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北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

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

(website: www.behl.com.hk)

(Stock Code: 392)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

HIGHLIGHTS

- Revenue for the first half of 2012 amounted to approximately HK\$18.15 billion, representing an increase of 16% over the corresponding period of last year.
- Profit attributable to shareholders of the Company for the first half of 2012 amounted to HK\$1.82 billion, representing an increase of 10.2% over the corresponding period of last year.
- Basic earnings per share attributable to shareholders of the Company amounted to HK\$1.60.
- An interim cash dividend of HK25 cents per share is declared for the six months ended 30 June 2012.

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Beijing Enterprises Holdings Limited (the “Company”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012 and the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2012 with the comparative figures in 2011. The consolidated revenue of the Group was HK\$18.15 billion for the first half of 2012, increased by 16% comparing to the corresponding period in last year. Profit attributable to shareholders of the Company was HK\$1.82 billion, increased by 10.2% compared to the corresponding period in 2011.

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

	Profit/(loss)	
	After	
	Taxation	Proportion
	<i>HK\$'000</i>	<i>%</i>
Natural Gas Business	1,586,201	87.2
Beer Business	274,151	15.1
Sewage and Water Treatment Operations	240,542	13.2
Toll Roads	(17,903)	(1.0)
Headquarter expenses and others	(263,708)	(14.5)
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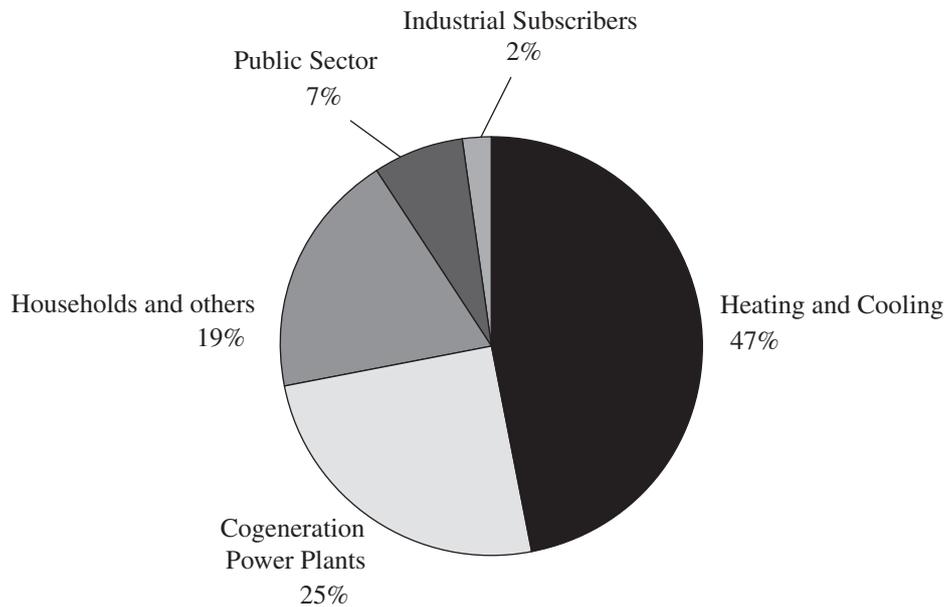
MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Natural Gas Distribution Business

The natural gas distribution business in Beijing City recorded revenue of HK\$10.29 billion in the first half of 2012, increased by 21.4% as compared with the same period of last year. Gas sales volume was 4.01 billion cubic meters, representing a year-on-year increase of 16.2%, which were mainly supported by the favourable factors including the continuous increase in heating subscribers, Huaneng Thermal Power Plant (華能熱電廠) was putting into operation and the three-day extension in heating supply. In addition, Beijing Gas has reinforced its efforts in the management and control of measuring instruments and obtained good results in enhancing the inspection works on subscribers with the wastage rate showing a gradual declining trend.

The gas sales volume of Beijing Gas in the first half of 2012 was approximately 4.01 billion cubic meters. An analysis by user sector is shown as follows:



During the period under review, 121,000 new household subscribers and 1,338 public sector subscribers were developed. The heating equipments capacity developed was 965 t/h steams with a loading of 61 t/h steam in summer. In respect of the developing capacity of all types of subscribers, apart from household subscribers that were able to maintain a stable development, others had achieved a significant growth on a year-on-year basis. As at the end of June, the total number of all types of subscribers was 4.48 million. Net profit from gas distribution business in the first half of the year was HK\$666 million, increased by 25.9% as compared with the same period of last year. The capital expenditure of Beijing Gas in the first half of the year amounted to HK\$1.73 billion.

