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北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 392)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

HIGHLIGHTS

- Revenue for the first half of 2020 amounted to approximately HK\$32.04 billion, representing a decrease of 6.4% over the corresponding period of last year.
- Profit attributable to shareholders of the Company for the first half of 2020 amounted to HK\$3.57 billion, representing a decrease of 24.8% over the corresponding period of last year.
- Basic earnings per share attributable to shareholders of the Company amounted to HK\$2.83, representing a year-on-year decrease of 24.8%.
- An interim cash dividend of HK40 cents per share is declared for the six months ended 30 June 2020.

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 2020 together with the comparative figures in 2019. The consolidated revenue of the Group for the first half of 2020 was HK\$32.04 billion, representing a decrease of 6.4% over the corresponding period of last year. Profit attributable to shareholders of the Company was HK\$3.57 billion, representing a decrease of 24.8% over the corresponding period in 2019.

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

	Profit after taxation	Proportion
	<i>HK\$'000</i>	<i>%</i>
Piped gas operation	3,323,874	68.5
Beer operation	226,241	4.7
Water and environmental operation	933,008	19.2
Solid waste treatment operation	<u>370,903</u>	<u>7.6</u>
Profit from major operations	4,854,026	<u>100</u>
Corporate and others	<u>(1,067,031)</u>	
Profit of the Company	3,786,995	
Profit attributable to non-controlling interests	<u>(218,879)</u>	
Profit attributable to shareholders of the Company	<u><u>3,568,116</u></u>	

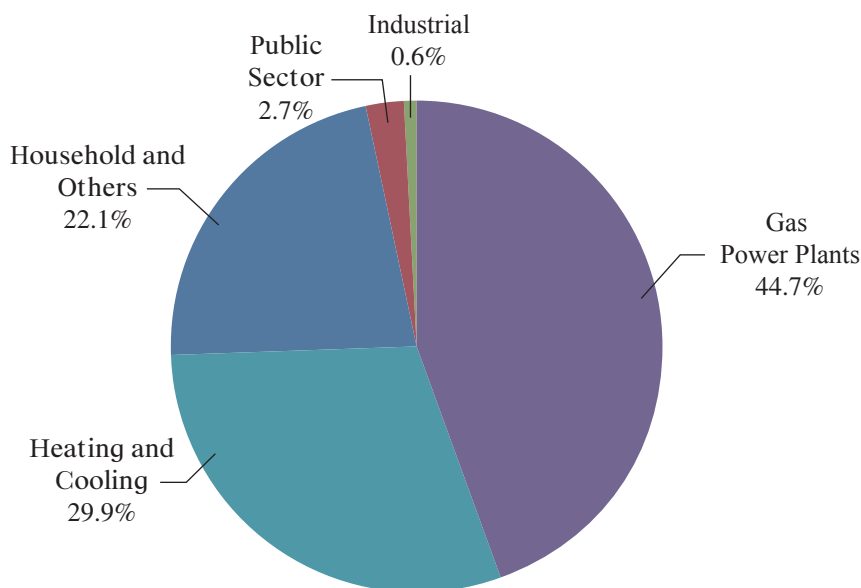
MANAGEMENT DISCUSSION AND ANALYSIS

I. REVIEW

In the first half of 2020 (the “Reporting Period”), the continuous spreading of the novel coronavirus (COVID-19) epidemic globally brought tremendous impact to most countries world-wide. The main business segments within the Group had also been adversely affected in various degrees by consumption shrinkage, dropping operating activities and projects delay. During the epidemic prevention and control period, the Group and our subsidiaries delivered best services in urban operation service guarantee. The gas, water and solid waste treatment business segments fulfilled their duties and missions properly, ensured stable operation, and practiced the responsibilities of state-owned enterprises.

