$42 million and exchange gain, etc.

Selling and distribution costs

Selling and distribution costs of the Group in first half of 2008 increased by 41.4% to HK$557 million mainly due to consolidation of natural gas distribution business since 1 July 2007. The proportion of selling and distribution costs for gas distribution business was lower than that of brewery business due to much higher advertising expenses for consumer products business.

Administrative expenses

Administrative expenses of the Group in the first half of 2008 was HK$587 million, increased by 80.1% comparing to the corresponding period in last year. The increase was mainly due to consolidation of the natural gas distribution business since 1 July 2007.

Finance costs

Finance costs of the Group in the first half of 2008 was HK$183 million, increased by 185.5% comparing to HK$64.2 million in corresponding period of 2007. The significant increase was mainly due to drawdown of a syndicated loan amounting to HK$2.1 billion which was used to complete the acquisition of Beijing Gas and consolidation of Beijing Gas' bank loans.

Share of profits and losses of jointly-controlled entities

This substantially represents the 40% share of the profit after taxation of Huayou Company Limited since 1 July 2007. Huayou is 40% owned by Beijing Gas and 60% owned by PetroChina Limited. The primary business of Huayou is engaged in natural gas transmission which supplies to city gas operators along the two long pipelines with an approximate total length of 2,200 kilometers pipelines.

Share of results of associates

The Group's share of net losses of associates amounted to HK$6.13 million in the first half of 2008.

Tax

Effective income tax rate increased substantially to approximately 21% mainly due to consolidation of Beijing Gas which accrued its income tax liability at the standard rate of 25% for Mainland enterprises. Also, the net exceptional gains derived from deemed disposal of shares in Beijing Development (Hong Kong) Limited together with some property revaluation gain recorded in the headquarter in the corresponding period of last year were of capital nature and not subject to tax.

II. Financial Position of the Group

Cash and bank borrowings

As at 30 June 2008, cash and bank deposits held by the Group amounted to HK$7.89 billion . At the period end date, the Group had a strong net working capital of HK$4.04 billion. The Group maintains sufficient banking facilities for its working capital requirement and has sufficient cash resources to finance its capital expenditures in the foreseeable future.

The Group's bank and other borrowings amounted to HK$6.29 billion as at 30 June 2008, which mainly comprised five year syndicated loans amounting to HK$2.1 billion and other bank loans HK$4.19 billion carried in the PRC subsidiaries. Around 33.4% of the bank loans were denominated in Hong Kong dollars with the rest in Renminbi. The Group was in a net cash position of HK$1.6 billion as at 30 June 2008.

Liquidity and Capital Resources

Upon completion of the acquisition of Beijing Gas in July 2007, the downstream gas distribution business has been contributing to the operating cash flow of the Group and significantly increased its liquidity.

During the period under review, there was no significant movements in the issued capital of the Company. As at the end of June 2008, the issued capital of the Company was 1,138,004,000 shares and shareholders equity grew to HK$28.8 billion. Total equity was HK$33.88 billion comparing to HK$31.58 billion as at the end of 2007. With solid capital base and very strong balance sheets, the Group was not affected by the ongoing global credit crunch.

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.

III. Risk management

The Group's major financial instruments include equity investments, borrowings, trade receivables, trade payables, other receivables, other payables and bank balances and cash. The management adopts and applies the following policies to manage and monitor financial risks.

1. Provision for diminution is made according to Group's accounting policy or where a permanent impairment in value has taken place or there is evidence of reduction in recoverability of the cash flows;

2. Review market trends on interest rates and exchange rates movements, assess potential financial impact on the Group's operation and financial position. Effective hedging instruments can be used to level off dramatic market movements should a need arises.

3. The Group's cash and bank deposits should be placed with financial institutions with strong credit rating and good reputation.

PROSPECTS

I. Infrastructure and utilities

Natural Gas Business

Beijing Gas is on target to achieve its gas sales volume growth this year. The Group expects steady long term growth in natural gas consumption in Beijing as a result of continuing switch to piped gas service and aggressive population growth plan of Beijing city. Beijing Gas will continue to invest in the pipeline infrastructure to sustain the increasing demand for natural gas consumption in the future.

