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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](http://www.behl.com.hk))*

**(Stock Code: 392)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011**

### **HIGHLIGHTS**

- Revenue for the first half of 2011 amounted to approximately HK\$15.64 billion, representing an increase of 2.7% over the corresponding period of last year.
- Profit attributable to shareholders of the Company for the first half of 2011 amounted to HK\$1.65 billion, representing an increase of 5.6% over the corresponding period of last year.
- Basic earnings per share attributable to shareholders of the Company amounted to HK\$1.45.
- An interim cash dividend of HK25 cents per share is declared for the six months ended 30 June 2011.

### **UNAUDITED INTERIM RESULTS**

The Board of Directors (the “Board”) of Beijing Enterprises Holdings Limited (the “Company”) is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2011 with the comparative figures in 2010. The consolidated revenue of the Group was HK\$15.64 billion for the first half of 2011, increased by 2.7% comparing to corresponding period in last year. Profit attributable to shareholders of the Company was HK\$1.65 billion, increased by 5.6% compared to the corresponding period in 2010.

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

	<b>Profit After Taxation</b>	<b>Proportion</b>
	<i>HK\$'000</i>	<i>%</i>
Natural Gas Business	1,155,536	70.0
Beer Business	260,780	15.8
Sewage and Water Treatment Operations	258,748	15.7
Toll Roads	45,320	2.7
Headquarter expenses and others	<u>(69,501)</u>	<u>(4.2)</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

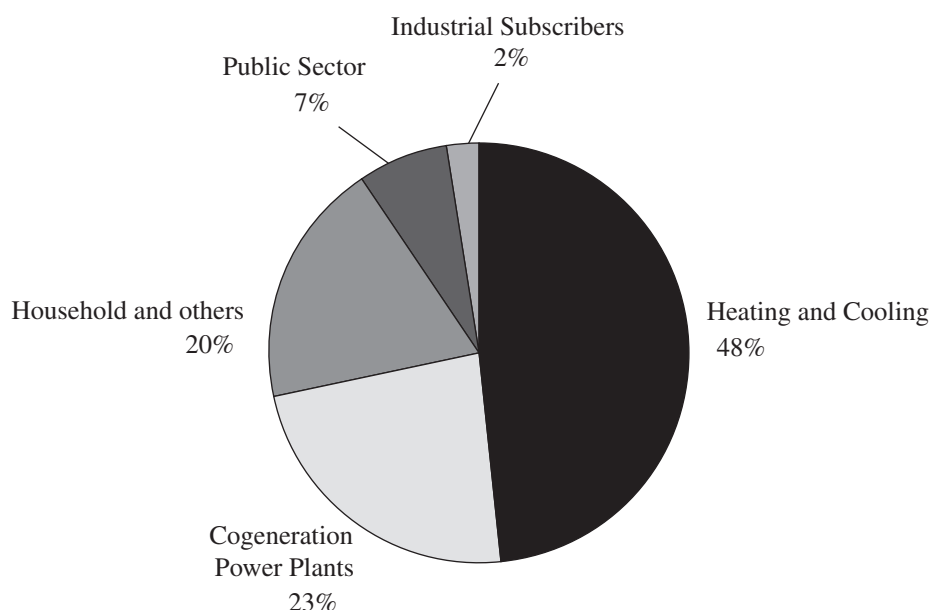
### 1. BUSINESS REVIEW

#### *Natural Gas Distribution Business*

The natural gas distribution business in Beijing City recorded revenue of HK\$8.478 billion in the first half of 2011, increased by 13.6% as compared with the same period of last year. Gas sales volume was 3.45 billion cubic meters, representing a year-on-year decrease of 4.17%, mainly due to the fact that the heating supply duration was one week shorter than that of last year as the average temperature was significantly higher in the first quarter in Beijing as compared to the same period of last year, thus resulted in a reduction in gas consumption for heating which exceeded the increase in gas consumption by new subscribers. At the same time, early outage maintenance of cogeneration plants since the second quarter has led to a reduction in gas consumption for power generation, which further intensified the decrease in natural gas sales.