Natural Gas Distribution Business of Beijing Gas

Beijing Gas Group Company Limited (“Beijing Gas”) recorded a revenue of HK\$23.11 billion in the first half of 2020, representing a year-on-year decrease of 4.7%. Profit before taxation from principal businesses (including natural gas distribution business, natural gas transmission business and VCNG of Rosneft) was HK\$2.65 billion, representing a decrease of 19.3% over the corresponding period of last year. Beijing Gas accomplished an aggregate gas sales volume of 8.946 billion cubic meters in the first half of the year, after combining with that of the subsidiaries outside Beijing. Affected by the combining issues of the COVID-19 epidemic and the extension of the heating period, the gas sales volume accomplished inside Beijing amounted to 8.576 billion cubic meters, which remained flat compared with the same period of last year. An analysis of the same by subscriber sector is shown as follows:



During the Reporting Period, Beijing Gas developed approximately 31,000 new household subscribers and 1,063 new public sector subscribers. New heating boiler subscribers with a capacity of 606 t/h were developed. As of 30 June 2020, Beijing Gas had a total of approximately 6.459 million piped gas subscribers in Beijing and approximately 24,600 kilometers of natural gas pipelines in operation. Beijing Gas's capital expenditure in the first half of the year amounted to approximately HK\$681 million.

In the first half of the year, Beijing Gas proactively implemented all the works relating to security and emergency, and it completed the key gas supply projects assigned by the Beijing municipal government during the epidemic with high quality. At the same time, it endeavoured to collaborate with upstream enterprises to secure gas supply sources to cope with the extension of heating period and the heavily snowing and freezing weather effectively, and ensured the stable supply of natural gas for the capital city. During the period, Beijing Gas had also accelerated the construction of its major infrastructure projects, including the orderly development of the construction works of the LNG project in Nangang, Tianjin and the LNG emergency reserve project in Tangshan.

Natural Gas Transmission Business

PetroChina Beijing Gas Pipeline Co., Ltd. ("PetroChina Beijing Pipeline Co.,") recorded a gas transmission volume of 26.21 billion cubic meters in the first half of 2020, representing a year-on-year decrease of 0.9%. During the period, Beijing Gas's share of net profit after taxation, through its 40% equity interests in PetroChina Beijing Pipeline Co., decreased by 11.4% over the same period of last year to HK\$954 million. The total capital expenditure of PetroChina Beijing Pipeline Co., for the first half of the year was approximately HK\$106 million.

VCNG of Rosneft

In the first half of the year, the international crude oil prices fluctuated vigorously. The PJSC Verkhnechonskneftegaz ("VCNG") project of Rosneft Oil Company achieved its petroleum sales of 3.814 million tons during the Reporting Period. Beijing Gas shared a net operating profit after taxation of HK\$310 million through its 20% equity interest in VCNG in the first half of the year.

China Gas

The Group's share of profit of China Gas Holdings Limited ("China Gas", stock code: 384) in the first half of 2020 was HK\$1 billion, which was calculated based on the share of profit attributable to shareholders of China Gas for the six months ended 31 March 2020 and representing an increase of 4.1% when compared with the same period of last year. China Gas vigorously promoted the "coal-to-gas conversion" campaign in industrial and commercial sectors nationwide, continued to expand the natural gas market in heating and residential sectors in townships, enlarged the development efforts in LPG, value-added businesses and also the thermoelectric power business. China Gas focused on expanding its customer base, optimized its market layout, proactively exploited new development opportunities in the micropipe network ("微管網") business in townships. At the same time, in response to COVID-19 epidemic, the "Battle the Pandemic and Safeguard People's Livelihood" ("同心戰疫, 保障民生") campaign had been initiated rapidly to promote the comprehensive implementation of the grid-based operation model for its value-added services. For the 2020 financial year, China Gas' total gas sales volume increased by 2.9% to 25.37 billion cubic meters, and its LPG sales volume decreased by 4.2% to 3.83 million tons. Approximately 5.43 million households were newly connected, and the cumulative number of households connected reached 35.11 million as at 31 March 2020.

