

北京控股有限公司

BEIJING ENTERPRISES HOLDINGS LIMITED

2009 Interim Results

Financial Highlights

	<u>For the six months ended 30 June</u>		Change
	2009	2008	
	Unaudited (HK\$'000)	Unaudited (HK\$'000)	
Revenue	11,628,432	9,593,445	+21.2%
Gross Profit	2,917,978	2,410,386	+21.1%
Profit from Operating Activities	1,670,960	1,549,061	+7.9%
Profit Attributable to Owners	1,418,078	1,273,378	+11.3%
Basic Earning Per Share (HK dollar)	1.25	1.12	+11.61%

(Hong Kong, 16 September 2009) – Beijing Enterprises Holdings Limited (the “Company” or the “Group”) (stock code: 392) today announced its results for the six months ended 30 June 2009. Its revenue increased by 21.2% to approximately HK\$11.63 billion. Profit attributable to owners of the Company increased by 11.3% to HK\$1.418 billion. Basic earning per share amounted to HK\$1.25. The board of directors of the Company had resolved to declare an interim dividend of HK20cents.

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

	Profit After Taxation <i>HK\$'000</i>	Proportion %
Natural Gas Business	1,040,271	73.4
Beer Business	172,106	12.1
Water Treatment Business	118,954	8.4
Toll Roads	65,163	4.6
Others	21,584	1.5

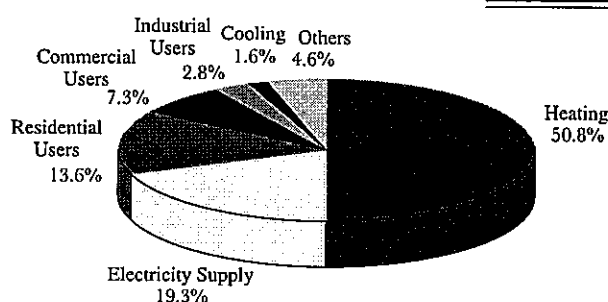
MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Natural Gas Business

The natural gas distribution business of Beijing Gas Group Company Limited ("Beijing Gas") recorded a revenue of HK\$5.89 billion, increased by 16% comparing to the first half of last year. Net profit from gas distribution business in the first half of the year was HK\$451 million, increased by 11.4% comparing to the first half of 2008. Gas sales volume was approximately 2.86 billion cubic meters, up 14.9% against 2.49 billion cubic meters in the corresponding period of last year. The total length of the pipeline system including self owned and entrusted pipelines in Beijing city further increased to approximately 12,000 kilometers. During the period under review, capital expenditures incurred was HK\$881 million, primarily used in the construction of high-pressure pipelines in suburban counties and the new piped line network infrastructure project. The sales volume was analysed as follows:

	For the six months ended 30 June 2009	
	Sales Volume '0000 cubic meter	Proportion
Heating	145,431	50.8%
Electricity Supply	55,365	19.3%
Residential Users	38,935	13.6%
Commercial Users	20,987	7.3%
Industrial Users	8,069	2.8%
Cooling	4,459	1.6%
Others	13,024	4.6%
Total	286,270	100%



The transmission volume of PetroChina Beijing Natural Gas Pipeline Company Limited (“PetroChina Beijing Pipeline Co”) for the first half of 2009 was approximately 6.96 billion cubic meters compared against 5.85 billion in the first half of last year, representing a growth of 19%. The strong transmission volume growth was mainly attributable to strong demand from the city gas operators in the Bohai and Hebei area. Beijing Gas shared a net profit after taxation of HK\$587 million, based on the 40% equity stake in PetroChina Beijing Pipeline Co in the first half of 2009, representing a 32.8% increase when compared with the first half of 2008. The capital expenditures of PetroChina Beijing Pipeline Co in the first half of 2009 was approximately HK\$1.3 billion, primarily used in the construction of Qinhuang Island Spur Pipeline, the transmission enhancement project for No. 2 Shaanxi-Beijing Gas Pipeline and Jing 58 underground gas storages project.

Beer Business

The overall sales volume of beer products sold under the “Yanjing” brand and its associated brands increased by approximately 14% to 2.34 million thousand litres. Revenue increased by 21.4% to HK\$5 billion, mainly due to volume increase and continuous appreciation of Renminbi exchange rate. Profit attributable to the Group increased by 39.4% to approximately HK\$172 million mainly due to higher gross profit margin, appropriate cost control measures and appreciation of the Renminbi exchange rate. Beijing Yanjing Brewery Co., Ltd. (“Yanjing Brewery”) controls over 85% of the market share in the Beijing market. Driven by the branding effect of the Olympics, our advantage in the Beijing market was further consolidated, recording a year-on-year sales growth of 6.9% in the first half of the year. The development of markets outside Beijing was even faster in the first half of the year, recording a year-on-year sales growth of 17%. Sales in the Guangdong market grew by 63% and that of the Hebei market grew by 42%.

