

BEIJING ENTERPRISES HOLDINGS LIMITED

Stock Code : 392



Interim Results 2024

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Results summary

<i>Unit: RMB million</i>	1H2023 (Restated)	1H2024	Change %
Revenue	42,560	42,325	-0.6%
Gross Profit	6,306	6,487	+2.9%
EBITDA	8,571	8,153	-4.9%
EBIT	6,488	5,678	-12.5%
Profit for the Period	4,765	3,874	-18.7%
Profit Attributable to Shareholders of the Company	4,091	3,149	-23.0%
Profit Attributable to Shareholders of the Company after excluding one-off items	3,426	3,149	-8.1%
Basic and Diluted EPS (RMB)	3.25	2.50	-23.1%
Interim Dividend Per Share (HKD)	0.93	0.85	-8.6%
Interim Dividend Payout Ratio	25.2%	30.9%	+5.7ppts

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Operating Overview



- Sufficient upstream gas supply, markets inside and outside Beijing remained stable
- The first and second phases of the storage tanks and outbound pipelines of Tianjin Nangang LNG Project were put into operation, while promoting the implementation of cost supervision and review



- Maintained growth in its key performance indicators, with the growth rate of its beer sales outpacing the industry average
- Steadily pushed forward the forming of a management excellence system and explored the potential for cost reduction and efficiency improvement
- Steadfastly implemented the strategy of bulk single product, adding several production bases for U8 bulk single product
- Enriched the “on-line + off-line” marketing and diversified communication methods, and laid out new scenarios of e-commerce, new retail and experiential consumption to reshape the image of Yanjing to be youthful and high-end



- The price pass-through policy has been implemented and the gross margin has been steadily improved
- Operating cash flow and free cash flow both increased significantly to historic highs
- Maintained a high dividend payout to provide long-term and stable returns to shareholders



- Maintained solid revenue and profit growth in core water treatment business
- Focused on repayment and made use of the bond policy to push forward the collection of large amounts of outstanding fees
- Optimized asset structure by disposing of non-core assets and low-efficiency assets in principal business
- Advanced regional intensification reform to promote quality improvement, efficiency increase and cost reduction in existing operations



Environmental Business

Domestic environmental business segment: Tapped into waste incineration resource channels; explored new models of green and low-carbon economy, with Gaoantun and Taian projects receiving the first batch of green electricity certificates in 1H2024; successfully won the bidding for the Qidong project, making a major breakthrough in the practice of the light asset operation mode

Overseas EEW: Actively expanded waste sources, enhanced solid waste collection capacity and power generation; strengthened operational management, and strived to reduce operating costs

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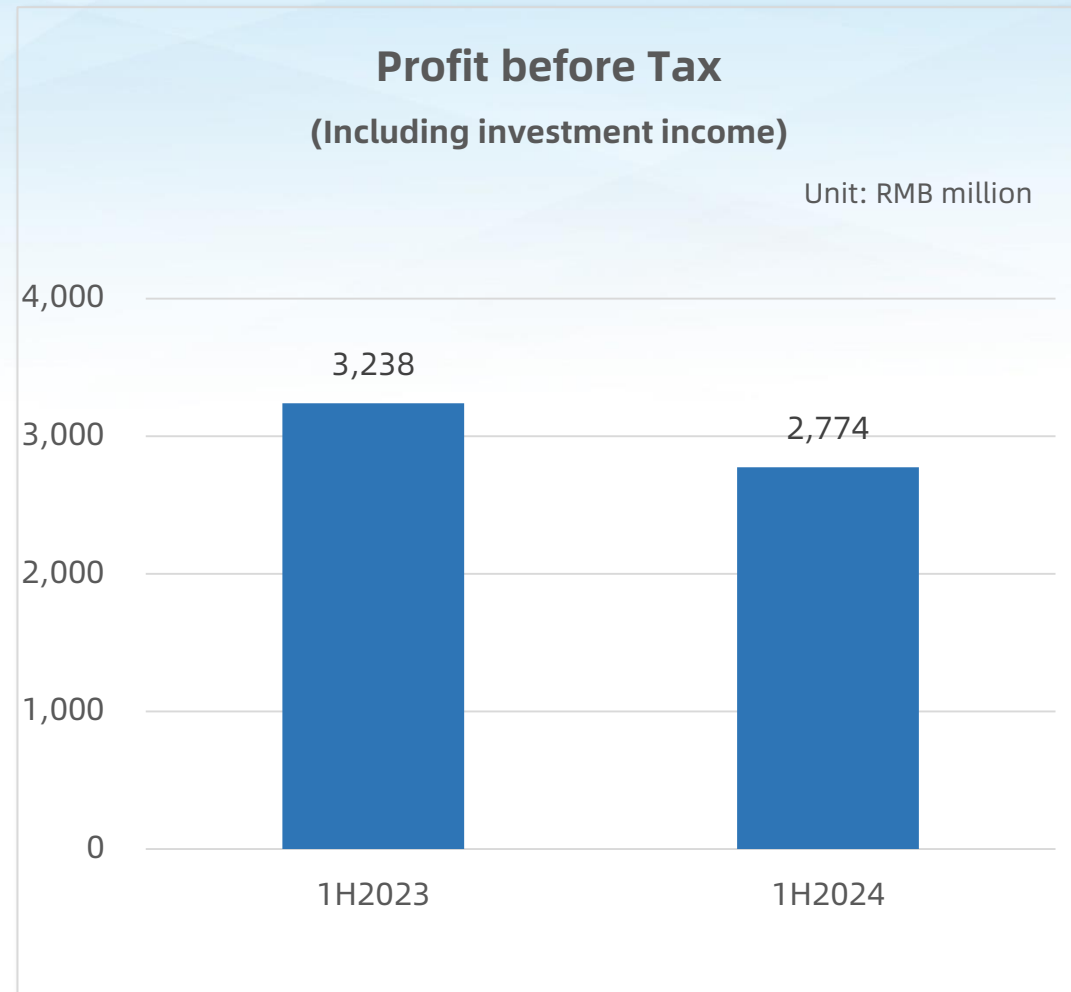
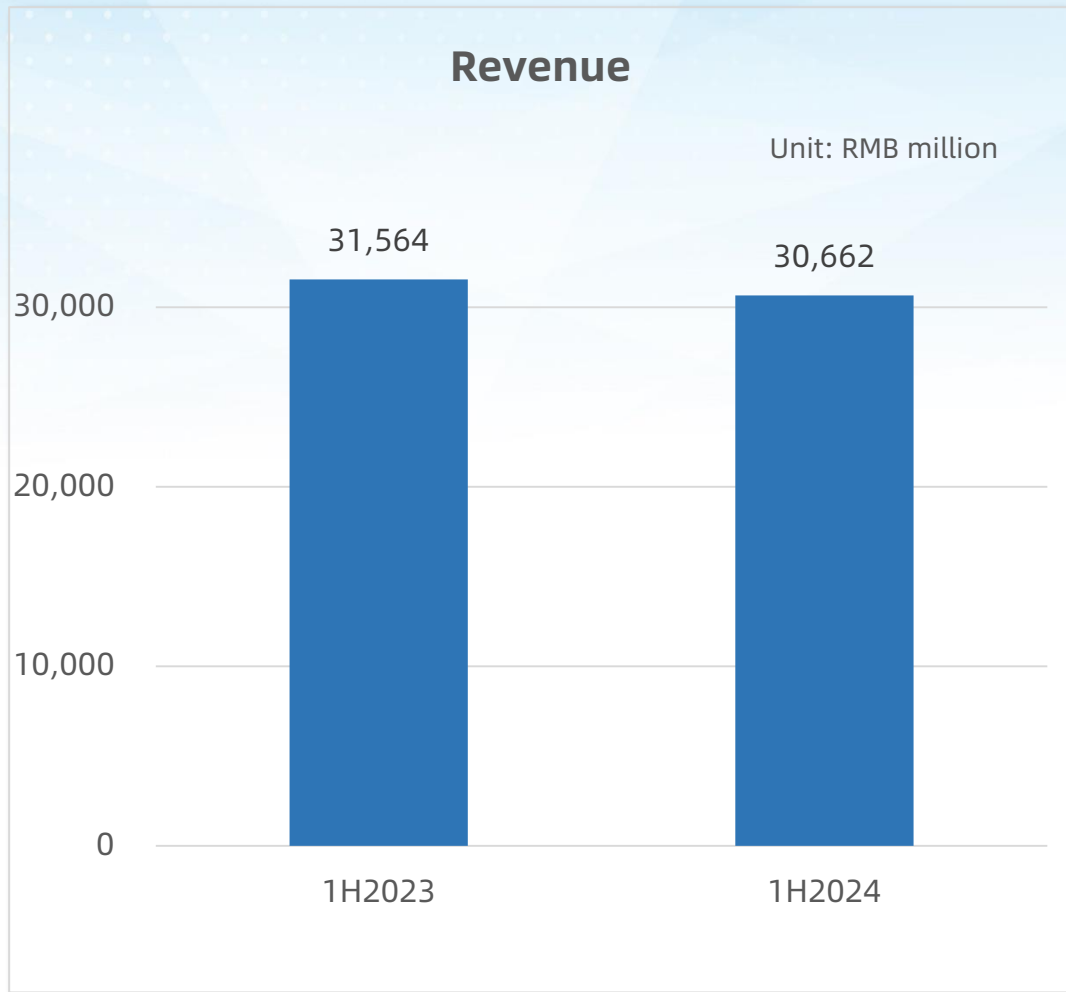
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Business Updates – Beijing Gas