Beer Business

The COVID-19 epidemic has brought tremendous bombardment to the beer industry nationwide, and it has also induced changes in consumption patterns and habits. By adapting to the new environment arising from the epidemic, Beijing Yanjing Brewery Co., Ltd. ("Yanjing Brewery") explored the possibilities of developing new marketing channels such as community group buying, enhanced the operational planning and resources investments of the e-commerce and Key Account channels, sorted out the product pricing regime of e-commerce platforms, and scientifically planned and implemented the activities for e-commerce promotions. In the first half of the year, the sales volume and revenue of the beer sold through e-commerce channel achieved year-on-year growth of approximately 74% and 82% respectively. At the same time, Yanjing Brewery had taken steps to rationalize product line and put forth product upgrade. Thus, a big single product Yanjing U8 tinned series (Yanjing U8 聽裝系列) was successfully launched nationwide, embarking brand rejuvenation, and transforming into higher end.

During the Reporting Period, Yanjing Brewery achieved a sales volume of 2.10 million kilolitres, of which, the sales volume of Yanjing main brand was 1.39 million kilolitres and the sales volume of “1+3” brand was 1.92 million kilolitres. The revenue that Beijing Yanjing Brewery Investments Co., Limited* (北京燕京啤酒投資有限公司) (“Yanjing Limited”) recorded during the period was HK\$5.55 billion, with its profit before taxation of HK\$315 million. The capital expenditure of Yanjing Limited for the first half of the year was approximately HK\$85.50 million.

Water and Environmental Business

Beijing Enterprises Water Group Limited (“BE Water”, stock code: 371) commenced the construction project that comprises of 10 intelligent groups during the period. It conducted in-depth implementation of the innovative upgrade of the operating model to proactively bring the brand concept into the Water and Environmental Business. Affected by the COVID-19 pandemic, in the first half of the year, BE Water’s revenue decreased by 3% year-on-year to HK\$12.45 billion, profit attributable to its shareholders decreased by 18% year-on-year to HK\$ 2.27 billion. The net profit attributable to the Group was HK\$933 million, representing a year-on-year decrease of 18%.

As at 30 June 2020, BE Water already participated in 1,289 water plants which are or will be in operation, including 1,087 sewage treatment plants, 166 water distribution plants, 34 reclaimed water treatment plants and 2 seawater desalination plants, with a total design capacity of 40.22 million tons/day. The net increase in design capacity for the period was 0.828 million tons/day.

Solid Waste Treatment Business

At the end of the first half of the year, the solid waste treatment business segment of the Group realised a waste incineration and power generation treatment capacity of 29,932 tons/day. During the period, EEW Energy from Waste GmbH (“EEW GmbH”) accomplished a waste treatment volume of 2.364 million tons, representing a year-on-year increase of 3.1%. The sales of electricity was 901 million KWH with a year-on-year increase of 6.8%. It recorded a revenue of HK\$2.64 billion with a year-on-year increase of 1.2%. The growth in treatment volume of commercial waste effectively offset the negative impact brought to EEW GmbH by the reduction of imported waste volume during the epidemic. During the peak period of the epidemic, despite the impact of European energy price volatility, we made utmost efforts to overcome the adversities and ensured that the sales of electricity and its pricing be steadily maintained, same as the overall stable operation as a whole.

In the first half of the year, the domestic solid waste treatment business segment of the Group recorded a waste treatment volume of 2.12 million tons, representing a year-on-year decrease of 0.7%. It completed an on grid power generation volume of 665 million KWH, representing a year-on-year increase of 11.6%. Beijing Enterprises Environment Group Limited (“BE Environment”, stock code: 154) and Beijing Enterprises Holdings Environment Technology Co., Ltd (“BEHET”) together achieved a total revenue of HK\$698 million during the period. As the waste input volume during the epidemic period is at a relatively lower level, the domestic solid waste projects made use of such opportunity to expand the repair and maintenance capacity, improved the stability and workability of the equipment, so as to be prepared for the restoration of normal production load and long cycle operation in the future. The domestic projects also actively expanded solid waste revenue streams, proactively expanded into the peripheral markets and explored potential sources of solid waste to pave the way for reaching the capacity of these projects in the future. The capital expenditure of solid waste related business (both domestically and overseas) for the first half of the year amounted to approximately HK\$1.062 billion.