Net profit from gas distribution business in the first half of the year was HK\$528 million, slightly increased by 2% as compared with the same period of last year. The growth rate was less than that of revenue, which was mainly due to the fact that there was a reduction in gas sales volume. During the period under review, total length of the gas pipeline system in Beijing City further increased to 13,878 kilometres. The capital expenditures incurred were HK\$690 million. There were 122,263 new residential subscribers, 1,224 new public sector subscribers, and fuel gas equipment capacity of 656 t/h steam. All types of subscribers increased steadily.

The gas sales volume of Beijing Gas in 2011 was approximately 3.45 billion cubic meters. An analysis by user sector is shown as follows:



For business expansion, Beijing Gas Group Company Limited (“Beijing Gas”) achieved new development progress in the first half of the year. It had entered into Hetian Strategic Framework Agreement for Investment Proposal with National Development Bank and Hetian Municipal Government, and entered into Strategic Co-operation Framework Agreement with Shenzhen Gas. At the same time, Beijing Gas is making efforts to implement the innovation management mechanism, aiming to fully cover and expand progressively in Beijing suburbs market by utilizing the synergy with different gas sources. In the first half of the year, Beijing Gas completed the acquisition of Beijing Fuhuadadi Gas Co. Ltd. (北京富華大地燃氣有限公司). Beijing Gas also achieved effective development in pipeline construction during the first half of the year, which played a positive supporting role in market development.

### ***Gas Upstream Business***

The transmission volume of PetroChina Beijing Natural Gas Pipeline Company Limited (中石油北京天然氣管道有限公司) (“PetroChina Beijing Pipeline Company”) during the first half of 2011 was 9.76 billion cubic meters, representing a year-on-year increase of 9.05%. The slowdown in the growth of transmission volume was mainly attributable to the warm winter of Beijing that affected the gas demand for heating and the presence of idle gas transmission capacity of No. 3 Shaanxi-Beijing Pipeline (陝京三線). Beijing Gas shared a net profit after taxation of HK\$627 million through its 40% equity interests in PetroChina Beijing Pipeline Company in the first half of 2011, representing a decrease of 8.5% when compared with the same period of last year. The decrease was mainly due to significant increase in amortization and depreciation expenses and the increase of finance costs resulting from the commencement of operation of No. 3 Shaanxi-to-Beijing Line since the end of 2010. The capital expenditures of PetroChina Beijing Pipeline Company in the first half of 2011 was HK\$1.09 billion.

### ***Beer Business***

Driven by China’s constantly high consumer price index, accelerating pace of consumer structure upgrade, benefit of increase in beer sales volume, products mix adjustment and effective control on raw and auxiliary materials costs, the operating results of Yanjing Brewery has been improved steadily. During the first half year, beer sales volume was 2.72 million thousand-litres, representing a year-on-year increase of 14.8%, much higher than the growth rate of 11.4% of the industry; of which, beer sales volume reached 0.62 million thousand-litres in Beijing region, representing a year-on-year increase of 5.4%; the sales volume of beer in markets outside Beijing achieved a rapid growth, recorded a sales volume of 2.10 million thousand-litres, representing an increase of 17.3% as compared with the same period of last year.

Yanjing Brewery recorded a revenue of HK\$6.746 billion for the first half of the year, representing a year-on-year increase of 28.8%, which was mainly due to the increase in sales volume and product prices. Operating profit for the first half of the year was HK\$875 million, representing a year-on-year increase of 14.8%. Profit growth rate is lower than that of revenue, which is mainly attributable to a higher initial marketing expenses for certain beer factories outside Beijing as a result of their commencement of production during the period. Profit attributable to the Company for the first half of the year was HK\$261 million, representing a year-on-year increase of 9.6%. The capital expenditures of Yanjing Brewery in the first half of 2011 was HK\$870 million.

The market expansion of Yanjing Brewery has achieved an effective development in 2011. Its dominant position in Beijing market has been further consolidated, and maintained a sound development trend in the markets outside Beijing. Yanjing Brewery will continue to fully optimize the product mix through in-depth implementation of development strategy of “1+3” brands. Up to now, Yanjing Brewery has successfully completed various projects, including the technological upgrade of “Chunsheng Beer” (純生啤酒) by Hebei Yanjing Brewery Co., Ltd. (河北燕京啤酒有限公司), Phase I of 0.10 million thousand-litres project of Yanjing Brewery (Jinzhong) Co., Ltd. (燕京啤酒(晉中)有限公司), Phase III of 0.10 million thousand-litres expansion project of Sichuan Yanjing Brewery Co., Ltd. (四川燕京啤酒有限公司) and the technological upgrade of “Chunsheng Beer”(純生啤酒) by Fujian Yanjing Brewery Co., Ltd. (福建燕京啤酒有限公司), which laid a foundation in terms of production capacity for the implementation of the “12th Five-Year Plan”.