For market development, Beijing Gas leveraged on the significant opportunities generated by the PM2.5 pollution treatment in Beijing and implemented consistently the overall vision of “adjusting structure and promoting development”. It achieved substantial results in those sectors like safeguarding the energy supply security in Beijing, improving the market coverage in suburban areas, intensifying the in-depth gas consumption in urban districts and promoting the clean energy applications.

It focused on the development of suburban areas and enhanced the efforts in market expansion. Firstly, it set up Beijing Gas Yanqing Company (北京燃氣延慶公司) and signed the co-operation framework agreement for gas development with Yanqing County Government to achieve the full coverage of suburban area markets.

It promoted the implementation of key coal-to-gas conversion projects with Huaneng Power Plant (華能電廠) Gas Supply Project Phase II completed by the end of June. The gas supply project for Southwest Thermal Power Centre (Caoqiao Thermal Power Plant) was developing smoothly and would be completed as scheduled. 22 boilers coal-to-gas conversion projects with a total of over 3,100 t/h steams had entered into the implementation stage.

The vehicle gas project achieved a breakthrough in its development. Those works like the gas resources supply, gas station layout and natural gas application piloting points for vehicles were developing smoothly. Firstly, the development plan for natural gas vehicle was prepared and completed. The construction of LNG Transfer Station in Ciqu had commenced and the proposals for LNG Transfer Stations in Panjiamiao, Xiaotun and Miyun were finalized. Secondly, it had accelerated the promotion of gas station layout to develop jointly the natural gas business for vehicles. Thirdly, it increased its efforts to promote the demonstration project for natural gas vehicles and to promote the large scale application of natural gas vehicles in public services. Beijing Municipal Traffic Commission had prepared the launching of a promotion proposal for natural gas application in public transportation and taxi, and in the second half of the year, the application of natural gas vehicles in public transportation, environmental hygiene, taxi and municipal logistics (green auto team) sectors will be promoted comprehensively.

It accelerated actively the investments in the regions outside Beijing. The joint venture with Liaohe Oilfield (遼河油田) and Yingkou City Coal Gas Company (營口市煤氣公司) was set up to jointly promote the gas market development of Yingkou region in Liaoning Province. The Co-operation Letter Of Intent Of Gas Development was entered into with Triastoria Group, working together to develop the municipal city gas and vehicle gas businesses in Heilongjiang Province. The co-operation with Binhai Investment Company (濱海投資公司) was to develop jointly the gas markets surrounding Beijing.

It has enhanced its safety protection standard, increased steadily its service capacity and carried out extensively the gas promotion activities. Firstly, it implemented the management system for occupation, health and security, and initiated the “hundred days of gas safety investigation and rectification campaign”. Secondly, it standardized its inspection service process, and carried out the gas safety and inspection service promotion activities. Thirdly, it further increased the efforts in gas safety knowledge promotion through the platforms like Gas Safety Community Collaboration Network and Beijing Gas Community Service Centre.

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 Company”) achieved a gas transmission volume of 12.16 billion cubic meters in the first half of 2012, representing a year-on-year increase of 24%. The strong increase in gas transmission volume was mainly attributable to the full operation of the No. 3 Shaanxi-Beijing Pipeline, in which new cities along the pipeline had consumed the natural gas, driving the consumption demand to increase substantially. In the first half of the year, the colder climate in Northern China also fueled the gas consumption demand for heating.

Beijing Gas shared a net profit after taxation of HK\$920 million through its 40% equity interests in PetroChina Beijing Pipeline Company in the first half of 2012, representing an increase of 46.9% when compared with the same period of last year. The increase was mainly due to the significant increase in income from gas transmission and a stable expenses in amortisation and depreciation. During the period, Beijing Gas reinforced its strategic co-operation with PetroChina, promoted actively the construction of the long-distance pipeline, namely No. 4 Shaanxi-Beijing Pipeline, and the underground gas storage in Dagang.