II. PROSPECTS

Currently, the epidemic prevention and control has become normalized. Those policies, industries and market environment that are related to our business segments have triggered many changes already. The Group will respond positively, seize any opportunity that comes along, be on guard with risks and view challenges as our motivation. As we will integrate epidemic prevention and control into our business operation, we would ensure that we are on the track of stable development.

Natural Gas Distribution Business of Beijing Gas

With steady resumption of work and production domestically, the economic activities are gradually restored, and the demand for energy consumption is slowly rising up. The low pricing trend in natural gas would stimulate gas consumption, which is beneficial to the further growth of domestic natural gas market. Faced with challenges and opportunities, Beijing Gas will intensify its efforts in market development, focus on expanding the market size. It will carry forward the acquisitions of gas projects and pipeline connection works in the suburbs within the Beijing market. It will also strengthen its collaboration with the government of Tangshan City outside the Beijing market and endeavour market share expansion. At the same time, Beijing Gas will capture the business opportunities both domestically and abroad to plan proactively for the development of LNG business, value-added business as well as the comprehensive energy services business.

Beer Business

In the second half of the year, despite the uncertain impact brought by epidemic prevention and control on the beer consumption, Yanjing Brewery will strive to mitigate the negative impact by steadily carrying out various operation activities. It will strive to improve product quality, put forth product upgrade and enhance brand image constantly. Yanjing Brewery will also carry out on-line and off-line product marketing and advertising works, continue to expand the resource investments in the on-line e-commerce and Key Account channels to achieve structure optimisation of marketing and distribution channels. For cost-control, Yanjing Brewery will closely monitor the pricing of its international and domestic sourcing, and adjust the procurement policies timely to enhance supply chain management and reduce procurement costs.

Water and Environmental Business

BE Water will strive to develop a strategic model which is based on an asset-light model and comprises dual platforms for development, further enhancing its core competitiveness by strengthening investment capability, innovating and optimizing technology, applying intelligent technology, improving asset quality and efficiency, and recruiting high calibre talent. It is committed to the mission of “safeguarding the source of life and creating a green environment” and will strive to alleviate water scarcity, take concrete action to practise its objective of eco-environment protection, secure the stable operation of the enterprise with norms and continuously improve service quality.

Solid Waste Treatment Business

The domestic solid waste treatment projects of the Group will vigorously embark quality and efficiency improvement measures, lower operating costs, enhance overall operation effectiveness, and endeavour to reduce the business damages brought by the COVID-19 in the first half of the year. At the same time, the domestic projects will strengthen the production and operation management, improve the operation and maintenance standard and continue to expand into other revenue sources of solid waste treatment. For overseas projects through EEW GmbH, we will actively deal with the normalized status of the epidemic in Europe by extending the scope of prevention, ensuring the normal operations of the plants and steadily carrying forward the construction works of the projects in progress.

III. Financial Review

Revenue

The Group’s revenue from operating activities in the first half of 2020 was approximately HK\$32.04 billion, decreased by 6.4% when compared with the corresponding period of last year, mainly due to the depreciation of the average RMB exchange rate of approximately 4% year-on-year. The revenue of gas sales was HK\$23.11 billion, the revenue of beer sales was HK\$5.55 billion, the revenue of the solid waste treatment and environment protection businesses was HK\$3.38 billion, which included the revenue of EEW GmbH amounting to HK\$2.64 billion, the revenue of other solid waste treatment businesses was HK\$743 million in total.

Cost of Sales

Cost of sales decreased by 4.2% to HK\$26.97 billion year-on-year. Cost of sales of gas distribution business mainly included the purchase costs of natural gas as well as the depreciation charges of gas pipe-line network. Cost of sales of brewery business included raw materials, wage expenses and absorption of certain direct overheads. Cost of sales of solid waste treatment operation included fuel charges, amortisation and waste collection costs.

Gross Profit Margin

The overall gross profit margin was 15.8% when compared with that of 17.7% over the same period of last year, which was mainly due to the decrease in revenue of Beijing Gas and Yanjing Beer and the relatively fixed cost of sales, thus the gross profit margin decreased when compared with the corresponding period of last year.