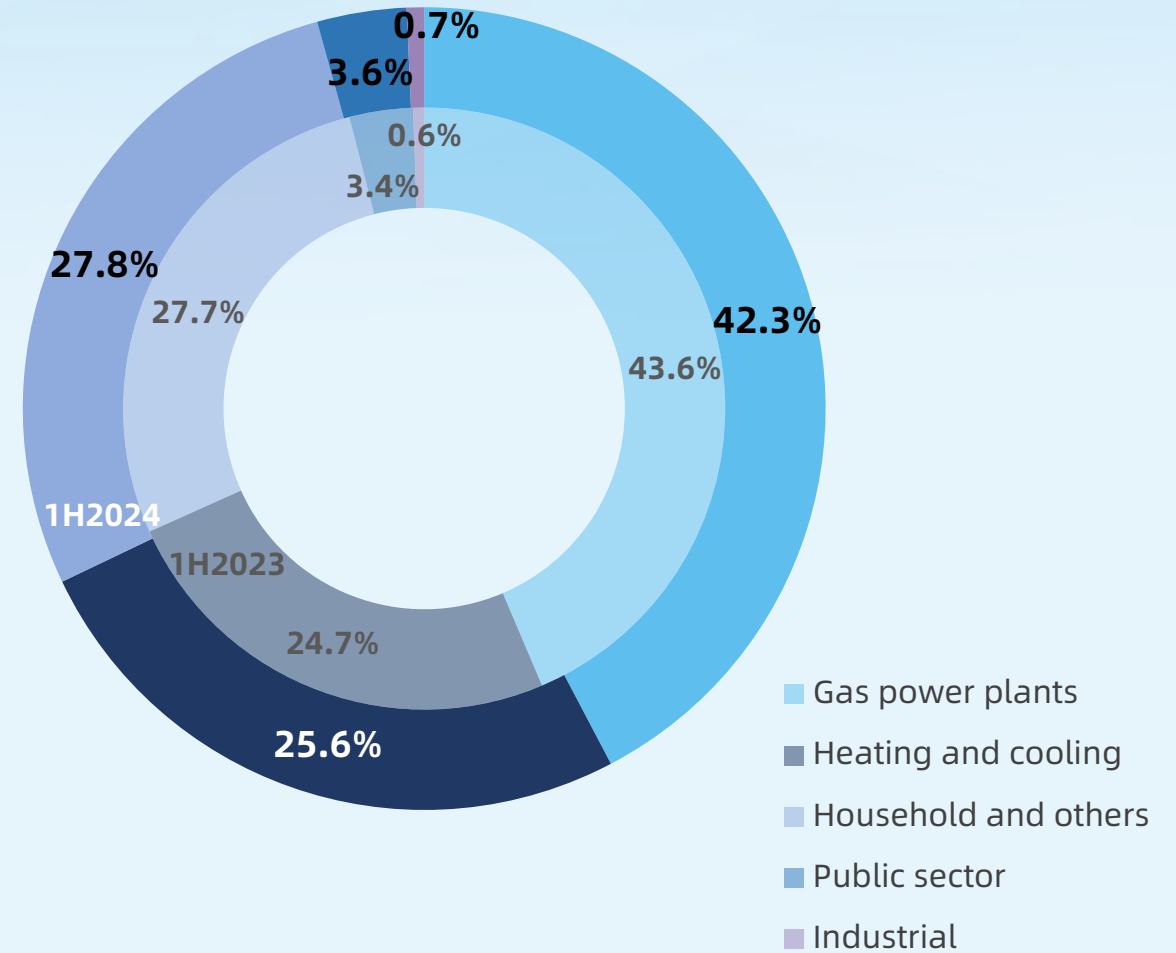




Business Updates - Beijing Gas

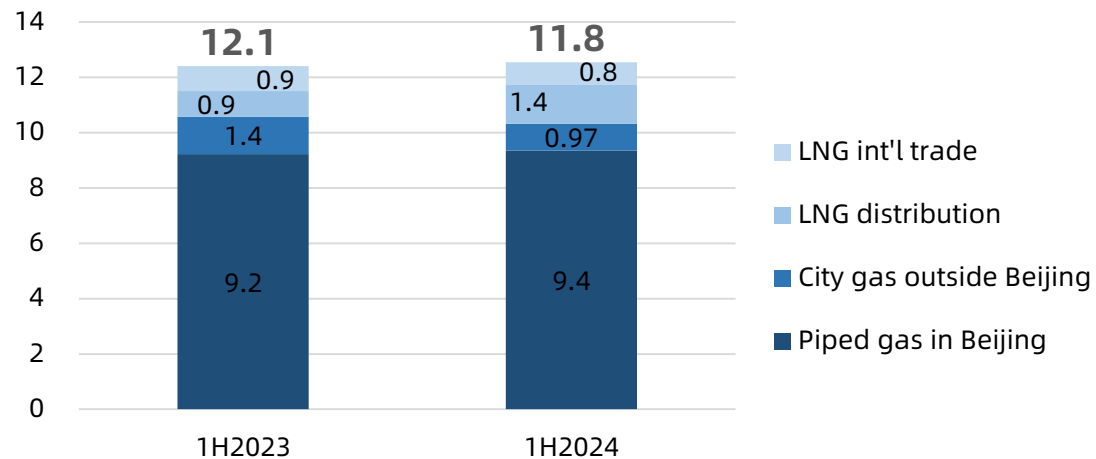
Data Cut-Off Date	Items		Key Operating Data
1H 2024	In Beijing	Newly developed households (k)	54
		New public sector subscribers	1,726
		New heating boilers (t/h)	420
As of 30 June 2024	Accumulated subscribers in and outside Beijing (million)		8.2

Gas Sales Volume Inside Beijing by User Sector



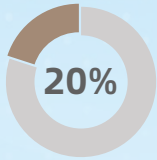
Beijing Gas Sales Volume

Unit: Billion Cubic Meters

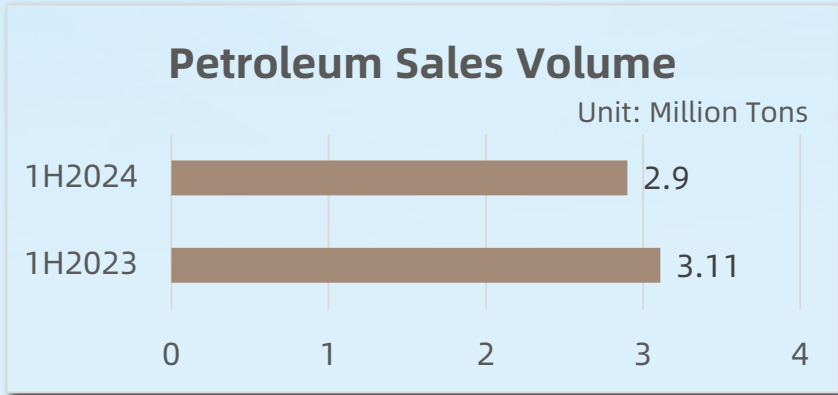


Note: Total sales volume excludes duplicate statistics in different categories

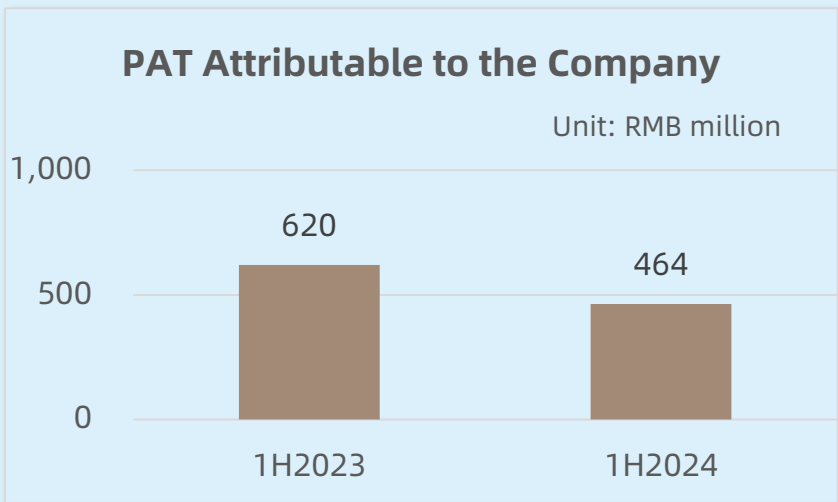
Business Updates - Gas Supply Chain Investments