Beer Business

In the first half of 2012, China’s beer industry was affected by the negative factors of overall sluggishness in sales in the beer consumption market, significant increase in raw materials, energy and labour costs as well as intensifying market competition. Yanjing Brewery overcame most of the negative factors through three major structures adjustments in products, market and brand, and continued to maintain a healthy growth.

During the first half year, beer sales volume was 2.795 million thousand-litres, representing a year-on-year increase of 2.75%. Of which, beer sales volume reached 0.635 million thousand-litres in Beijing region; beer sales volume in markets outside Beijing recorded 2.16 million thousand-litres, representing an increase of 2.8% as compared with the same period of last year. Yanjing Brewery recorded a revenue of HK\$7.656 billion for the first half of the year, representing a year-on-year increase of 13.5%, which was mainly due to the increase in average selling prices of products. Operating profit for the first half of the year was HK\$969 million, representing a year-on-year increase of 10.7%. Profit attributable to shareholders of the Company in the first half of the year was HK\$274 million, representing a year-on-year increase of 5.1%. The capital expenditures of Yanjing Brewery in the first half of 2012 were HK\$1.26 billion.

Yanjing Brewery continued to implement the strategic policy of three major structures adjustments and carried out tremendous volume of works. Firstly, it continued to optimize the product structure and strengthened the sales efforts of medium and high end products. It established product lines, including the high end flagship products like Yanjing Chunsheng (燕京純生) and Yanjing Wuchun (燕京無醇), medium end flagship products like Yanjing Draught Beer (燕京鮮啤) and affordable flagship products like Yanjing Refreshing Beer (燕京清爽啤酒). During the period, Yanjing Draught Beer (燕京鮮啤) and Yanjing Chunsheng (燕京純生) both recorded significant increase in sales volume.

Secondly, it continued to adjust the market structure and increased the investment and sales efforts in the central and western markets. Since the second half of 2011, it constructed new factories in Guizhou and Xinjiang and carried out various technological upgrades and expansion projects in Bachuan, Hunan, Henan, Guangxi and Yunnan to expand the production capacity of Yanjing in the central and western regions for increasing its market share. Since 2012, these markets saw significant growth in sales with increasing market shares. In the first half of 2012, Yunnan, in particular, saw a sales increase of 82.74% over the same period of last year.

Thirdly, it continued to promote the “1+3” brand strategy with the brand concentration of “1+3” reaching 91% during the period. Of which, sales volume of Yanjing reached 1.88 million thousand-litres, an increase of 92,700 thousand-litres over the 1.78 million thousand-litres of the corresponding period of last year, representing a growth of 5.19%. The brand concentration of Yanjing reached 67.31%, increased by almost 2 percentage points over the same period of last year. Not only had the brand strategy of “1+3” enhanced the brand value of Yanjing, it also established the strong regional brand names like Lique (濟泉), Huiquan (惠泉) and Xuelu (雪鹿). In 2012, the Company sponsored the China Lunar Exploration Program (中國探月工程), making efforts in developing the national event and national brands together. Through the grand party of “Night of Yanjing”(燕京之夜) in London, it organized the “Beijing Cultural Week” in London. By becoming the official co-operative partner of Chinese Table Tennis Association, we headed to the London Olympic Games together. After becoming the sponsor of the 29th Beijing Olympic Games, Yanjing has all along been promoting the vision of “Moving the World and Surpassing Dreams”(感動世界、超越夢想) and embedded deeply the Olympic spirit and culture of “Higher, Faster and Stronger” into the corporate culture to lead Yanjing to go international and let the world be aware of Yanjing brand, so as to facilitate the continuous improvement in the brand value quality of Yanjing and further increase the influence of Yanjing brand.

Sewage and Water Treatment Operation

The sewage treatment and water supply businesses of Beijing Enterprises Water Group Limited (stock code: 371) (“BE Water”) developed rapidly in the first half of 2012. Its turnover increased 56% to HK\$1.4 billion as a result of the overall increase in income from projects, sewage treatment charges and reclaimed water service charges. Profit attributable to shareholders of BE Water increased 25% to HK\$387 million, of which HK\$170 million was attributable to the Company. As at the end of June 2012, BE Water had already participated in the development of 144 water plant projects, of which 111 were sewage treatment plants, 28 were water supply projects, 4 were reclaimed water projects and 1 was desalination project. Its total designed capacity reached 9.71 million tons/day, increased by 11%. Its operation capacity was 6.64 million tons/day, and the capacity under development was 3.07 million tons/day. The projects developed by BE Water are located in different regions in the PRC and it is developing into a leading water treatment company nationwide.