Gains on Deemed Disposal of Partial Interests in Associates

During the first half of 2019, BE Water issued ordinary shares under the placement and share subscription exercise. The Group recognised a gain of HK\$187 million on the deemed disposal of the partial interests in an associate as a result of the dilution in the Group's shareholding in BE Water.

In addition, China Gas issued ordinary shares upon the exercise of share options by its employees during the first half of 2019. The Group recognised a gain of HK\$151 million on the deemed disposal of the partial interests in an associate.

No relevant change in shareholdings was noted in 2020.

Other income and gain, net

Other income and gain, net mainly comprised interest income amounting to HK\$186 million, investment income of a financial asset at fair value through profit or loss amounting to HK\$152 million, government grants of HK\$87 million and rental income of HK\$22 million.

Selling and Distribution Expenses

Selling and distribution expenses of the Group in the first half of 2020 were HK\$827 million, decreased by 16.1% when compared with the corresponding period of last year.

Administrative Expenses

Administrative expenses of the Group in the first half of 2020 were HK\$2.04 billion, decreased by 3.6% when compared with corresponding period of last year, which was consistent with the decrease in revenue.

Other Operating Expenses, net

Other operating expenses, net mainly included the impairment on certain assets.

Finance Costs

Finance costs of the Group in the first half of 2020 were HK\$1.05 billion, which basically remained unchanged when compared with that of corresponding period in last year.

Share of Profits and Losses of Associates

Share of profits and losses of associates mainly included the 40% share of profit attributable to shareholders of PetroChina Beijing Pipeline Co., the 20% share of profit attributable to shareholders of VCNG, the 23.72% share of profit attributable to shareholders of China Gas and the 41.13% share of profit attributable to shareholders of BE Water.

In the first half of 2020, the Group shared the profit after taxation of PetroChina Beijing Pipeline Co., amounting to HK\$954 million, the Group shared the profit after taxation of VCNG amounting to HK\$310 million, the Group shared the profit after taxation of China Gas amounting to HK\$1 billion and the Group shared the net profit of BE Water amounting to HK\$933 million.

Taxation

The effective income tax rate was 42.2%, higher than the 28.9% in the corresponding period of last year, which was mainly due to the non-deductible other operating expenses that were higher than that of the corresponding period of last year.

Profit Attributable to Shareholders of the Company

Profit attributable to shareholders of the Company in the first half of 2020 was HK\$3.57 billion, decreased by 24.8% when compared with the same period of last year.

Changes of major items in the Interim Condensed Consolidated Statement of Financial Position

Non-current Assets

The net value of property, plant and equipment decreased by HK\$1.77 billion as compared with the end of 2019, which was mainly attributable to the fact that there was no major construction project in the first half of 2020 and the annual depreciation of relevant fixed assets.

Other intangible assets were mainly from EEW GmbH.

Investments in associates decreased by HK\$597 million, which was mainly due to a decrease in the investment balance of associates as a result of the Group sharing the first half profit of VCNG, PetroChina Beijing Pipeline Co., BE Water and China Gas, which were lower than the dividends received from PetroChina Beijing Pipeline Co., and VCNG over the corresponding period.

The equity investments at fair value through other comprehensive income mainly represented the fair value of Beijing Gas' investment in CNPC Capital Company Limited.

The balance of receivables under a finance lease was from the relevant balance of EEW GmbH.

Financial assets at fair value through profit or loss mainly represented the fair value of Beijing Gas' investment in PetroChina Pipelines Co., Ltd.

Current Assets

Inventories mainly represented the inventory balance of Yanjing Brewery.

The balance of trade receivables mainly represented the account receivables of Beijing Gas for selling gas during the heating season.

Cash balance was HK\$24.47 billion, increased by HK\$2.31 billion as compared with the balance at the end of 2019, which was mainly due to the increase in cash balance of Beijing Gas.

Non-current Liabilities

The balance of bank and other borrowings decreased by HK\$3.98 billion, which was mainly due to the reclassification of part of the bank borrowings due within one year to current liabilities during the period.