During the period under review, Yanjing Brewery injected more than HK\$400 million to Guangdong Yanjing Beer and Chifeng Yanjing Beer, primarily used in the expansion and technological improvement projects.

Water Treatment Business

The attributable profit of Beijing No.9 water treatment concession to the Group in the first half of 2009 was approximately HK\$90.6 million.

Beijing Enterprises Water Group Limited (“BE Water”) (stock code: 371), a 60.22% owned subsidiary of the Group as at 30 June 2009, recorded a turnover of HK\$435 million and attributable profit of HK\$28 million to the Group in the first half of 2009. Currently, the Group has more than 3.6 million tons of water processing capacity per day in operation and under construction in Mainland China. We expect to continue investments in quality water projects through BE Water in the future.

Toll Roads

The traffic volume going through the Capital Airport Expressway declined by 25% to 17.38 million vehicles in the first half of 2009 mainly due to diversion of traffic to the South Extension Line connecting to the Terminal 3 of Beijing International Airport.

The revenue of Capital Airport Expressway decreased by 25.8% accordingly to HK\$167 million in the first half of 2009. Attributable profit to the Group also declined by 47% to approximately HK\$64 million comparing to corresponding period of last year.

The traffic volume of Shenzhen Shiguan Road declined by 14% to 4.01 million vehicles in the first half of the year. The attributable profit to the Group was HK\$1.6 million for the six months ended 30 June 2009.

II. PROSPECTS

Natural Gas Business

The natural gas distribution business in Beijing area has recorded continuous volume growth and subscriber growth 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 suburban counties in the medium term.

In the transmission business, the compression and gas storage project for existing Shaanxi-Beijing No. 1 & 2 long piped lines progressed well during the period under review. Upon expected completion in first quarter next year, the annual consolidated transmission capacity should reach 19 billion cubic meters per annum.

Beer Business

“Yanjing” will remain one of the strongest local beer brands in the Mainland China. The nationwide bottling production facilities together with the established distribution network will further boost the market share in the future. Yanjing Brewery’s profit margin will remain stable as the more profitable premium beer gaining higher market share and contributes higher profit to Yanjing Brewery.

Water Treatment Business

The water treatment business conducted through BE Water is expected to build up the processing volume aggressively with medium term goal of achieving daily capacity of more than 5 million tons per day.

Toll Roads

The traffic volume of Capital Airport Expressway is expected to stabilise at around 90,000 vehicles per day based on the current air traffic volume of Terminals 1 to 3 of Beijing International Airport. The traffic volume of Shenzhen Shiguan Road is expected to shrink further due to diverting of traffic to other free highway around Shenzhen area. The Group will seriously consider withdraw from this project and seek reasonable compensation from the relevant Shenzhen authority.

III. FINANCIAL REVIEW

Revenue

The revenue of the Group's continuing operations in first half of 2009 was approximately HK\$11.6 billion, increased by 21.2% when compared with first half in 2008. This was mainly driven by higher gas sales volume and higher beer sales volume. Other business contributed an aggregate of not more than 6% of the total revenue.

Cost of Sales

Cost of sales increased by 21.3% to HK\$8.71 billion, basically in line with the increase in revenue. The cost of sales for gas distribution business included purchase cost of natural gas as well as depreciation of piped line network.

Gross Profit Margin

Overall gross profit margin was 25.1% for current period. The gross profit margin was similar to that of the corresponding period of last year. Natural gas distribution business had average gross margin of approximately 16.1% which is lower than the high 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\$43.5 million; gain on deemed disposal of interests in subsidiaries amounted to HK\$134 million; government grants amounted to HK\$62.4 million; and exchange gain etc.

Selling and Distribution Costs

Selling and distribution costs of the Group's operating business in first half of 2009 increased by 19% to HK\$663 million, in line with the increase in revenue. The proportion of selling and distribution costs for gas distribution business was lower than that of brewery business due to much higher advertisement expenses for consumer products business.

Administrative Expenses

Administrative expenses of the Group in the first half of 2009 was HK\$766 million, increased by 30.5% comparing to the corresponding period of last year. The increase was mainly due to commencement of new beer bottling plants in Sichuan, Inner Mongolia and Xinjiang and consolidation of newly acquired sewage plants from BE Water. The higher than revenue percentage increase was due to relatively higher proportion of administrative costs for brewery business.

