



北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

Beijing Enterprises announces 2008 interim results

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Revenue increased 157.9 % to HK\$9.47 billion

Profit attributable to shareholders soared

93.7% to HK\$ 1.27 billion

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Record High Since Listing

Financial Highlights

For the six months ended 30 June

	2008	2007	
	Unaudited	Unaudited	
	(HK\$'000)	(HK\$'000)	Change
		(Restated)	
Revenue	9,472,185	3,673,237	+157.9%
Gross profit	2,289,126	1,238,612	+84.8%
Profit from operating activities	1,549,061	967,016	+60.2%
Profit attributable to shareholders	1,273,378	657,433	+93.7%
Basic earnings per share (HK dollar)	1.12	1.05	+6.7%

(Hong Kong, 17 September 2008) – Beijing Enterprises Holdings Limited (“Beijing Enterprises” or the “Group”; stock code: 392) today announced its results for the six months ended 30 June 2008. Its revenue increased 157.9% to HK\$9.47 billion when compared with the corresponding period of last year, while profit attributable to shareholders reached HK\$ 1.27 billion, up 93.7% from the corresponding period of last year. Basic earnings per share amounted to HK\$1.12. The Board recommended payment of an interim dividend of HK20 cents per share.

Mr. Zhang Hong Hai, Vice Chairman and CEO of the Group, said, “After a series of restructuring of its business, the Group has identified infrastructure, utilities and consumer products as its core businesses. We are pleased that the development of the Company’s major businesses experienced positive trends in the first half year of 2008. The profit attributable to the Company increased substantially upon injection of the natural gas business.”

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
	<i>HK'000</i>	%
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

BUSINESS REVIEW

I. Infrastructure and Utilities

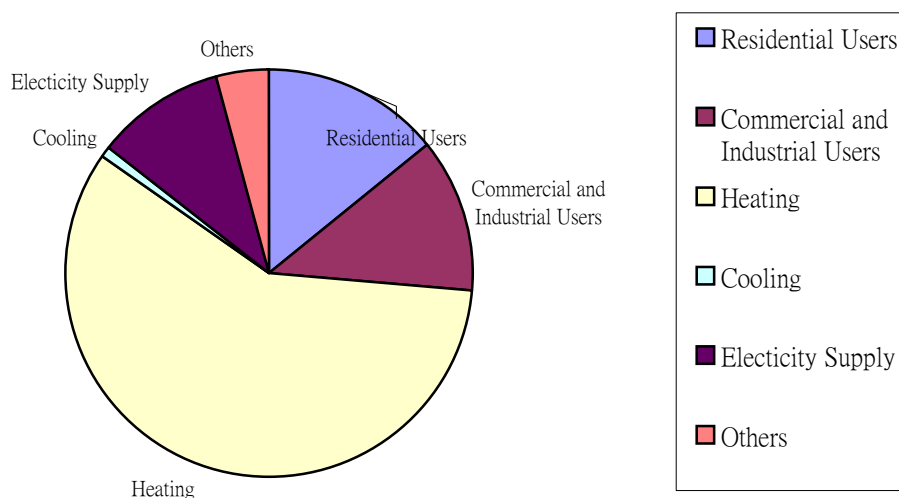
Natural Gas business

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

	Volume Sold <i>million cubic meter</i>	Ratio
Residential Users	350	14.1%
Commercial and Industries Users	306	12.3%
Heating	1,450	58.3%
Cooling	23	0.9%
Electricity Supply	251	10.1%
Others	106	4.3%
Total	<u>2,487</u>	<u>100%</u>



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

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.

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.

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 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.

About Beijing Enterprises Holdings Limited (0392.HK)

Beijing Enterprises Holdings Limited (“Beijing Enterprises”) is the sole overseas listed conglomerate controlled by the Beijing Municipal Government for channeling capital, technology and management expertise from international markets into Beijing’s development priorities. After a series of divestitures, Beijing Enterprises has successfully streamlined its assets portfolio and transformed itself into a diversified conglomerate with focus on infrastructure, utilities and consumer products. Its core assets include Beijing Capital International Airport Expressway, Beijing number nine water concession and Yanjing Brewery, etc. Beijing Enterprises acquired Beijing Gas Group (BVI) Co., Ltd. which is the largest integrated citywide natural gas distributor in the PRC on 30 June 2007. Currently, Beijing Enterprises holds 64.32% share interests of Beijing Enterprises Water Group Limited (0371. HK) which is Beijing Enterprises’ major vehicle for investing in regional water projects in mainland China. Beijing Enterprises also holds 40.12% share interests of Beijing Development (Hong Kong) Limited (0154. HK) whose major activity is developing Smart Card business in Beijing. Beijing Development (Hong Kong) Limited also holds 29.18% share interests of another Hong Kong listed company China Information Technology Development Limited (8178. HK). Moreover, Beijing Enterprises indirectly holds 24.50% share interests of a Hong Kong listed company Biosino Bio-technology and Science Incorporation (8247.HK). Biosino Bio-technology and Science Incorporation is principally engaged in the research and development, manufacture, sale and distribution of in-vitro diagnostic reagents and pharmaceutical products.

For more information, please visit the Group’s site at: <http://www.behl.com.hk>

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