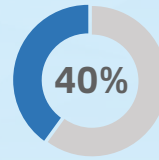

VCNG of Rosneft



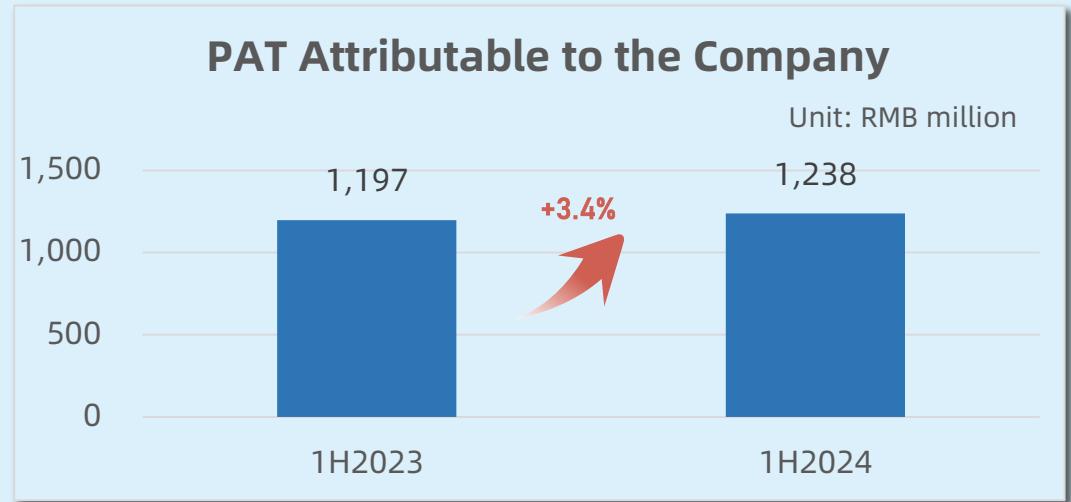
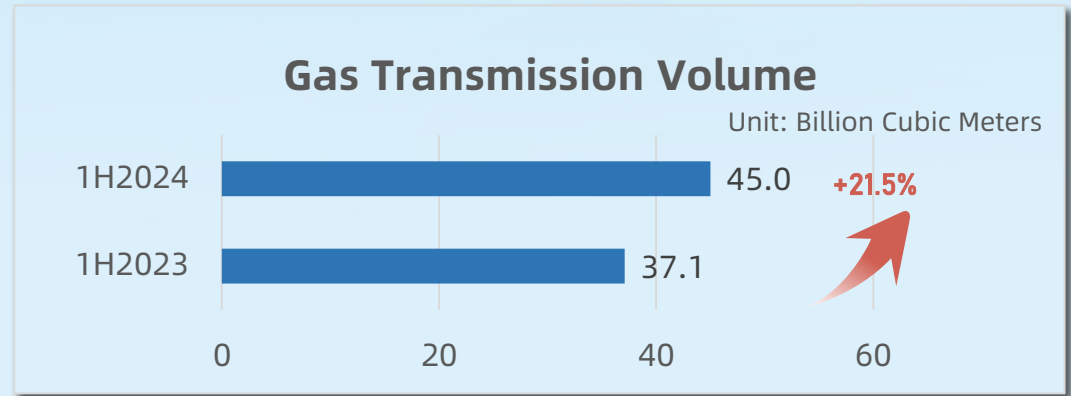
Reasons for decline:
The natural depletion of oil field production is in line with the curve of decreasing production year by year when the project was acquired



Reasons for decline:
Impact of changes in Russia's energy tax policy and currency exchange rate fluctuations




PipeChina Beijing Pipeline Co.





Business Updates - China Gas



Natural Gas Business	Accumulated Number of Users as at 31 March 2024
Residential users	47,051,267
Industrial users	24,476
Commercial users	359,598
CNG/LNG refiling stations	516

LPG Business	Accumulated Number of Users as at As at 31 March 2024
Receiving terminals	5
Large storage and logistics bases for petrochemical products	6
Sales volume of wholesale business (FY23/24)	3.222 million tons
Sales volume of terminal retail business (FY23/24)	774 thousand tons



Cash flow at a record high

- Net operating cash flow **up by HK\$1.31 billion** year-on-year to **HK\$11.34 billion**, a record high
- Free cash flow: **up by HK\$1.77 billion** year-on-year to **HK\$ 4.29 billion**, a record high



Dollar margin in steady recovery

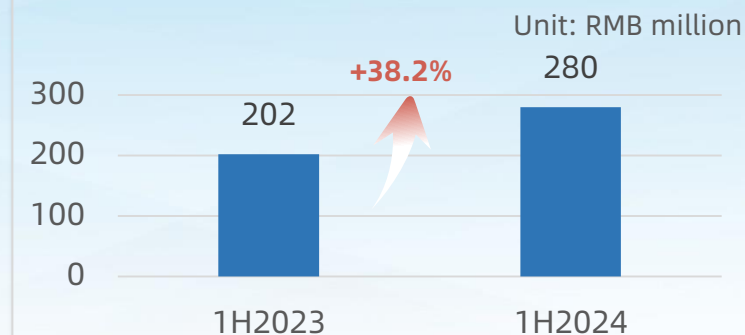
- Dollar margin in gas sales increased by **RMB 0.08/m³** year-on-year



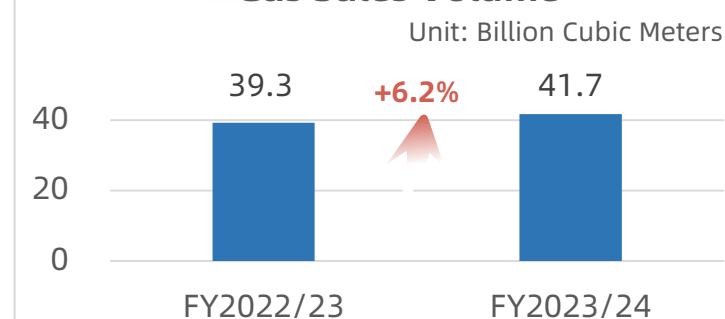
Payout ratio constantly high

- Maintained high dividend payout ratio to generate long-term and stable returns for shareholders