Finance Costs

Finance costs of the Group in the first half of 2009 was HK\$183 million, remained almost the same as that in corresponding period of 2008. The lower bank loan interest was due to lower interest rates for Hong Kong dollar denominated syndicated bank loans during the period under review.

Share of Results of Jointly-controlled Entities

This substantially represented the 40% share of the net profits of PetroChina Beijing Pipeline Co for the first half of 2009. PetroChina Beijing Pipeline Co is 40% owned by Beijing Gas and 60% owned by PetroChina Company Limited. The primary business of PetroChina Beijing Pipeline Co is natural gas transmission which supplies to city gas operators along the Shaanxi-Beijing No. 1 & 2 long piped lines with an approximate total length of 2,200 kilometers owned by PetroChina Beijing Pipeline Co.

Share of Results of Associated Companies

The Group's share of net losses of associates amounted to HK\$3.9 million in the first half of 2009.

Tax

Effective income tax rate was steady at 25.7% due to stabilised business structure. Also, the net exceptional gains derived from deemed disposal of interests in BE Water were of capital nature and not subject to tax.

IV. FINANCIAL POSITION OF THE GROUP

Cash and Bank Borrowings

As at 30 June 2009, cash and bank deposits held by the Group amounted to HK\$10.24 billion. In May of 2009, the Group has captured the opportunity to issue a five-year convertible bond amounting to HK\$2.175 billion. The proceeds will be used mainly to finance the capital contribution to the forthcoming Shaanxi-Beijing Third Pipeline Project.

At the statement of financial position date, the Group had a strong net working capital of HK\$6.74 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\$8.05 billion as at 30 June 2009, which mainly comprised of five year syndicated loans amounting to HK\$2.1 billion, project financing of HK\$2.83 billion and loans of HK\$ 3.12 billion carried in the PRC subsidiaries. Around 25% of the bank and other loans were denominated in Hong Kong dollars with the rest in Renminbi. The Group was in a net borrowing position of HK\$572 million as at 30 June 2009.

Liquidity and Capital Resources

During the period under review, there was no significant movements in the issued capital of the Company. As at the end of June 2009, the issued capital of the Company was 1,137,281,000 shares and shareholders' equity grew to HK\$30.52 billion. Total equity was HK\$37.76 billion comparing to HK\$36.31 billion as at the end of 2008.

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.

BEIJING ENTERPRISES HOLDINGS LIMITED
CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2009

For the period ended 30 June

	2009 Unaudited HK\$'000	2008 Unaudited HK\$'000
REVENUE	11,628,432	9,593,445
Cost of sales	(8,710,454)	(7,183,059)
Gross profit	<u>2,917,978</u>	<u>2,410,386</u>
Other income and gains, net	365,337	379,035
Selling and distribution expenses	(663,141)	(557,202)
Administrative expenses	(766,097)	(586,884)
Other operating expenses, net	<u>(183,117)</u>	<u>(96,274)</u>
PROFIT FROM OPERATING ACTIVITIES	1,670,960	1,549,061
Finance costs	(183,177)	(183,324)
Share of profits and losses of:		
Jointly-controlled entities	593,581	441,741
Associates	<u>(3,875)</u>	<u>(6,132)</u>
PROFIT BEFORE TAX	2,077,489	1,801,346
TAX	<u>(346,266)</u>	<u>(281,911)</u>
PROFIT FOR THE PERIOD	<u><u>1,731,223</u></u>	<u><u>1,519,435</u></u>
ATTRIBUTABLE TO:		
Shareholders of the Company	1,418,078	1,273,378
Minority interests	<u>313,145</u>	<u>246,057</u>
	<u><u>1,731,223</u></u>	<u><u>1,519,435</u></u>
DIVIDENDS		
Interim	<u><u>227,456</u></u>	<u><u>227,600</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		
Basic	<u><u>HK\$1.25</u></u>	<u><u>HK\$1.12</u></u>
Diluted	<u><u>HK\$1.15</u></u>	<u><u>HK\$1.12</u></u>