### ***Sewage Treatment and Water Operations***

The net operating profit (excluding profit from reversal of provision of receivables under service concession arrangements) of water concession of Beijing No. 9 Water Treatment Plant attributable to the Group in the first half of 2011 was HK\$75.25 million, representing an increase of 3.8% as compared with the same period last year.

During the first half of 2011, Beijing Enterprises Water Group Limited (“BE Water”) (stock code: 371), a 44.49% held associate company of the Group, recorded a strong profit growth with profit attributable to the shareholders of the Company amounted to HK\$134 million, representing a year-on-year increase of 66.2%. BE Water has continued to expand new investment projects during the period, and its business scope involves municipal sewage, water, industrial water and solid waste treatments. BE Water actually operates a total of 57 plants, which includes 50 sewage treatment plants, 5 water supply plants and 2 reclaimed water plants. The actual operation capacity is 3.51 million ton/day, and total actual water treatment capacity is 448,800,000 ton.

### ***Toll Roads Business***

The throughput of the Capital Airport Expressway recorded a slight natural growth in the first half of 2011, and its net profit attributable to the shareholders of the Company increased to HK\$47.15 million, representing a year-on-year increase of 8.2%. To comply with the new toll policy of Beijing City, toll rate of the Capital Airport Expressway has been reduced to RMB5 since 1 July.

### ***Environmental Protection Business***

Beijing Beikong Environmental Engineering and Technology Co. Ltd. (“Beikong Environmental”) stayed in line with the development trend of the expanding domestic solid waste market. As government policy favorable for waste-to-energy incineration is becoming more clear, Beikong Environmental accelerated its development pace. In the first half of 2011, Beikong Environmental achieved a solid growth in engineering construction and sewage treatment revenue. Up to June, domestic garbage treatment capacity nearly reached approximately 2,000 tons/day, hazardous waste treatment capacity amounted to 71,000 tons/year and sewage treatment capacity amounted to 250,000 tons/day. Although the business scale is not large, the development prospect is promising.

## **II. PROSPECTS**

### ***Natural Gas Distribution Business***

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

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

### ***Gas Upstream Business***

The Phase II and Phase III construction work of No. 3 Shaanxi-Beijing Pipeline is still progressing. Upon fully completion of the construction of No. 3 Shaanxi-Beijing Pipeline, integrated gas transmission capacity of the three pipelines will reach 35 billion cubic metres per annum.

## ***Beer Business***

“Yanjing” will remain one of the leading local beer brand name in the mainland China. The nationwide bottling facilities together with the established distribution network will further boost the market share in the future. Yanjing Brewery’s growth in profit margin will maintain stable as premium beer with higher profit margin is getting higher market share and contributing more profit to Yanjing Brewery. Currently, Yanjing Brewery continues to expand its production capacity and will maintain the target of improving its production capacity and sales volume to 8 million thousand-litres within 5 years.

### **III. FINANCIAL REVIEW**

#### ***Revenue***

The revenue of the Group’s operations in the first half of 2011 was approximately HK\$15.64 billion, increased by 2.7% when compared to the corresponding period in last year. Gas sales revenue was HK\$8.48 billion, representing a year-on-year increase of 13.6% higher. Beer sales revenue was HK\$6.75 billion, 28.8% higher than that of the corresponding period. The much lower net increase was due to deconsolidation of BE Water’s results since the second half of last year. Other business contributed to an aggregate of not more than 3% of the total revenue.

#### ***Cost of Sales***

Cost of sales increased by 2.3% to HK\$11.96 billion. The cost of sales for gas distribution business included mainly purchase cost of natural gas as well as depreciation of gas pipeline network. Cost of sales for beer business included materials cost, direct labor, consumables and depreciation.

#### ***Gross Profit Margin***

Overall gross profit margin was 23.6% compared to 23.3% in corresponding period of last year. The slight improvement was attributable to deconsolidation of BE Water’s result including its construction business which has lower profit margin.