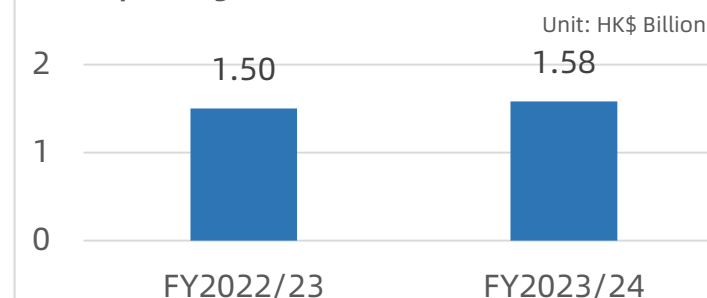
Profit Attributable to BEHL



Gas Sales Volume

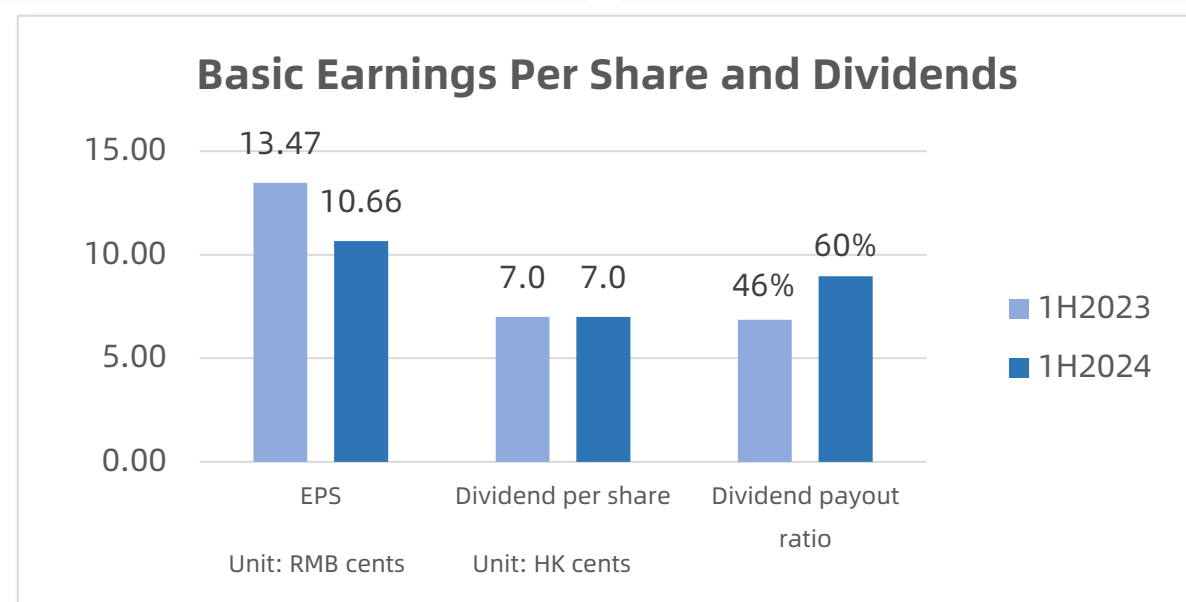
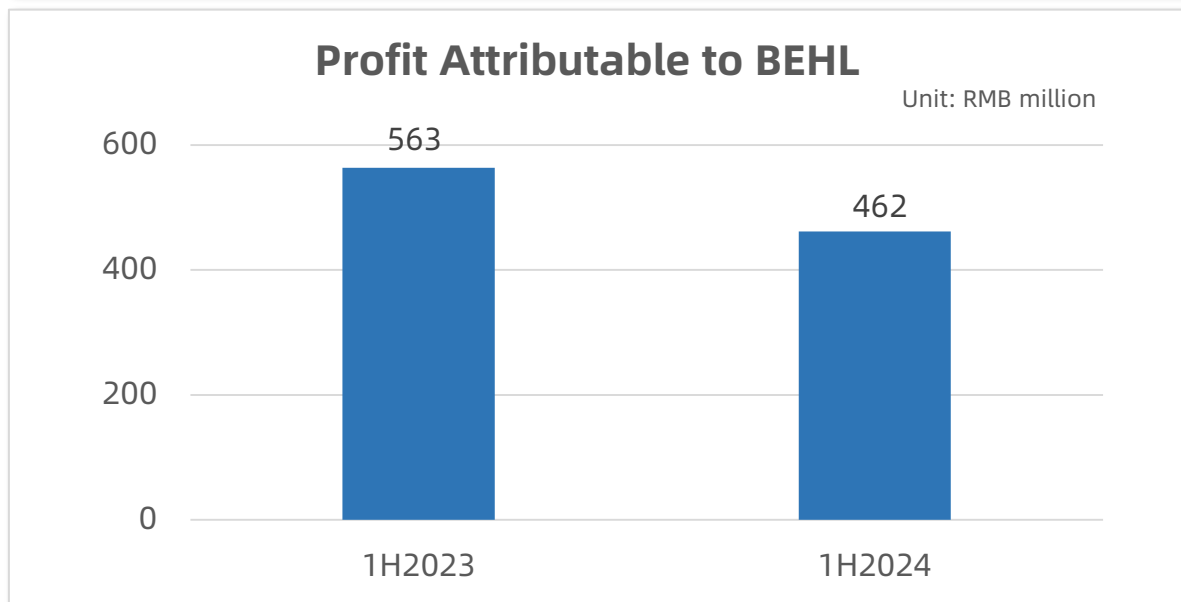
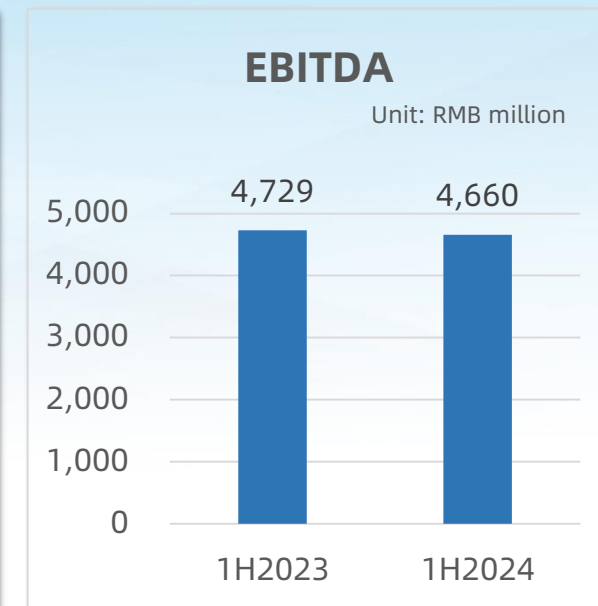
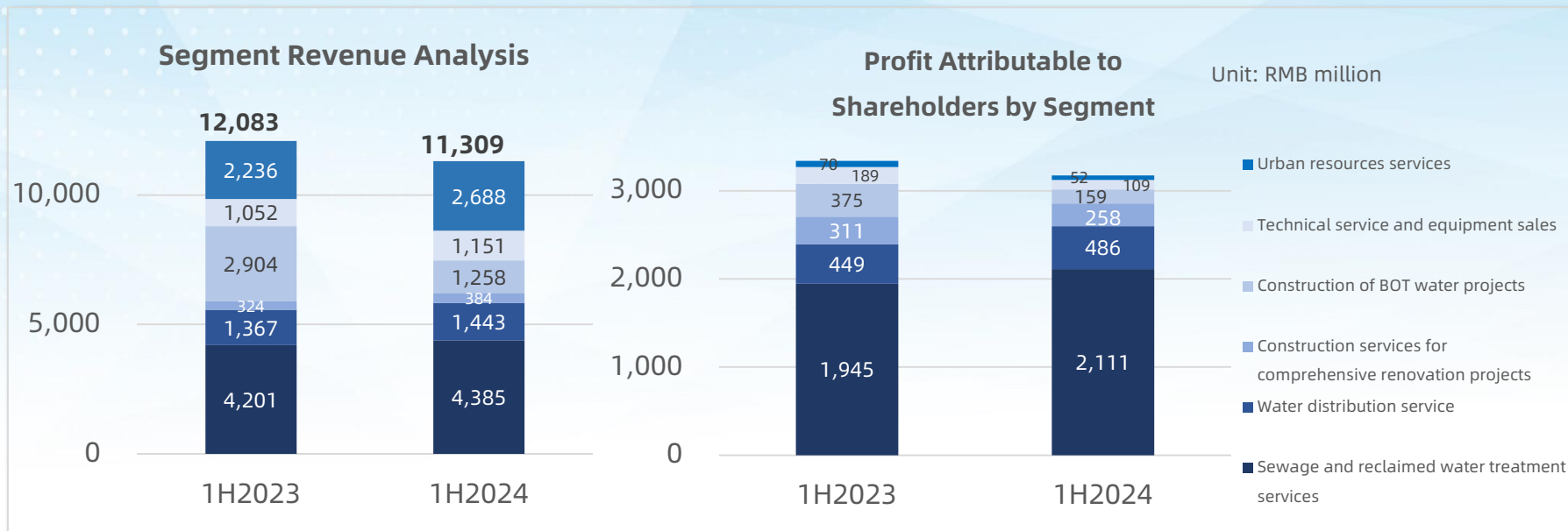