The water concession project of No. 9 Water Treatment Plant contributed a profit of HK\$70.05 million in the first half year of 2012 and remained as an important profit pillar and source of cash flow for the entire water treatment business segment.

II. PROSPECTS

Natural Gas Distribution Business

The natural gas distribution business in Beijing has recorded a 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 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 introduction of gas vehicle will increase the demand for natural gas, reduce the emission of carbon dioxide and improve the air quality in Beijing.

In addition, the coal-to-gas conversion projects of four largest thermal power centres in Beijing are progressing smoothly. Beijing Gas has made investments to cope with the development of relevant projects and the gas sales volume of co-generation power plants will see a significant growth in the coming years.

Natural Gas Transmission Business

The Phase III construction work of No. 3 Shaanxi-Beijing Pipeline is still progressing. Upon full completion of the construction of No. 3 Shaanxi-Beijing Pipeline, the integrated gas transmission capacity of the first three pipelines will reach 35 billion cubic metres per annum. The preliminary work of No. 4 Shaanxi-Beijing Pipeline has commenced and its designed transmission volume capacity will reach over 10 billion cubic metres per annum.

Beer Business

“Yanjing” will remain one of the leading local beer brand names in Mainland China. The nationwide bottling facilities together with the established distribution network will further boost up 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 in China’s central and western provinces and will maintain the target of improving its production capacity and sales volume to 8 million thousand-litres within 4 years.

III. FINANCIAL REVIEW

Revenue

The revenue of the Group's operations in the first half of 2012 was approximately HK\$18.15 billion, increased by 16% when compared to the corresponding period of last year. Gas sales revenue was HK\$10.29 billion, representing a year-on-year increase of 21.4%. Beer sales revenue was HK\$7.66 billion, 13.5% higher than that of the corresponding period of last year. Other businesses contributed an aggregate of not more than 3% of the total revenue.

Cost of Sales

Cost of sales increased by 18.2% to HK\$14.14 billion. The cost of sales for gas distribution business mainly included the purchase cost of natural gas as well as the depreciation of gas pipeline network. Cost of sales for beer business included materials costs, direct labor, consumables and depreciation.

Gross Profit Margin

Overall gross profit margin was 22.1% compared to 23.5% in corresponding period of last year. The slight decrease in overall gross profit margin was attributable to the slight decrease in gross profit margin of gas distribution business.

Selling and Distribution Costs

Selling and distribution costs of the Group in the first half of 2012 increased by 2.7% to HK\$1.083 billion, lower than the extent of increase in revenue.

Administration Expenses

Administration expenses of the Group in the first half of 2012 was HK\$1.342 billion, increased by 25.6% when compared to the corresponding period in last year. The increase was mainly attributable to the recruitment of new staff by certain new beer bottling plants of Yanjing Brewery and the increase of existing staff's remuneration as well as the faster growth in administration expenses of gas distribution business as a result of adding several new subsidiaries into Beijing Gas and the higher growth in staff salary.

Finance Costs

Finance costs of the Group in the first half of 2012 was HK\$506 million, increased by 1.4 times when compared to the corresponding period in last year, which was mainly due to the significant increase in interest expenses from the issue of bonds amounting to US\$1.0 billion in May in the first half of last year and the issue of bonds amounting to US\$800 million in April this year.

Share of Profits and Losses of Jointly-controlled Entities

The comparative data for last year substantially represented the 40% share of the net profits of PetroChina Beijing Pipeline Company for the first half of 2011. The primary business of PetroChina Beijing Pipeline Company is the 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

The significant increase in attributable profits for the first half of this year was mainly due to PetroChina Beijing Pipeline Company of having become an associate and the Group's share of its profits, and the remaining balance represented the 44.11% share of the net profits of BE Water for the first half year, net of 42.9% share of net losses of Beijing Development (Hong Kong) Limited for the same period.

Tax

The effective income tax rate was 23.7%, higher than the 21.6% in the corresponding period of last year, which was mainly due to substantial increase in interest expenses for Hong Kong headquarter in the first half of 2012 and was not tax deductible. The effective tax rate for Beijing Gas's gas distribution operations has decreased due to concessionary rate during the period.