### ***Selling and Distribution Costs***

Selling and distribution costs of the Group in the first half of 2011 increased by 34.4% to HK\$1.054 billion, higher than the extent of increase in revenue. This was mainly attributable to the much higher initial selling and distribution expenses incurred by several new beer bottling plants of Yanjing Brewery in the first half year.

### ***Administration Expenses***

Administration expenses of the Group in the first half of 2011 was HK\$1.068 billion, increased by 8.3% when compared to the corresponding period in last year. The increase was also attributable to the start up costs of the several new beer bottling plants of Yanjing Brewery.

### ***Finance Costs***

Finance costs of the Group in the first half of 2011 was HK\$210 million, decreased by 6.6% when compared to corresponding period in last year, mainly due to lower HIBOR interest rates which determined the ultimate interest rates of the syndicated loans.

### ***Share of Profits and Losses of Jointly-controlled Entities***

This substantially represented the 40% share of the net profits of PetroChina Beijing Pipeline Co. for the first half of 2011. The primary business of PetroChina Beijing Pipeline Co. is transmission of natural gas through No. 1, 2 and 3 Shaanxi-Beijing pipelines with an approximate total length of 3,000 kilometers.

### ***Share of Profits and Losses of Associates***

This mainly represented the 44.49% share of the net profits of BE Water for the first half of 2011 net of 42.9% share of net losses of Beijing Development (Hong Kong) Limited for the same period.

### ***Tax***

Effective income tax rate was 21.6%, lower than 22.7% in the corresponding period of last year mainly due to more tax concession enjoyed by Yanjing Brewery's national operations.



## **IV. FINANCIAL POSITION OF THE GROUP**

### ***Cash and Bank Borrowings***

As at 30 June 2011, cash and bank deposits held by the Group amounted to HK\$17.2 billion. The increase was mainly attributable to the proceeds received from the issue of one billion US dollar guaranteed senior notes in May this year net of the repayment of HK\$3.5 billion of gas purchase fees in first quarter this year.

The Group's bank and other borrowings and convertible bonds amounted to HK\$20.29 billion as at 30 June 2011, which mainly comprised 10 year and 30 year US dollar guaranteed senior notes to HK\$7.8 billion, syndicated loans amounting to HK\$5.1 billion and convertible bonds of HK\$2.9 billion.

### ***Liquidity and Capital Resources***

As at the period end date, the Group had a strong net working capital of HK\$10.15 billion. The Group maintains sufficient banking facilities in both Hong Kong and mainland for its working capital requirement and has abundant cash resources to finance its capital expenditures in the foreseeable future.

During the period under review, 300,000 new shares were issued as a result of exercise of share option by one executive director, while 100,000 shares were cancelled upon repurchase by the Company. As at 30 June 2011, the issued capital of the Company was 1,137,571,000 shares and equity attributable to shareholders of the Company was HK\$36.24 billion. Total equity was HK\$43.22 billion when compared to HK\$40.94 billion as at the end of 2010.

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim cash dividend for the six months ended 30 June 2011 of HK25 cents (2010: HK25 cents) per share, which will be payable on about 28 October 2011 to shareholders whose names appear on the register of members of the Company on 5 October 2011.

## **CLOSURE OF REGISTER OF MEMBERS**

The Company's register of members will be closed from 1 October 2011 to 5 October 2011, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Center, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 30 September 2011.

## **EMPLOYEE**

At 30 June 2011, 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 are awarded to certain employees according to the assessment of individual performance.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

Save as disclosed below, the directors believe that the Company has complied with the code provisions (the "Code Provisions") contained in Appendix 14 "Code on Corporate Governance Practices" to the Listing Rules throughout the six months ended 30 June 2011.

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

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

The Company has adopted Appendix 10 "Model Code" to the Listing Rules to govern securities transactions by the directors. After having made specific enquiry to all directors, all directors confirm that they complied with the "Model Code" during the half year ended 30 June 2011.

## **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. Wu Jiesi, Mr. Lam Hoi Ham (Chairman of Audit Committee) and Mr. Fu Tingmei. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting process and internal controls of the Company. The Audit Committee of the Company has already reviewed the unaudited interim results for the six months ended 30 June 2011 and considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.

## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the six months ended 30 June 2011, the Company repurchased a total of 100,000 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:

<b>Month</b>	<b>Number of shares repurchased</b>	<b>Price per share</b> <i>HK\$</i>	<b>Total price paid</b> <i>HK\$'000</i>
January 2011	100,000	45.5368	4,560

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\$4,550,000 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 period under review 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.

Except as disclosed above, neither the Company, nor any of its subsidiaries, has made any purchase, sale or redemption of any of the Company’s listed securities during the period.

## **PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT**

This results announcement is published on the Company’s website ([www.behl.com.hk](http://www.behl.com.hk)) and the Stock Exchange’s website ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report will be sent to all shareholders and will be published on the Stock Exchange’s website in due course.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

		<b>For the six months ended 30 June</b>	
		<b>2011</b>	2010
	<i>Notes</i>	<b>Unaudited HK\$'000</b>	Unaudited HK\$'000
REVENUE	3	<b>15,640,688</b>	15,229,015
Cost of sales		<b>(11,957,667)</b>	(11,684,076)
Gross profit		<b>3,683,021</b>	3,544,939
Other income and gains, net	4	<b>291,813</b>	196,179
Fair value gain on the derivative component of convertible bonds		<b>80,450</b>	–
Selling and distribution expenses		<b>(1,053,668)</b>	(784,045)
Administrative expenses		<b>(1,067,932)</b>	(985,858)
Other operating expenses, net		<b>25,378</b>	(32,540)
<b>PROFIT FROM OPERATING ACTIVITIES</b>	5	<b>1,959,062</b>	1,938,675
Finance costs	6	<b>(210,010)</b>	(224,897)
Share of profits and losses of:			
Jointly-controlled entities		<b>626,569</b>	684,882
Associates		<b>117,706</b>	(1,075)
<b>PROFIT BEFORE TAX</b>		<b>2,493,327</b>	2,397,585
Income tax	7	<b>(378,059)</b>	(389,583)
<b>PROFIT FOR THE PERIOD</b>		<b>2,115,268</b>	2,008,002
<b>ATTRIBUTABLE TO:</b>			
Shareholders of the Company		<b>1,650,883</b>	1,562,883
Non-controlling interests		<b>464,385</b>	445,119
		<b>2,115,268</b>	2,008,002
<b>EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>	9		
Basic		<b>HK\$1.45</b>	HK\$1.37
Diluted		<b>HK\$1.41</b>	HK\$1.34

Details of interim dividend declared are disclosed in note 8.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	<b>For the six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>Unaudited</b>	Unaudited
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>PROFIT FOR THE PERIOD</b>	<b>2,115,268</b>	2,008,002
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Change in fair value of an available-for-sale-investment	(32,467)	–
Exchange differences on translation of foreign operations	<u>1,038,755</u>	<u>340,460</u>
<b>OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX OF NIL</b>	<u>1,006,288</u>	<u>340,460</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><u>3,121,556</u></u>	<u><u>2,348,462</u></u>
<b>ATTRIBUTABLE TO:</b>		
Shareholders of the Company	2,493,991	1,787,162
Non-controlling interests	<u>627,565</u>	<u>561,300</u>
	<u><u>3,121,556</u></u>	<u><u>2,348,462</u></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

		<b>30 June 2011 Unaudited HK\$'000</b>	31 December 2010 Audited HK\$'000
	<i>Notes</i>		
<b>ASSETS</b>			
Non-current assets:			
Property, plant and equipment		<b>24,005,806</b>	22,244,006
Investment properties		<b>219,588</b>	215,637
Prepaid land premiums		<b>1,298,585</b>	1,233,403
Goodwill		<b>7,415,485</b>	7,245,773
Operating concessions		<b>1,240,708</b>	1,255,902
Other intangible assets		<b>21,316</b>	14,208
Investments in jointly-controlled entities		<b>6,387,038</b>	6,102,491
Investments in associates		<b>4,930,669</b>	3,109,858
Amounts due from contract customers		<b>386,640</b>	223,672
Receivables under service concession arrangements	<i>10</i>	<b>1,627,157</b>	1,699,231
Prepayments, deposits and other receivables		<b>413,803</b>	301,228
Available-for-sale investments		<b>980,318</b>	1,005,154
Deferred tax assets		<b>555,017</b>	598,157
		<hr/> <b>49,482,130</b> <hr/>	<hr/> 45,248,720 <hr/>
Total non-current assets			
Current assets:			
Prepaid land premiums		<b>29,615</b>	27,643
Inventories		<b>4,244,423</b>	3,726,623
Amounts due from contract customers		<b>48,575</b>	2,105
Receivables under service concession arrangements	<i>10</i>	<b>1,139,457</b>	900,524
Trade and bills receivables	<i>11</i>	<b>1,981,919</b>	1,347,008
Prepayments, deposits and other receivables		<b>1,534,487</b>	899,533
Other taxes recoverable		<b>673,122</b>	303,906
Restricted cash and pledged deposits		<b>362,312</b>	125,932
Cash and cash equivalents		<b>16,834,139</b>	14,446,800
		<hr/> <b>26,848,049</b> <hr/>	<hr/> 21,780,074 <hr/>
Total current assets			
<b>TOTAL ASSETS</b>		<b><u>76,330,179</u></b>	<b><u>67,028,794</u></b>