Operating Profit for Value-added Business





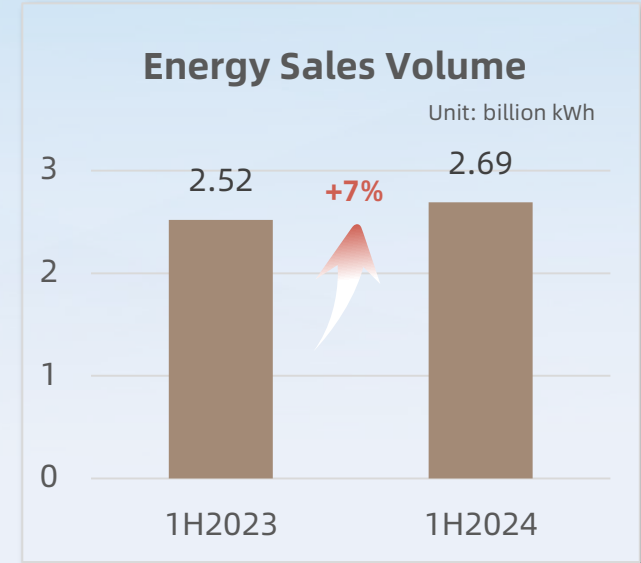
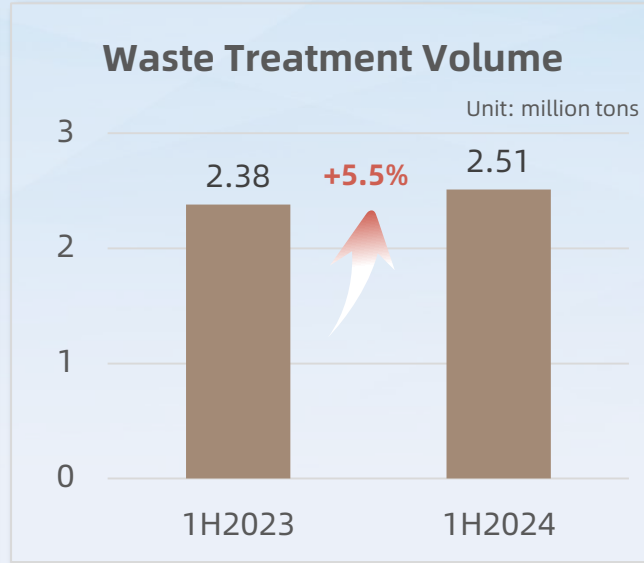
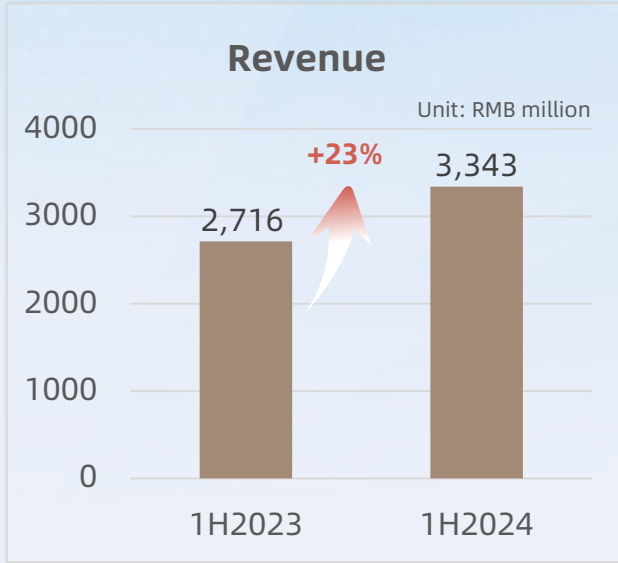
Business Updates - BEWG



Business Updates - Environmental Business

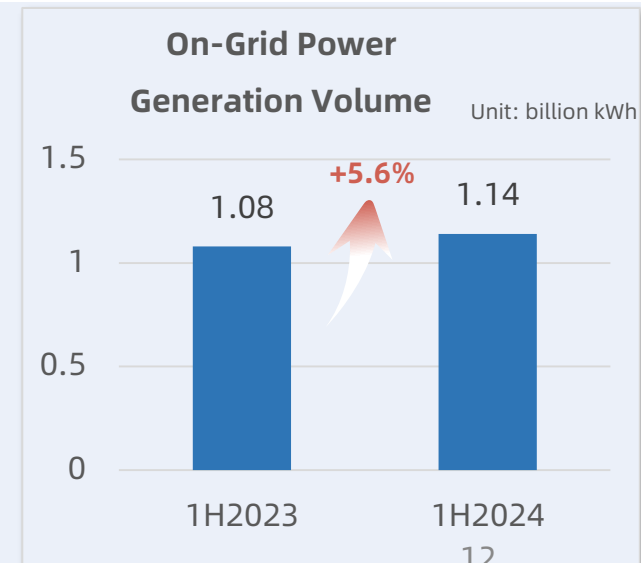
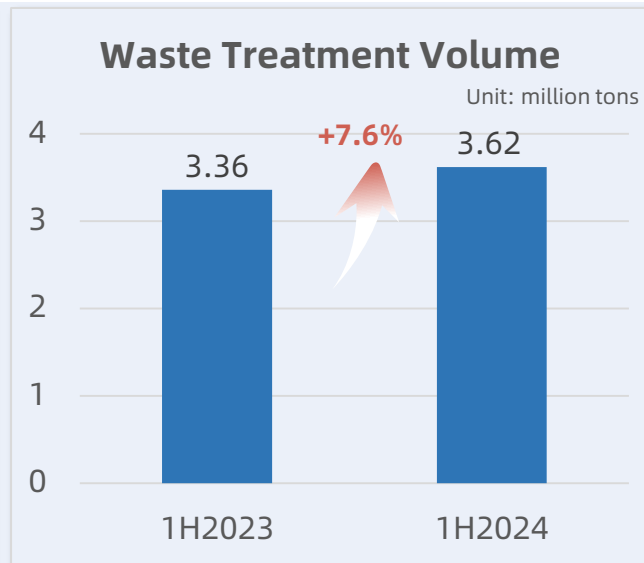
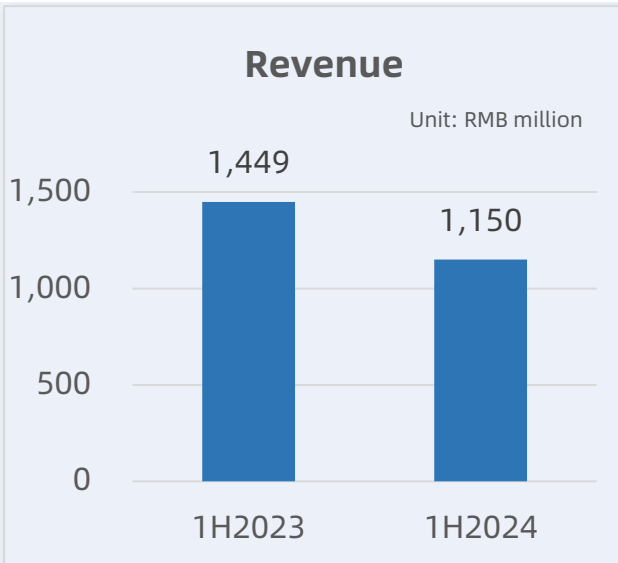
EEW GmbH

- EEW from Germany has actively expanded the sources of waste, and effectively increased the collection volume and power generation of solid waste
- Strengthened operations management, increased the proportion of industrial and commercial waste with higher treatment fees, strengthened equipment operation and maintenance, strengthened capital management, and strived to reduce operating costs



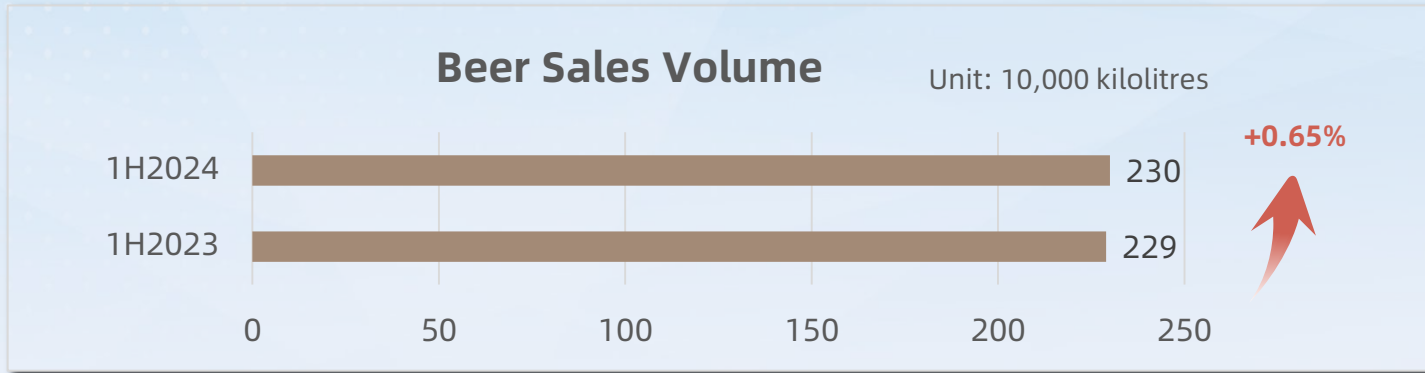
Domestic Solid Waste Treatment Platform (BE Environment, BEHET, etc.)