Changes of major items in the consolidated statement of financial position

The net book value of property, plant and equipment increased by HK\$2.16 billion, which was mainly attributed to the investment in the high pressure pipeline projects for three new cogeneration power plants by the gas distribution business, and the additional bottling production line of Yanjing Brewery in expanding its production capacity.

Interests in associates increased by HK\$855 million, which was mainly due to its share of profit of PetroChina Beijing Pipeline Company in the first half and its share of profit of BE Water in the first half and deducted the losses attributable to Beijing Development and the relevant dividend income received.

The balance of prepayments, deposits and other receivables increased by HK\$1.55 billion, which was mainly due to the prepayment of HK\$610 million by Yanjing Brewery as the guarantee deposit to acquire certain beer assets and the prepayment of RMB500 million by the headquarter as the guarantee deposit for solid waste treatment projects in Haidian District.

The balance of trade and bills receivables increased by HK\$951 million, which was mainly due to the trade receivables from Beijing District Heating Group due to Beijing Gas were delayed because the funding from the municipal government was not in place and the additional credit term granted to distributors by Yanjing Brewery during the peak season.

The balance of the Guaranteed Senior Notes increased by HK\$6.18 billion, which was mainly due to the issue of 10-year bonds amounting US\$800 million. The note carries a rate of 4.5% and expires in 2022.

The balance of the convertible bonds decreased by HK\$500 million, which was mainly due to that Yanjing Brewery offered to repurchase the bonds held by independent investors and parts of the convertible bonds were exercised and converted into A Shares of Yanjing Brewery during the period. The convertible bonds held by the Company have been converted into equities in full at a conversion price of RMB15.37 and the effective equity of the Company has increased to 45.98%.

The balance of trade and bills payables increased by HK\$764 million, which was mainly the balance arising from the purchase of raw materials by several new beer plants opened by Yanjing Brewery.

The balance of the sales receipts in advance decreased by HK\$667 million, which was mainly attributed to the decrease of the balance of resident value cards of Beijing Gas at the end of the period due to the fact that heating season had passed by end of June.

The balance of other payables and accruals increased by HK\$983 million, which was mainly due to the increase in construction and equipment payables of Beijing Gas as a result of additional gas pipeline construction and more sales deposits from distributors were received by Yanjing Brewery during the peak season.

IV. FINANCIAL POSITION OF THE GROUP

Cash and Bank Borrowings

As at 30 June 2012, cash and bank deposits held by the Group amounted to HK\$15.22 billion. The increase was mainly attributable to the proceeds received from the issue of 800 million US dollar Guaranteed Senior Notes in May this year, net of the repayment of a 5-year syndicated loan amounting to HK\$2.1 billion.

The Group's bank and other borrowings, convertible bonds and Guaranteed Senior Notes amounted to HK\$25.69 billion as at 30 June 2012, which mainly comprised the 10-year and 30-year US dollar Guaranteed Senior Notes of HK\$13.88 billion, syndicated loans amounting to HK\$3.0 billion and convertible bonds of HK\$2.27 billion.

Liquidity and Capital Resources

As at the period end date, the Group had a strong net working capital of HK\$10.28 billion. The Group maintains sufficient banking facilities in both Hong Kong and Mainland China for its working capital requirements and had abundant cash resources to finance its capital expenditures in the foreseeable future.

As at 30 June 2012, the issued capital of the Company was 1,137,571,000 shares and equity attributable to shareholders of the Company was HK\$38.45 billion. Total equity was HK\$46.74 billion when compared to HK\$45.2 billion as at the end of 2011.

INTERIM DIVIDEND

The Board has resolved to declare an interim cash dividend for the six months ended 30 June 2012 of HK25 cents (2011: HK25 cents) per share, which will be payable on about 29 October 2012 to shareholders whose names appear on the register of members of the Company on 9 October 2012.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from 5 October 2012 to 9 October 2012, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Center, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 4 October 2012.

EMPLOYEE

At 30 June 2012, the Group had approximately 45,000 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 CORPORATE GOVERNANCE CODE

Save as disclosed below, the directors believe that the Company has complied with the code provisions (the "Code Provisions") contained in Appendix 14 "Corporate Governance Code and Corporate Governance Report" to the Listing Rules throughout the six months ended 30 June 2012.