The balance of guaranteed bonds and notes decreased by HK\$4.71 billion, which was mainly due to the repayment of guaranteed bonds amounting to EUR500 million due in May 2020 during the period.

The onerous contracts and major overhauls were mainly from EEW GmbH.

Current Liabilities

The balance of trade and bills payables increased by HK\$385 million, which was mainly due to the increase in trade payables balance by Yanjing Brewery during the period.

Other payables, accruals and contract liabilities decreased by HK\$1.11 billion, which was mainly due to the decrease in receipts in advance resulting from the decline of natural gas sales volume in summer.

The balance of bank and other borrowings increased by HK\$10.68 billion, which was mainly due to the refinancing for the repayment of guaranteed bonds due in May 2020 through bridging loans amounting to EUR500 million for the period and the reclassification of part of the bank borrowings due within one year to current liabilities during the period.

IV. Financial Position of the Group

Cash and Bank Borrowings

As at 30 June 2020, cash and bank deposits held by the Group amounted to HK\$24.47 billion, representing an increase of HK\$2.31 billion as compared with that of 2019.

The Group's total borrowings amounted to HK\$66 billion as at 30 June 2020, which comprised guaranteed bonds and notes of US\$2.5 billion in total, Euro guaranteed bonds amounting to EUR800 million, medium and long-term loans amounting to HK\$8.84 billion.

Liquidity and Capital Resources

The Group maintains sufficient banking facilities both in Hong Kong and Mainland China for its working capital requirements and has abundant cash resources to finance its capital expenditures in the foreseeable future.

As at 30 June 2020, the issued capital of the Company was 1,262,053,268 shares and equity attributable to shareholders of the Company was HK\$75.32 billion. Total equity was HK\$86.75 billion when compared with HK\$87.01 billion as at the end of 2019. The gearing ratio, being interest-bearing bank borrowings, guaranteed bonds and notes divided by the sum of total equity, interest-bearing bank borrowings, guaranteed bonds and notes, was 43.2% (31 December 2019: 42.3%).

Foreign Exchange Exposure

Majority of the subsidiaries of the Company are operating in the PRC with most of the transactions denominated and settled in RMB. Currently, the Group has not used any derivative financial instruments to hedge against its risk on foreign exchange rates' fluctuation.

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		Unaudited	Unaudited
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE		32,038,587	34,233,316
Cost of sales		<u>(26,971,708)</u>	<u>(28,156,987)</u>
Gross profit		5,066,879	6,076,329
Gains on deemed disposal of partial interests in associates		–	338,115
Other income and gain, net	4	719,143	498,361
Selling and distribution expenses		(826,919)	(985,847)
Administrative expenses		(2,037,540)	(2,113,875)
Other operating expenses, net		(698,226)	(636,764)
Finance costs	5	(1,052,869)	(1,048,102)
Share of profits and losses of:			
Joint ventures		6,008	5,826
Associates		<u>3,104,596</u>	<u>3,633,160</u>
PROFIT BEFORE TAX	6	4,281,072	5,767,203
Income tax	7	<u>(494,077)</u>	<u>(615,755)</u>
PROFIT FOR THE PERIOD		<u>3,786,995</u>	<u>5,151,448</u>
ATTRIBUTABLE TO:			
Shareholders of the Company		3,568,116	4,745,330
Non-controlling interests		<u>218,879</u>	<u>406,118</u>
		<u>3,786,995</u>	<u>5,151,448</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	9		
Basic and diluted		<u>HK\$2.83</u>	<u>HK\$3.76</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>3,786,995</u>	<u>5,151,448</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(2,331,705)	(1,079,824)
Share of other comprehensive loss of associates	<u>(392,747)</u>	<u>(494,074)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(2,724,452)</u>	<u>(1,573,898)</u>
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i>		
Defined benefit plans:		
Actuarial gain/(loss), net	59,353	(97,688)
Income tax effect	<u>(17,157)</u>	<u>30,275</u>
	<u>42,196</u>	<u>(67,413)</u>
Equity investments at fair value through other comprehensive income:		
Changes in fair value	(323,559)	222,684
Income tax effect	<u>86,905</u>	<u>(82,261)</u>
	<u>(236,654)</u>	<u>140,423</u>
Share of other comprehensive income/(loss) of associates	<u>(28,586)</u>	<u>7,430</u>