- Expanded the market around its core business, tapped the waste resource incineration channels to ensure stable output of equipment capacity
- Explored a new model of green and low-carbon economy; the Gaoantun and Taian projects obtained green certificates in the first half-year
- Won the bidding for the Qidong project, making a major breakthrough in the practice of light asset operation mode



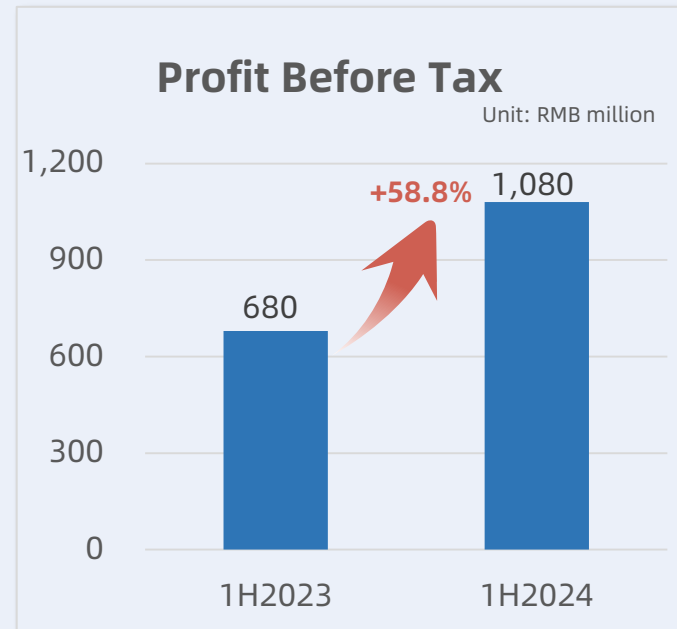
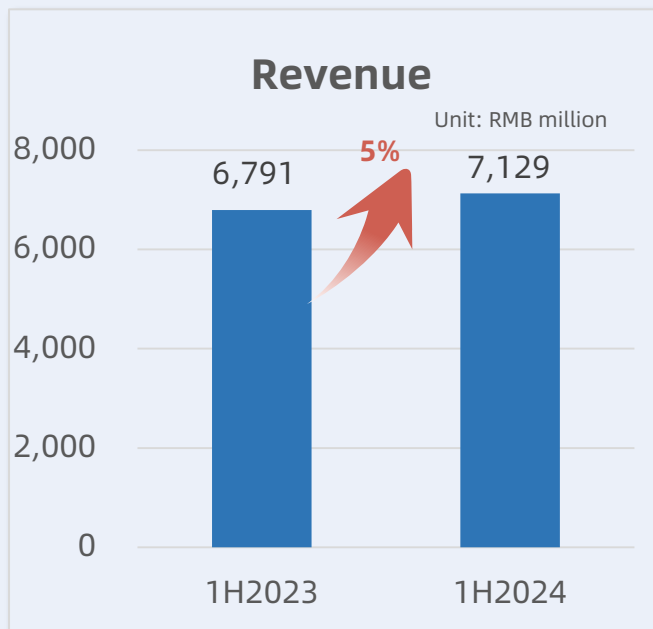


Business Updates - Beer Business



Beer sales volume continued to grow in the first half of 2024

Yanjing Brewery seized the opportunities presented by the consumption recovery, cost reduction and efficiency improvement, and maintained growth in its key performance indicators. Total beer sales volume continued to grow, and the U8 bulk single product also achieved steady growth



Continued growth in key financial indicators

- Continued to deepen reform and drive performance growth
- Consistently implemented the bulk single product strategy with Yanjing U8 as the core, and continuously increased brand influence and market share through continuous product innovation and market promotion
- Active market expansion and product upgrading in emerging markets and high-end products continued to expand channel coverage and penetration and further consolidated market position
- The market value and brand value of listed companies achieved significant growth. In 2024, the brand value of Yanjing Beer reached **RMB223.695 billion**

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Strategic Outlook - Macro Situation

Macro Policies

Consumption tax reform: Move the collection point of consumption tax forward and steadily delegate authority to local levels

Pricing reform in the public utilities industry: Implements pricing reforms in the fields of water, energy, and transportation, optimizes the tiered pricing systems of residential water, electricity, and gas, with particular emphasis on improving the factor price mechanism, which is mainly determined by market supply and demand and prevents improper government intervention in price formation

Monetary policy: Comprehensive use of a variety of monetary policy tools to increase financial support for the real economy and a steady decline in the comprehensive financing costs of society

Favorable for BEHL

1

It can help increase local government revenues and ease their fiscal difficulties, which is conducive to the Company's collection of accounts receivable from local governments

2

Improves and implements the pricing mechanism for public utilities, which is conducive to the stabilization of the Company's profitability

3

The RMB interest rate is expected to decrease steadily, which will help further reduce the Company's RMB financing costs

Strategic Outlook - Macro Situation



Gas

The Third Plenary Session of the 20th Central Committee set the following priorities in the energy sector

1. Market-oriented reforms: “Promote independent operation of natural monopolies in industries such as energy, railway, telecommunications, water, public utilities, and market-oriented reforms in competition, and optimize regulatory systems and mechanisms.” Provides stable support for the favorable development of public utilities - city gas sector

2. Unify the large market: “Promote pricing reforms in the fields of water, energy, and transportation, optimize residential water, electricity, and gas tiered pricing systems, and improve the pricing mechanism for refined oil products.” It clearly states that the natural gas price pass-through mechanism will be further implemented and expanded

3. LNG prices in 2H2024: Based on concerns that the Russia-Ukraine gas transit agreement will expire at the end of 2024 and the contract will not be renewed, as well as the moderate increase in LNG prices since the start of the European replenishment period in July, demand prices are expected to continue to rise during the heating season



Water

The pricing mechanism for residential water prices will be further improved: a number of policies mentioned water pricing reforms and the residential tiered water pricing system will be optimized, therefore improving profitability

Technological innovation and effective supply of products and equipment: in the long run, it is beneficial to the development of water R&D business and the incubation and cultivation of specialized companies

Solid Waste

The Third Plenary Session of the 20th Central Committee set the following priorities for environmental protection-solid waste sector

Improve the management of total resources, conduct comprehensive conservation system and optimize the waste recycling system

Clearly put the recent focus of solid waste on the construction of a recycling system



Beer

Focus on boosting consumption, expanding domestic demand, optimizing consumption structure, improving service quality and enriching consumption scenarios, which will benefit the beer industry



Advantages and Opportunities

Beijing Gas is the largest single-city piped gas supplier and service provider in China in terms of annual gas consumption, number of gas subscribers, pipeline network size and sales volume:

1. Special position of Beijing Gas:

- Beijing Gas operates natural gas distribution business in six districts and several suburbs of Beijing, which has unique advantages in the Beijing area
- Beijing Gas has a stable upstream gas supply

2. Existing Advantages:

- A relatively complete natural gas market and user base in the capital city
- Well-established infrastructure and sales service network
- High-quality brand and good reputation
- Significant advantages in resources, policies, capital and management
- Significant improvement in the operation of outbound projects in the future
- Owns LNG receiving terminals in the core area of Beijing-Tianjin-Hebei region

3. Incremental Advantages:

- New energy and integrated energy business transformation

Work priorities in the second half of the year

1. Balance safety investment and effectively control costs

- The total expenditure related to safety investment will be duly completed as required by the government, and the pipeline network will be prevented from operating with faults
- Coordinate with Beijing NDRC to conduct the cost supervision and review for Beijing Gas's third cycle (2025-2027)

2. Facilitate cost pass-through solutions and study price pass-through mechanism

- Drive the resolution of the incremental cost resulted from advance heating during 2023/24
- Promote the study of cost pass-through mechanism for Nangang project

3. Accelerate market development and enhance operational efficiency

- Consolidate the development of the main market in Beijing
- Expand the market-oriented business for Nangang project