Under CG Code provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings to develop a balanced understanding of the views of shareholders. During the six months ended 30 June 2012, Mr. Lam Hoi Ham attended the 2012 annual general meeting of the Company while the remaining three independent non-executive directors of the Company were not able to attend the meeting due to other business engagements, which deviates from CG Code provision A.6.7.

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 2012.

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 2012 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 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

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

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Notes	For the six months ended 30 June	
		2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
REVENUE	3	18,154,736	15,640,688
Cost of sales		(14,138,453)	(11,957,667)
Gross profit		4,016,283	3,683,021
Other income and gains, net	4	313,283	291,813
Fair value gain on the derivative component of convertible bonds		2,042	80,450
Selling and distribution expenses		(1,083,053)	(1,053,668)
Administrative expenses		(1,342,083)	(1,067,932)
Other operating expenses, net		8,642	25,378
PROFIT FROM OPERATING ACTIVITIES	5	1,915,114	1,959,062
Finance costs	6	(506,548)	(210,010)
Share of profits and losses of:			
Jointly-controlled entities		(106)	626,569
Associates		1,088,989	117,706
PROFIT BEFORE TAX		2,497,449	2,493,327
Income tax	7	(334,247)	(378,059)
PROFIT FOR THE PERIOD		2,163,202	2,115,268
ATTRIBUTABLE TO:			
Shareholders of the Company		1,819,283	1,650,883
Non-controlling interests		343,919	464,385
		2,163,202	2,115,268
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	9		
Basic		HK\$1.60	HK\$1.45
Diluted		HK\$1.56	HK\$1.41

Details of interim dividend declared are disclosed in note 8.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012 Unaudited <i>HK\$'000</i>	2011 Unaudited <i>HK\$'000</i>
PROFIT FOR THE PERIOD	2,163,202	2,115,268
OTHER COMPREHENSIVE INCOME/(LOSS)		
Changes in fair value of available-for-sale-investments	32,919	(32,467)
Exchange differences on translation of foreign operations	(586,100)	1,038,755
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF INCOME TAX OF NIL	(553,181)	1,006,288
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,610,021</u>	<u>3,121,556</u>
ATTRIBUTABLE TO:		
Shareholders of the Company	1,362,258	2,493,991
Non-controlling interests	247,763	627,565
	<u>1,610,021</u>	<u>3,121,556</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

		30 June 2012 Unaudited <i>HK\$'000</i>	31 December 2011 Audited <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets:			
Property, plant and equipment		28,473,494	26,317,184
Investment properties		718,013	681,096
Prepaid land premiums		1,268,463	1,275,264
Goodwill		7,493,495	7,453,561
Operating concessions		1,183,928	1,225,011
Other intangible assets		80,562	23,681
Investments in jointly-controlled entities		485,544	210,878
Investments in associates		13,429,404	12,573,986
Available-for-sale investments		971,817	917,412
Amounts due from contract customers		664,856	566,032
Receivables under service concession arrangements	<i>10</i>	1,500,479	1,588,046
Prepayments, deposits and other receivables		1,000,888	430,583
Deferred tax assets		610,683	594,721
Total non-current assets		<u>57,881,626</u>	<u>53,857,455</u>
Current assets:			
Prepaid land premiums		48,732	30,165
Property held for sale		27,480	27,611
Inventories		5,705,575	5,285,611
Amounts due from contract customers		46,633	46,631
Receivables under service concession arrangements	<i>10</i>	1,158,206	1,003,260
Trade and bills receivables	<i>11</i>	2,537,555	1,586,438
Prepayments, deposits and other receivables		3,294,000	2,313,196
Other taxes recoverable		129,780	588,996
Available-for-sale investments		109,756	–
Restricted cash and pledged deposits		101,830	36,631
Cash and cash equivalents		15,220,938	12,579,439
Total current assets		<u>28,380,485</u>	<u>23,497,978</u>
TOTAL ASSETS		<u>86,262,111</u>	<u>77,355,433</u>