BEIJING ENTERPRISES HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEET

As at 30 June 2009

	30 June 2009 Unaudited HK\$'000	31 December 2008 Audited HK\$'000
ASSETS		
Non-current assets:		
Property, plant and equipment	18,744,070	17,988,216
Investment properties	198,588	198,759
Prepaid land premiums	1,173,859	1,136,358
Goodwill	8,542,124	8,537,759
Operating concessions	1,970,154	1,813,494
Other intangible assets	13,625	14,969
Interests in jointly-controlled entities	4,740,084	4,508,590
Interests in associates	805,311	802,207
Receivables under service concession arrangements	2,814,449	2,821,311
Prepayments, deposits and other receivables	17,010	124,270
Available-for-sale investments	301,089	309,789
Deferred tax assets	496,897	484,772
Total non-current assets	<u>39,817,260</u>	<u>38,740,494</u>
Current assets:		
Prepaid land premiums	23,423	24,356
Inventories	2,925,263	3,067,436
Amounts due from contract customers	364,617	202,512
Trade and bills receivables	1,288,415	1,056,026
Receivables under service concession arrangements	496,632	380,792
Prepayments, deposits and other receivables	1,428,476	1,419,334
Financial assets at fair value through profit or loss	751	1,566
Other taxes recoverable	36,243	72,873
Restricted cash and pledged deposits	61,843	64,413
Cash and cash equivalents	10,182,499	6,666,940
Total current assets	<u>16,808,162</u>	<u>12,956,248</u>
TOTAL ASSETS	<u><u>56,625,422</u></u>	<u><u>51,696,742</u></u>

BEIJING ENTERPRISES HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2009

	30 June 2009 Unaudited HK\$'000	31 December 2008 Audited HK\$'000
EQUITY AND LIABILITIES		
Equity attributable to shareholders of the Company:		
Issued capital	113,728	113,700
Reserves	30,179,060	29,006,598
Proposed dividends	227,456	511,650
	<u>30,520,244</u>	<u>29,631,948</u>
Minority interests	7,237,710	6,678,522
TOTAL EQUITY	<u><u>37,757,954</u></u>	<u><u>36,310,470</u></u>
Non-current liabilities:		
Bank and other borrowings	4,932,345	3,895,388
Convertible bonds	2,766,839	515,908
Defined benefits plans	398,026	389,815
Other long term liabilities	226,974	204,442
Provision for major overhauls	166,561	121,438
Deferred tax liabilities	307,601	279,859
Total non-current liabilities	<u>8,798,346</u>	<u>5,406,850</u>
Current liabilities:		
Trade and bills payables	1,131,208	1,190,222
Amounts due to contract customers	78,448	107,831
Other payables and accruals	4,684,198	4,689,729
Income tax payable	567,735	457,983
Other taxes payable	490,093	361,021
Bank and other borrowings	3,117,440	3,172,636
Total current liabilities	<u>10,069,122</u>	<u>9,979,422</u>
TOTAL LIABILITIES	<u><u>18,867,468</u></u>	<u><u>15,386,272</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>56,625,422</u></u>	<u><u>51,696,742</u></u>

Beijing Enterprises Holdings Limited
Segment analysis on major enterprises

	<u>Six months ended 30 June 2009</u>		<u>Six months ended 30 June 2008</u>	
	Revenue	Net profit attributable to shareholders	Revenue	Net profit attributable to shareholders
	HKD'000	HKD'000	HKD'000	HKD'000
<i>Piped Gas Operation</i>				
Beijing Gas	5,888,694	1,040,271	5,077,756	847,182
<i>Sewage And Water Treatment Operations</i>				
Water Treatment Concession	119,263	90,620	121,260	91,501
BE Water Group	434,638	28,334	-	2,314
	553,901	118,954	121,260	93,815
<i>Brewery Production Operation</i>				
Yanjing Beer	5,005,828	172,106	4,123,912	123,492
<i>Expressway And Toll Road Operations</i>				
Capital Airport Expressway	166,608	63,529	224,907	120,133
Shiguan Road	37,644	1,634	42,886	6,431
	204,252	65,163	267,793	126,564
<i>Other Operations</i>				
Other Enterprises	20,297	(13,454)	2,724	(10,880)
Headquarter and other expenses	-	(19,042)	-	(29,761)
	20,297	(32,496)	2,724	(40,641)
Eliminations	(44,540)	(11,798)	-	-
	11,628,432	1,352,200	9,593,445	1,150,412
Exceptional Items, net	(1)	65,878	(2)	122,966
Total		1,418,078		1,273,378

(1) Amount mainly represented the net of the gain on deemed disposal of a subsidiary of HKD134 million, the provision of receivables of HKD48 million and the provision of PRC withholding tax of HKD17 million.

(2) Amount mainly represented gains on disposal and deemed disposal of equity interests in subsidiaries and reversal of provision of Eversource.



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 Gas Group Company Limited (the largest integrated citywide natural gas distributor in the PRC), Beijing Enterprises Water Group Limited (0371.HK), Beijing Number 9 Water Plant concession, Beijing Yanjing Brewery Co., Ltd. and Capital Airport Expressway, etc. Currently, Beijing Enterprises holds 57.62% share interests in 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 42.87% equity interests in 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 in another Hong Kong listed company China Information Technology Development Limited (8178. HK). Moreover, Beijing Enterprises indirectly holds 24.50% share interests in 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 website at: <http://www.behl.com.hk>

Enquiry

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