Advantages and Opportunities

1. **Volume advantage:** China Gas is one of the largest city gas companies and LNG distribution companies in China, with a total of 662 piped gas projects under franchise in 30 provinces, municipalities and autonomous regions, and the most extensive LPG import and smart distribution network in China



2. Rural clean heating projects (including household gas use) completed under the principle of "gas-based conversion" and according to the "Measures for the Administration of Natural Gas Utilization" have been included in the priority category of natural gas utilization, and will help promote continuous subsidy allocation, [installation and cash collection] and end the gas price inversion of rural coal-to-gas business



3. The "Establishment of Price Linkage Mechanism Supervision File for 36 Major and Medium-Sized Cities and County-Level and above Administrative Regions Nationwide in 2024" and "Promotion of Natural Gas Price Linkage Mechanism and Residential Gas Price Adjustment Policies" have further accelerated the implementation of the price pass-through mechanism, which is favourable for dollar margin recovery and profit enhancement



FY2024/2025 Guidance

Performance indicators	Outlook
Dollar margin (City & township projects)	RMB 0.53/m ³
Sales volume growth in city & township gas	5%+
New residential connections	1.2 - 1.4 million households
Growth in GP or PBT of value-added services	10%+

**Source: China Gas FY2023/2024 Annual Results Presentation*

Advantages and opportunities



1. BE Water's unique business scale and market position

- Has the largest water treatment capacity among listed water companies in Hong Kong
- Owns many high-quality projects across the country and has strong economies of scale in China
- The projects cover a large area and BE Water has become a well-known brand in the water sector
- The projects cover areas with large populations, ensuring high asset utilization and growth potential
- Ranked Top on the List of 'Top Ten Influential Enterprises in China's Water Industry' for Fourteen Consecutive Years



2. Favorable policies provide development opportunities:

- Five government departments including NDRC issued the “Guiding Opinions on Accelerating the Development of Water-Saving Industries”, implementing a progressive price increase for non-residential water utilization exceeding the quota and the tiered water price system for residential water utilization to improve the profitability of water enterprises
- The State Council issued the “Opinions on Accelerating the Comprehensive Green Transformation of Economic and Social Development”, and it is expected that the policy system supporting the green transformation will gradually improve in the future. Among them, the optimization of the water pricing policy will benefit the Group's core water business to some extent

Work priorities in the second half of the year

01

Continue to drive collection efforts

Strictly control capital and debt risks, concentrate resources on cash collections, and protect the lifeline of corporate cash flow

02

Improve asset quality

Accelerate the disposal of low-quality, inefficient and underperforming assets

03

Continue to improve fundamentals

Continue to improve the fundamentals of water supply operations, promote the implementation of regional intensive management of the sewage treatment business, and increase the operational efficiency of existing assets

04

Improve workforce efficiency

Systematically optimize the organizational and talent structure to enhance workforce efficiency through digital empowerment and intensive transformation

Strategic Outlook – Environmental Business

Advantages and Opportunities

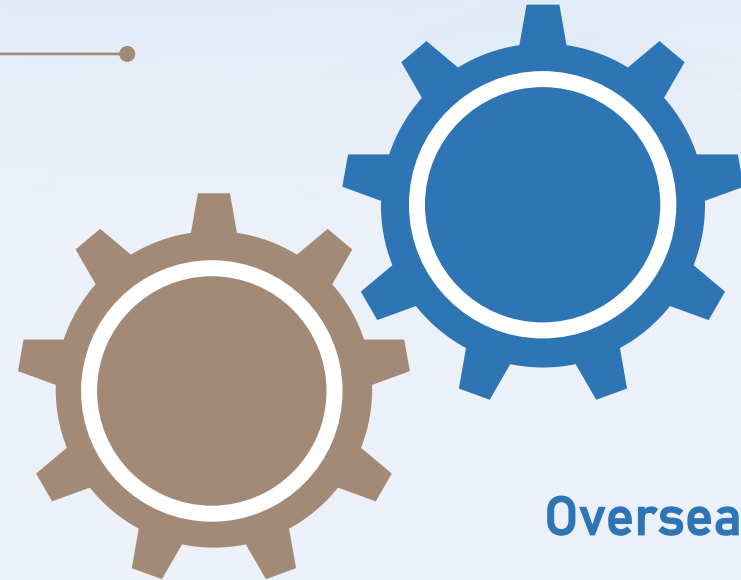
1. The development direction of China's solid waste industry has become clearer: First, there is overcapacity in traditional urban solid waste incineration, and the industry has entered a phase of refined management to improve quality and efficiency. Second, there is still a significant gap in the comprehensive utilization of industrial solid waste. Additionally, under the backdrop of the "dual carbon" initiative, the Carbon Capture, Utilization, and Storage (CCUS) commercial model is taking shape, and will offer significant development opportunities in the future

2. Germany continues to increase the share of renewable energy in its electricity supply: In 2023, the proportion of renewable energy in Germany's electricity generation surpassed half for the first time, reaching 55%. In 1H2024, it set a new historical record, reaching 65% of the country's net public electricity generation. EEW's Energy-from-Waste (EfW) power generation is a typical form of biomass power generation in Germany's renewable energy mix. As Germany continues to increase the share of renewable energy in its electricity supply, it provides assurance for the sustainable development of EEW's EfW power generation

Work priorities in the second half of the year

Domestic solid waste platform

- Continue to carry out benchmarking and refined production management, and strive to stabilize the production efficiency of existing solid waste projects
- Begin to explore new quality productive forces in energy storage, green steam, and green methanol, and promote the diversification of value-added businesses, such as the collaborative sludge treatment business and green power trading
- Continue to implement various cost management and control measures, and promote energy-saving technological transformation to save costs



Overseas EEW

- Continue to expand solid waste resource channels, reduce operating costs, reasonably control the increase of labor costs, and accelerate the pace of putting new production lines into operation, contributing to performance growth as soon as possible

Advantages and Opportunities

1. High brand value

Yanjing Beer, one of the leading companies in China's beer industry, has a brand value of **RMB223.695 billion** in 2024.



2. The Meeting of the Political Bureau of the CPC Central Committee and the introduction of related consumption stimulation policies have driven the expansion and upgrading of the domestic consumer market and the development of related industries such as catering and tourism. This, in turn, will benefit the performance of the beer segment to some extent

Work priorities in the second half of the year

Reduce costs and increase efficiency

Continue to promote cost reduction and efficiency enhancement and strengthen production cost management

Strengthen governance of inefficient companies

Improve management solutions for loss-making companies and further strengthen governance of inefficient companies

Accelerate the development of the U8 million ton bulk single product strategy

Continue to build an excellent management system, product innovation, and marketing upgrades to reestablish Yanjing's industry-leading position

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Investment Highlights - Stable Dividend Sources, Clear Dividend Policy and Market Value Management Measures

BEHL attaches great importance to shareholder returns and actively seeks to establish mutually beneficial and long-term relationships with investors based on trust and stability



Steady dividend income from subsidiaries and associates

- Stable dividend payout mechanisms from subsidiary companies such as Beijing Gas have been established with BEHL's headquarters
- Dividends from subsidiaries and associates continue to provide steady cash flow to the Company, significantly boosting its liquidity
- BEHL possesses a strong advantage in seizing future investment opportunities and further expanding its business



Clear dividend policy and market value management measures

- **Dividend distribution plan for 2024-2026:** It is expected that the dividend per share of the Company in the years 2024-2026 will be not less than 35% of the recurring earnings per share. The dividend per share in the years 2024-2026 will be not less than HK\$1.6
- **Market value management measures:** The Company will consider share buybacks as a market value management measure based on market conditions
- The clear dividend policy and market value management measures are expected to lead a continuous recovery in the valuation of the Company, thereby improving the Company's situation of being consistently undervalued by the capital market

Investment Highlights - Growth Potential in Various Sectors



- Abundant cash flow from city gas sales in Beijing with stable dividend
- Benefited from local governments' efforts to promote the implementation of price pass-through mechanism and the establishment of a medium- to long-term contract volume mechanism, China Gas will continue to improve its dollar margin
- Investment income in the gas sector is relatively stable



- Potential to further improve operational efficiency and profitability in the future
- Continue to expand into the youth and high-end markets with products such as U8 and LionK Craft Beer, with the aim of returning to the top tier of the beer industry