		30 June 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital	<i>12</i>	113,757	113,757
Reserves		38,053,966	36,984,003
Dividends declared/proposed		284,393	511,907
		38,452,116	37,609,667
Non-controlling interests		8,287,042	7,587,062
TOTAL EQUITY		46,739,158	45,196,729
Non-current liabilities:			
Bank and other borrowings		3,856,995	4,070,115
Guaranteed Senior Notes		13,879,687	7,699,084
Liability component of convertible bonds		2,252,451	2,711,835
Derivative component of convertible bonds		21,076	61,783
Defined benefit plans		531,666	522,390
Provision for major overhauls		217,440	196,157
Other non-current liabilities		239,240	239,320
Deferred tax liabilities		428,617	371,353
Total non-current liabilities		21,427,172	15,872,037
Current liabilities:			
Trade and bills payables	<i>13</i>	2,669,047	1,904,594
Amounts due to contract customers		158,601	123,822
Receipts in advance		2,780,302	3,446,916
Other payables and accruals		5,413,951	4,430,794
Dividend payables		511,907	–
Income tax payables		372,324	342,313
Other taxes payables		508,333	333,277
Bank and other borrowings		5,681,316	5,704,951
Total current liabilities		18,095,781	16,286,667
TOTAL LIABILITIES		39,522,953	32,158,704
TOTAL EQUITY AND LIABILITIES		86,262,111	77,355,433

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

1. Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2012 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 interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2011, 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 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments for HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes: Deferred Tax – Recovery of Underlying Assets</i>

The adoption of the above new and revised HKFRSs has had no significant financial impact on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these interim condensed consolidated 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 2012 and 2011, respectively.

For the six months ended 30 June 2012

	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	Inter-segment elimination Unaudited HK\$'000	Consolidated Unaudited HK\$'000
Segment revenue	10,291,294	7,656,330	91,228	74,363	41,521	–	18,154,736
Cost of sales	(8,965,404)	(5,064,807)	(2,272)	(89,509)	(16,461)	–	(14,138,453)
Gross profit/(loss)	<u>1,325,890</u>	<u>2,591,523</u>	<u>88,956</u>	<u>(15,146)</u>	<u>25,060</u>	<u>–</u>	<u>4,016,283</u>
Profit/(loss) from operating activities	861,869	940,283*	92,694	(14,501)	80,132	(45,363)	1,915,114
Finance costs	(59,438)	(156,872)	(79)	(2,558)	(332,964)	45,363	(506,548)
Share of profits and losses of:							
Jointly-controlled entities	(106)	–	–	–	–	–	(106)
Associates	920,242	(523)	170,491	–	(1,221)	–	1,088,989
Profit/(loss) before tax	1,722,567	782,888	263,106	(17,059)	(254,053)	–	2,497,449
Income tax	(134,467)	(174,432)	(22,564)	(1,613)	(1,171)	–	(334,247)
Profit/(loss) for the period	<u>1,588,100</u>	<u>608,456</u>	<u>240,542</u>	<u>(18,672)</u>	<u>(255,224)</u>	<u>–</u>	<u>2,163,202</u>
Segment profit/(loss) attributable to shareholders of the Company	<u>1,586,201</u>	<u>274,151</u>	<u>240,542</u>	<u>(17,903)</u>	<u>(263,708)</u>	<u>–</u>	<u>1,819,283</u>

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	Inter-segment elimination Unaudited HK\$'000	Consolidated Unaudited HK\$'000
Segment 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>
Segment 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 (i) a fair value gain on the derivative component of convertible bonds of HK\$2,042,000 (six months ended 30 June 2011: 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; and (ii) a loss in redemption of convertible bonds of HK\$30,660,000 (six months ended 30 June 2011: Nil).

The amount for the six months ended 30 June 2011 included a reversal of impairment of a receivable under service concession arrangements of HK\$49,240,000.

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 2012 and 2011, none of the Group's individual customers contributed 10% or more of the Group's revenue.

4. Other income and gains, net

	For the six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Other income		
Bank interest income	94,224	75,189
Rental income	12,946	4,581
Government grants	29,772	45,351
Transfer of assets from customers	85,647	34,520
Others	89,952	119,311
	<u>312,541</u>	<u>278,952</u>
Gains, net		
Gain on disposal of items of property, plant and equipment, net	742	281
Foreign exchange differences, net	–	12,580
	<u>742</u>	<u>12,861</u>
Other income and gains, net	<u>313,283</u>	<u>291,813</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	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Depreciation	955,146	771,011
Amortisation of operating concessions*	25,644	44,918
Amortisation of computer software**	3,258	2,437
	<u>3,258</u>	<u>2,437</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	
	2012	2011
	Unaudited HK\$'000	Unaudited HK\$'000
Interest on bank loans and other loans wholly repayable within five years	181,772	120,398
Interest on Guaranteed Senior Notes	269,497	35,915
Interest on other loans	–	9,027
Interest on convertible bonds	52,721	42,602
	<hr/>	<hr/>
Total interest expense	503,990	207,942
Increase in discounted amount of provision for major overhauls arising from the passage of time	2,558	2,068
	<hr/>	<hr/>
Total finance costs	<u>506,548</u>	<u>210,010</u>