		<b>30 June 2011 Unaudited HK\$'000</b>	31 December 2010 Audited HK\$'000
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to shareholders of the Company			
Issued capital	12	113,757	113,737
Reserves		35,842,275	33,642,355
Dividends declared		284,393	511,817
		<u>36,240,425</u>	<u>34,267,909</u>
Non-controlling interests		6,974,599	6,668,352
<b>TOTAL EQUITY</b>		<b><u>43,215,024</u></b>	<b><u>40,936,261</u></b>
Non-current liabilities:			
Bank and other borrowings		4,627,492	7,227,253
Guaranteed senior notes		7,709,599	–
Liability component of convertible bonds		2,683,926	2,650,489
Derivative component of convertible bonds		218,010	292,384
Defined benefit plans		500,720	470,515
Provision for major overhauls		167,500	140,192
Other non-current liabilities		143,757	157,081
Deferred tax liabilities		363,776	364,053
Total non-current liabilities		<u>16,414,780</u>	<u>11,301,967</u>
Current liabilities:			
Trade and bills payables	13	2,632,327	4,553,753
Amounts due to contract customers		141,188	59,409
Other payables and accruals		7,938,339	6,862,394
Income tax payables		441,818	626,774
Other taxes payable		491,812	367,927
Bank and other borrowings		5,054,891	2,320,309
Total current liabilities		<u>16,700,375</u>	<u>14,790,566</u>
<b>TOTAL LIABILITIES</b>		<b><u>33,115,155</u></b>	<b><u>26,092,533</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>76,330,179</u></b>	<b><u>67,028,794</u></b>

## 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 2011 have been 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”).

### 2. Effect of changes in accounting policies

The accounting policies and basis of preparation adopted in the preparation of these condensed interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2010, except for the adoption of the following new, revised or amendments to the Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the HKICPA, which are generally effective for the first time for the current period’s financial statements:

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

The adoption of the above new and revised HKFRSs has had no significant financial impact on these condensed interim financial statements and there have been no significant changes to the accounting polices applied in these condensed interim financial statements.



### **3. Operating segment information**

For management purpose, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on the profit for the period of each reportable operating segment, which is measured consistently with the Group's profit for the period.

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2011 and 2010, respectively.

**For the six months ended 30 June 2011**

	Piped gas operation Unaudited HK\$'000	Brewery operation Unaudited HK\$'000	Sewage and water treatment operations Unaudited HK\$'000	Expressway and toll road operations Unaudited HK\$'000	Corporate and others Unaudited HK\$'000	Eliminations Unaudited HK\$'000	Consolidated Unaudited HK\$'000
Revenue	8,477,678	6,745,542	97,574	192,670	127,224	-	15,640,688
Cost of sales	(7,338,229)	(4,401,471)	(1,979)	(114,768)	(101,220)	-	(11,957,667)
Gross profit	<u>1,139,449</u>	<u>2,344,071</u>	<u>95,595</u>	<u>77,902</u>	<u>26,004</u>	<u>-</u>	<u>3,683,021</u>
Profit from operating activities	777,592	955,548*	144,182	61,801	65,053	(45,114)	1,959,062
Finance costs	(69,151)	(74,515)	(173)	(3,938)	(107,347)	45,114	(210,010)
Share of profits and losses of:							
Jointly-controlled entities	626,569	-	-	-	-	-	626,569
Associates	<u>575</u>	<u>(336)</u>	<u>134,258</u>	<u>-</u>	<u>(16,791)</u>	<u>-</u>	<u>117,706</u>
Profit/(loss) before tax	1,335,585	880,697	278,267	57,863	(59,085)	-	2,493,327
Income tax	<u>(181,294)</u>	<u>(150,517)</u>	<u>(19,519)</u>	<u>(14,657)</u>	<u>(12,072)</u>	<u>-</u>	<u>(378,059)</u>
Profit/(loss) for the period	<u>1,154,291</u>	<u>730,180</u>	<u>258,748</u>	<u>43,206</u>	<u>(71,157)</u>	<u>-</u>	<u>2,115,268</u>
Profit/(loss) attributable to shareholders of the Company	<u>1,155,536</u>	<u>260,780</u>	<u>258,748</u>	<u>45,320</u>	<u>(69,501)</u>	<u>-</u>	<u>1,650,883</u>