- EEW continues to develop steadily, focusing on cost control and efficiency optimization
- New lines will be successively commissioned in the future to increase production capacity and EBITDA
- Strategic research will be deepened and "Strategy 2032+" medium- and long-term development plan will be formulated; a data center has been set up to realize digital transformation goals
- As Europe shifts to sustainable development, it is expected to create higher value in the German carbon sink market and phosphorus recycling sector in the future

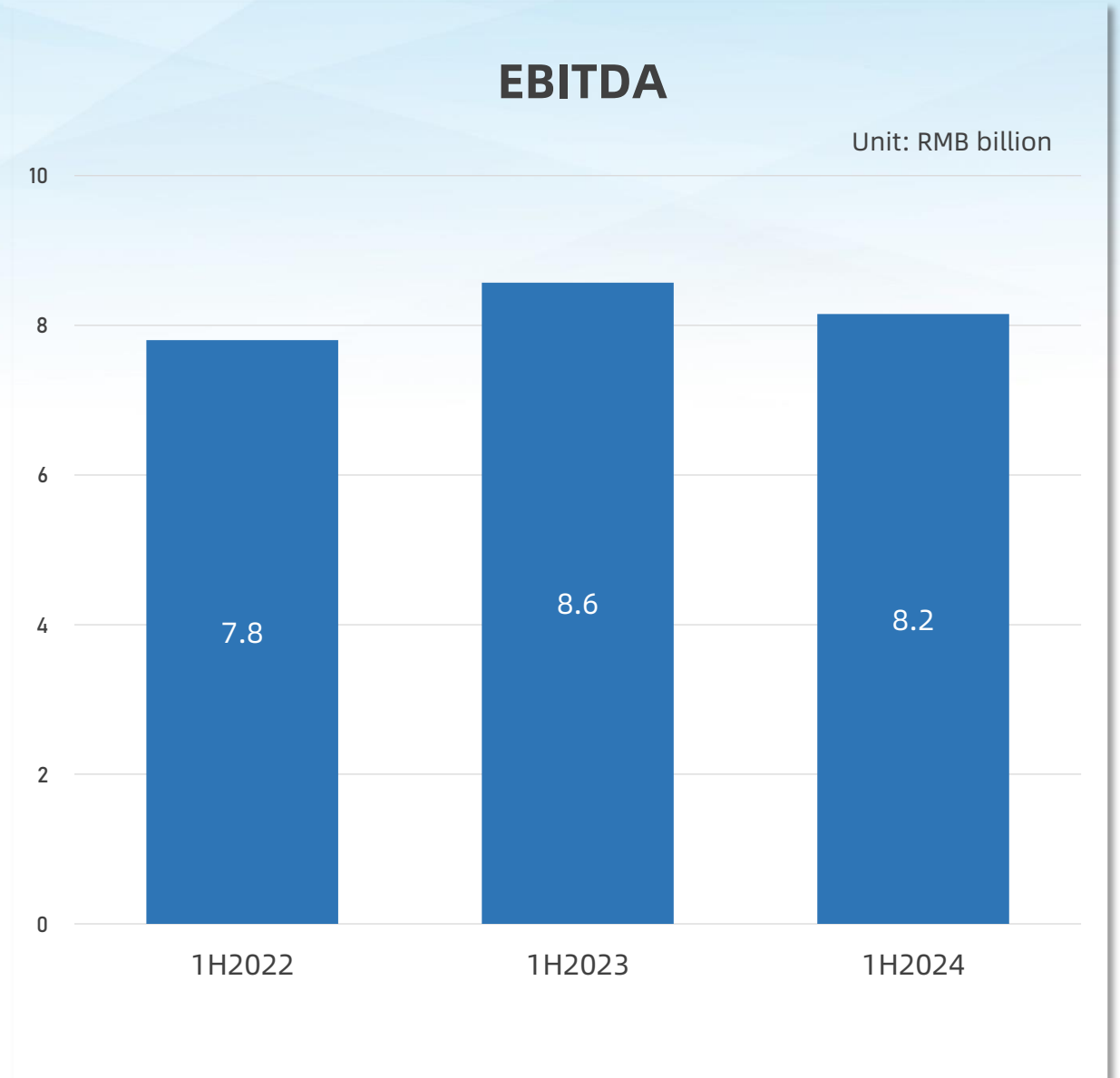
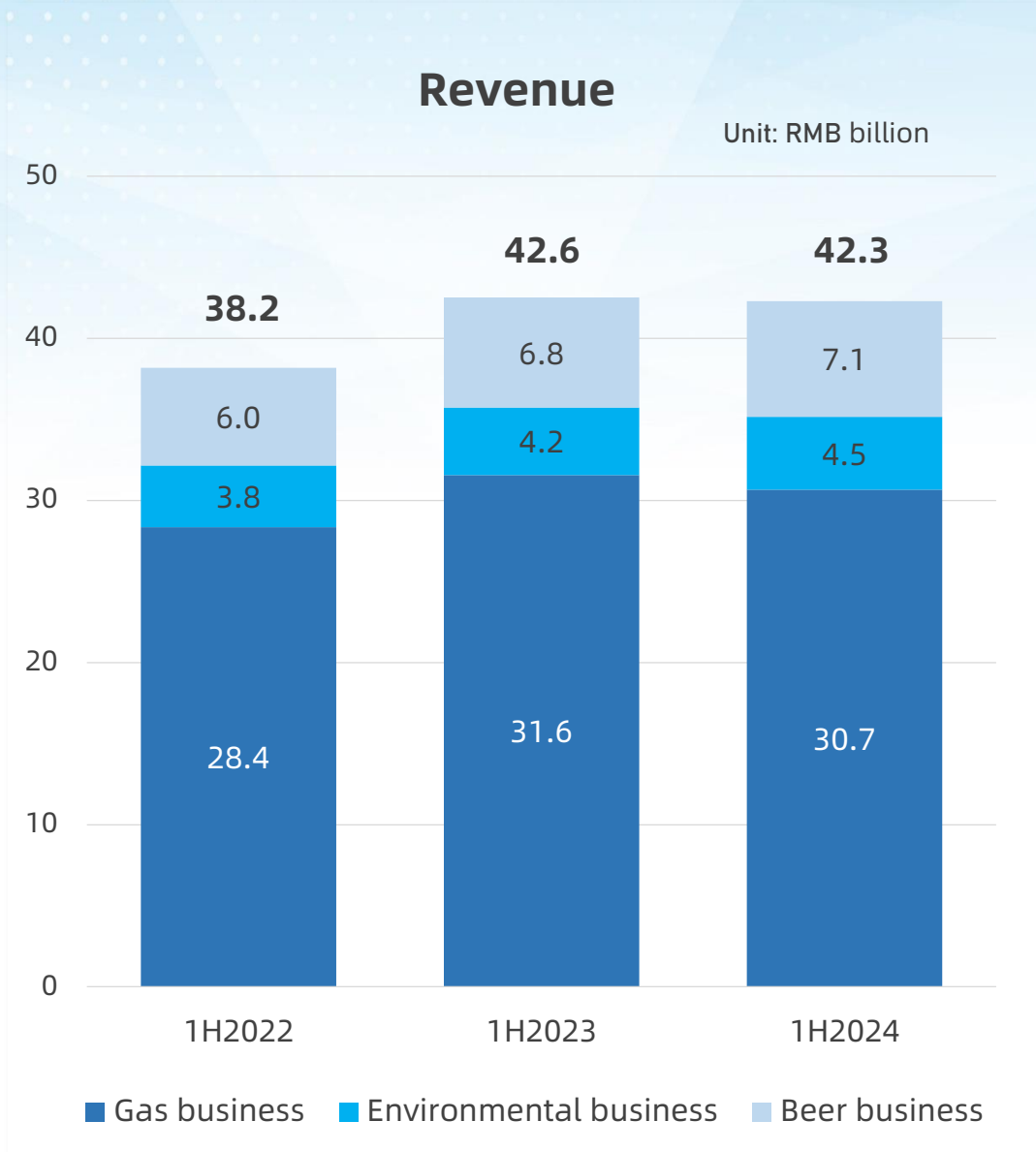


- Strengthen the operation and management of the domestic solid waste business and improve the quality and efficiency of existing projects
- Develop new profit growth drivers, such as sludge and waste liquid blending, heat supply for industrial customers, and high-end fly ash resource recovery



- Establish professional and systematic operation and management capabilities, and continue to improve the fundamentals of water supply operations
- Continue to promote the implementation of intensification and enhance the ability to operate existing assets
- Build the technological development mechanism, incubate and nurture specialized companies

Investment Highlights - Robust Business Capabilities



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