In the transmission business, Huayou has been meeting very high demand growth in the last couple of years mainly due to many coal to natural gas conversion projects in the region. Huayou is investing its earnings in both the volume expansion and pipeline extension projects. Upon completion of these projects by 2009 to 2010, the transmission capacity is expected to increase further to annual maximum of 19 billion cubic meters and the extension long pipelines will be able to serve the entire Bohai rim region.

Toll Roads

Beijing Municipal Committee of Communication ("BMCC") is still considering the Group's investment proposal on Airport South Link Expressway and North Link Expressway projects. As these two expressways had very high costs of construction, the Group may not proceed should the valuation proves to be too high risk to earn a reasonable return for the shareholders.

Water Business

The Group has successfully built the listed platform, BE Water Group (stock code: 371), as the major vehicle for investing in regional water projects in Mainland China. BE Water Group has completed the acquisition of Z.K.C Environmental Group Co., Ltd. which immediately contributed more than one million metric tons of daily sewage processing capacity to the Group. Looking forward, BE Water Group will continue to pursue investment opportunities in water projects with a mission to accomplish more than 5 million metric tons of daily processing capacity in few years' time.

II. Consume Products

Beer Business

Yanjing Brewery has just received the official approval from China Securities Regulatory Committee for its new shares placement plan in the A share market. Yanjing is awaiting opportunity to execute the fund raising plan to finance its regional expansion plan and building of malt production base in Inner Mongolia and Xinjiang. Bearing any unforeseen circumstances in the near future, Yanjing still has sufficient internal resources and banking facilities to execute the expansion plan.

EVENT AFTER THE BALANCE SHEET DATE

Please refer to note 13 to the condensed interim consolidated financial statements.

EMPLOYEE INFORMATION

At 30 June 2008, the Group had 34,400 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2008, the Company repurchased a total of 936,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and these shares were subsequently cancelled by the Company. Details of the repurchases of such ordinary shares are as follows:

	Number of	Price per share		Total
Month	**shares repurchased**	**Highest**	**Lowest**	**price paid**
		HK$	*HK$*	*HK$'000*
June 2008	936,000	25.6227	25.0077	23,562

The purchased shares were cancelled upon repurchase and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the purchase of the shares of approximately HK$23,468,000 has been charged to the retained profits of the Company. An amount equivalent to the par value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

The purchase of the Company's shares during the year was effected by the directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Save as disclosed herein, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year.

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

COMPLIANCE OF THE MODEL CODE FOR DIRECTORS' SHARE DEALING

All Directors have confirmed, following specific enquiry by the Company, that they complied with the required standards set out in the Model Code for Directors' Share Dealing as set out in Appendix 10 to the Listing Rules throughout the review period.

CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to building and maintaining high standards of corporate governance practices. Save the deviation as disclosed below, the Company has complied with the code provisions (the "Code Provisions") contained in Appendix 14 "Code on Corporate Governance Practices" of the Listing Rules throughout the six months ended 30 June 2008.

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

AUDIT COMMITTEE

At 30 June 2008, the Audit Committee comprised three independent non-executive directors, namely, Mr. Wu Jiesi, Mr. Lam Hoi Ham (Chairman of Audit Committee) and Mr. Rober A. Theleen (who was subsequently replaced by Mr. Fu Tingmei on 1 July 2008). The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting process and internal controls of the Company. The Audit Committee of the Company has already reviewed the unaudited interim results for the six months ended 30 June 2008 and considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.behl.com.hk). The 2008 Interim Report will be dispatched to Shareholders in late September 2008 and will be available at the Stock Exchange's website and the Company's website accordingly.

BOARD OF DIRECTORS

As at the date of this announcement, the board of directors of the Company comprises Mr. Yi Xi Qun, Mr. Zhang Hong Hai, Mr. Li Fu Cheng, Mr. Bai Jin Rong, Mr. Zhou Si, Mr. Liu Kai, Mr. Guo Pu Jin, Mr. E Meng, Mr. Lei Zhen Gang, Mr. Jiang Xin Hao 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.

APPRECIATION

On behalf of the Board, I would like to express my sincere thanks to all the Group's employees for their continuous support and dedicated services.

By order of the Board
Yi Xi Qun
Chairman

Hong Kong, 17 September 2008