\* *The amount included a fair value gain on the derivative component of convertible bonds of HK\$80,450,000, which was wholly attributable to non-controlling shareholders of the relevant subsidiary and therefore did not affect the profit for the period attributable to shareholders of the Company.*

For the six months ended 30 June 2010

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

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 geographical information would provide no additional useful information to the users of financial statements.

During each of the six months ended 30 June 2011 and 2010, there was no single customer that contributed 10% or more of the Group's revenue from external customers for these periods.

#### 4. Other income and gains, net

	For the six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	HK\$'000	HK\$'000
<b>Other income</b>		
Bank interest income	75,189	49,256
Others	<u>203,763</u>	<u>137,879</u>
	<u>278,952</u>	<u>187,135</u>
<b>Gains, net</b>		
Others	<u>12,861</u>	<u>9,044</u>
	<u><u>291,813</u></u>	<u><u>196,179</u></u>

#### 5. Profit from operating activities

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

	For the six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Depreciation	771,011	675,811
Amortisation of operating concessions*	44,918	54,112
Amortisation of computer software**	<u>2,437</u>	<u>2,428</u>

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

\*\* *The amortisation of computer software for the period is included in "Administrative expenses" on the face of the condensed consolidated income statement.*

## 6. Finance costs

	For the six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest on bank loans and other loans wholly repayable within five years	120,398	160,318
Interest on guaranteed senior notes	35,915	–
Interest on other loans	9,027	16,761
Interest on convertible bonds	42,602	51,710
	<hr/>	<hr/>
Total interest expense	207,942	228,789
Increase in discounted amount of provision for major overhauls arising from the passage of time	2,068	2,763
	<hr/>	<hr/>
Total finance costs	210,010	231,552
Less: Interest included in cost of construction contracts	–	(6,655)
	<hr/>	<hr/>
	<b>210,010</b>	<b>224,897</b>
	<hr/> <hr/>	<hr/> <hr/>

## 7. Income tax

	For the six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Current – the People's Republic of China		
Hong Kong	–	–
Mainland China	338,117	372,656
Deferred	39,942	16,927
	<hr/>	<hr/>
Total tax charge for the period	<b>378,059</b>	<b>389,583</b>
	<hr/> <hr/>	<hr/> <hr/>

No provision for Hong Kong profits tax has been made during the period ended 30 June 2011 as the Group did not generate any assessable profits in Hong Kong during the period (Six months ended 30 June 2010: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company's subsidiaries enjoy income tax exemptions and reductions.

#### **8. Interim dividend**

On 31 August 2011, the Board declared an interim cash dividend of HK25 cents per share (Six months ended 30 June 2010: HK25 cents per share), totalling HK\$284,393,000 (Six months ended 30 June 2010: HK\$284,343,000).

#### **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, and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts for the period is based on the profit for the period attributable to shareholders of the Company, adjusted to reflect the effect of the deemed conversion of all dilutive convertible bonds of the Group at the beginning of the period, 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 the deemed conversion of those convertible bonds of the Group which are convertible into ordinary shares of the Company at the beginning of the period.