7. Income tax

	For the six months ended 30 June	
	2012	2011
	Unaudited HK\$'000	Unaudited HK\$'000
Current – Mainland China	339,634	338,117
Deferred	(5,387)	39,942
	<hr/>	<hr/>
Total tax charge for the period	<u>334,247</u>	<u>378,059</u>

No provision for Hong Kong profits tax has been made during the period ended 30 June 2012 as the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2011: 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 30 August 2012, the Board declared an interim cash dividend of HK25 cents per share (six months ended 30 June 2011: HK25 cents per share), totalling HK\$284,393,000 (six months ended 30 June 2011: HK\$284,393,000).

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 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 (six months ended 30 June 2011: also included 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).

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

	For the six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Earnings:		
Profit for the period attributable to shareholders of the Company, used in the basic earnings per share calculation	1,819,283	1,650,883
Interest expense for the period relating to the liability component of the dilutive convertible bonds of the Group	<u>33,872</u>	<u>28,736</u>
Profit for the period attributable to shareholders of the Company, used in the diluted earnings per share calculation	<u>1,853,155</u>	<u>1,679,619</u>
	For the six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
Number of ordinary shares:		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	1,137,571,000	1,137,427,667
Effect of dilution – weighted average number of ordinary shares		
Share options	–	113,135
Convertible bonds	<u>50,000,000</u>	<u>50,000,000</u>
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	<u>1,187,571,000</u>	<u>1,187,540,802</u>

10. Receivables under service concession arrangements

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

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

	30 June 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
Billed:		
Within one year	488,271	323,369
One to two years	368,320	372,102
Two to three years	<u>301,615</u>	<u>307,789</u>
	1,158,206	1,003,260
Unbilled	<u>1,500,479</u>	<u>1,588,046</u>
	2,658,685	2,591,306
Portion classified as current assets	<u>(1,158,206)</u>	<u>(1,003,260)</u>
Non-current portion	<u><u>1,500,479</u></u>	<u><u>1,588,046</u></u>

11. Trade and bills receivables

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

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

	30 June 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
Billed:		
Within one year	1,339,932	536,266
One to two years	244,895	43,152
Two to three years	36,524	15,615
Over three years	<u>125,805</u>	<u>124,980</u>
	1,747,156	720,013
Unbilled	<u>790,399</u>	<u>866,425</u>
	<u><u>2,537,555</u></u>	<u><u>1,586,438</u></u>

12. Share capital

	30 June 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
<i>Authorised:</i>		
2,000,000,000 ordinary shares of HK\$0.1 each	<u><u>200,000</u></u>	<u><u>200,000</u></u>
<i>Issued and fully paid:</i>		
1,137,571,000 ordinary shares of HK\$0.1 each	<u><u>113,757</u></u>	<u><u>113,757</u></u>

13. Trade and bills payables

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

	30 June 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
Within one year	2,557,617	1,867,774
One to two years	91,360	21,463
Two to three years	11,416	3,947
Over three years	8,654	11,410
	<u>2,669,047</u>	<u>1,904,594</u>

14. Comparative amounts

Certain comparative amounts have been reclassified to conform to the current period's presentation.

15. Other financial information

The net current assets and total assets less current liabilities of the Group as at 30 June 2012 amounted to HK\$10,284,704,000 (unaudited) (31 December 2011: HK\$7,211,311,000) and HK\$68,166,330,000 (unaudited) (31 December 2011: HK\$61,068,766,000), respectively.

By order of the Board
Wang Dong
Chairman

Hong Kong, 30 August 2012

As at the date of this announcement, the board of directors of the Company comprises Mr. Wang Dong (Chairman), Mr. Zhang Honghai, Mr. Lin Fusheng, Mr. Li Fucheng, Mr. Zhou Si, Mr. Hou Zibo, Mr. Guo Pujin, Mr. Liu Kai, Mr. Lei Zhengang, Mr. E Meng, 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.