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

	<b>For the six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Earnings:</b>		
Profit for the period attributable to shareholders of the Company, used in the basic earnings per share calculation	<b>1,650,883</b>	1,562,883
Imputed interest expense for the period relating to the liability component of the dilutive convertible bonds of the Group	<b>28,736</b>	36,946
Decrease in profit for the period as a result of the dilution of interest in Beijing Enterprises Water Group Limited ("BE Water") assuming the exercise of all dilutive convertible bonds issued by BE Water	<u>—</u>	<u>(6,445)</u>
Profit for the period attributable to shareholders of the Company, used in the diluted earnings per share calculation	<u><b>1,679,619</b></u>	<u>1,593,384</u>
	<b>For the six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>Unaudited</b>	Unaudited
<b>Number of ordinary shares:</b>		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	<b>1,137,427,667</b>	1,137,371,000
Effect of dilution – weighted average number of ordinary shares		
Share options	<b>113,135</b>	225,950
Convertible bonds	<u><b>50,000,000</b></u>	<u>50,000,000</u>
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	<u><b>1,187,540,802</b></u>	<u>1,187,596,950</u>

## 10. Receivables under service concession arrangements

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

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

	<b>30 June 2011 Unaudited HK\$'000</b>	31 December 2010 Audited HK\$'000
Billed:		
Within one year	<b>399,549</b>	357,509
One to two years	<b>330,932</b>	288,782
Two to three years	<b>278,796</b>	254,233
Over three years	<b>130,180</b>	–
	<b>1,139,457</b>	900,524
Unbilled	<b>1,627,157</b>	1,699,231
	<b>2,766,614</b>	2,599,755
Portion classified as current assets	<b>(1,139,457)</b>	(900,524)
Non-current portion	<b>1,627,157</b>	1,699,231



## 11. Trade and bills receivables

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

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

	<b>30 June 2011 Unaudited HK\$'000</b>	31 December 2010 Audited HK\$'000
Billed:		
Within one year	<b>1,258,417</b>	586,580
One to two years	<b>33,155</b>	25,166
Two to three years	<b>30,975</b>	33,216
Over three years	<b>69,789</b>	70,237
	<hr/>	<hr/>
	<b>1,392,336</b>	715,199
Unbilled	<b>589,583</b>	631,809
	<hr/>	<hr/>
	<b>1,981,919</b>	1,347,008
	<hr/> <hr/>	<hr/> <hr/>

## 12. Share capital

	<b>30 June 2011 Unaudited HK\$'000</b>	31 December 2010 Audited HK\$'000
<i>Authorised:</i>		
2,000,000,000 ordinary shares of HK\$0.1 each	<b><u>200,000</u></b>	<u>200,000</u>
<i>Issued and fully paid:</i>		
1,137,571,000 (2010: 1,137,371,000) ordinary shares of HK\$0.1 each	<b><u>113,757</u></b>	<u>113,737</u>

During the period ended 30 June 2011, the subscription rights attaching to 300,000 share options were exercised at a subscription price of HK\$12.55 per ordinary share, resulting in the issue of 300,000 ordinary shares of the Company for a total cash consideration of HK\$3,765,000. At the time when the share options were exercised, the fair values of these share options in an aggregate amount of HK\$1,162,000 previously recognised in the share option reserve were transferred to the share premium account.

During the period ended 30 June 2011, the Company repurchased a total of 100,000 ordinary shares of the Company on the Stock Exchange and these shares were subsequently cancelled by the Company. Please refer to page 11 of this announcement for further details.

## 13. Trade and bills payables

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

	<b>30 June 2011 Unaudited HK\$'000</b>	31 December 2010 Audited HK\$'000
Within one year	<b>2,572,055</b>	4,521,600
One to two years	<b>32,189</b>	17,024
Two to three years	<b>3,942</b>	4,293
Over three years	<b><u>24,141</u></b>	<u>10,836</u>
	<b><u>2,632,327</u></b>	<u>4,553,753</u>

**14. Other financial information**

The net current assets and total assets less current liabilities of the Group as at 30 June 2011 amounted to HK\$10,147,674,000 (31 December 2010: HK\$6,989,508,000) and HK\$59,629,804,000 (31 December 2010: HK\$52,238,228,000), respectively.

By order of the Board

**Wang Dong**

*Chairman*

Hong Kong, 31 August 2011

*As at the date of this announcement, the board of directors of the Company comprises Mr. Wang Dong, Mr. Zhang Honghai, Mr. Lin Fusheng, Mr. Li Fucheng, 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.*