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>(223,044)</u>	<u>80,440</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX	<u>(2,947,496)</u>	<u>(1,493,458)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>839,499</u>	<u>3,657,990</u>
ATTRIBUTABLE TO:		
Shareholders of the Company	858,020	3,322,357
Non-controlling interests	<u>(18,521)</u>	<u>335,633</u>
	<u>839,499</u>	<u>3,657,990</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

		30 June 2020 Unaudited HK\$'000	31 December 2019 Audited HK\$'000
	<i>Notes</i>		
ASSETS			
Non-current assets:			
Property, plant and equipment		50,124,234	51,898,919
Investment properties		1,109,973	1,131,346
Right-of-use assets		2,696,848	2,839,886
Goodwill		16,286,496	16,332,072
Operating concessions		4,174,949	3,783,828
Other intangible assets		3,259,727	3,373,759
Investments in joint ventures		331,268	327,691
Investments in associates		56,647,797	57,244,835
Equity investments at fair value through other comprehensive income		2,892,240	3,284,217
Financial asset at fair value through profit or loss		2,215,464	2,265,249
Receivables under service concession arrangements	10	2,306,818	2,380,255
Receivable under a finance lease		684,771	738,296
Prepayments, other receivables and other assets		1,072,668	937,969
Deferred tax assets		1,551,588	1,638,766
		<u>145,354,841</u>	<u>148,177,088</u>
Total non-current assets			
Current assets:			
Inventories		5,136,774	5,189,188
Receivable under a finance lease		87,501	84,707
Receivables under service concession arrangements	10	102,636	97,552
Trade receivables	11	5,377,544	6,029,450
Prepayments, other receivables and other assets		5,528,117	3,638,798
Other tax recoverables		450,748	393,871
Financial assets at fair value through profit or loss		1,583,286	–
Restricted cash and pledged deposits		35,916	36,701
Cash and cash equivalents		24,467,770	22,158,921
		<u>42,770,292</u>	<u>37,629,188</u>
Total current assets		<u>42,770,292</u>	<u>37,629,188</u>
TOTAL ASSETS		<u>188,125,133</u>	<u>185,806,276</u>

		30 June 2020	31 December 2019
		Unaudited	Audited
	<i>Notes</i>	HK\$'000	HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	12	30,401,883	30,401,883
Reserves		44,920,979	44,879,756
		75,322,862	75,281,639
Non-controlling interests		11,424,070	11,733,188
TOTAL EQUITY		86,746,932	87,014,827
Non-current liabilities:			
Bank and other borrowings		21,785,530	25,765,222
Guaranteed bonds and notes		21,561,173	26,268,062
Lease liabilities		613,262	684,279
Defined benefit obligations		2,231,811	2,270,816
Provision for major overhauls and onerous contracts		355,224	355,576
Other non-current liabilities		3,150,877	1,823,219
Deferred tax liabilities		2,455,551	2,576,094
Total non-current liabilities		52,153,428	59,743,268
Current liabilities:			
Trade and bills payables	13	4,893,439	4,508,343
Other payables, accruals and contract liabilities		20,122,636	21,235,911
Provision for major overhauls and onerous contracts		49,412	49,525
Income tax payables		825,909	981,218
Other tax payables		526,113	374,237
Bank and other borrowings		18,042,311	7,361,029
Guaranteed bonds and notes		4,608,259	4,373,180
Lease liabilities		156,694	164,738
Total current liabilities		49,224,773	39,048,181
TOTAL LIABILITIES		101,378,201	98,791,449
TOTAL EQUITY AND LIABILITIES		188,125,133	185,806,276

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION:

1. BASIS OF PREPARATION AND PRESENTATION

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 set out in this announcement has been prepared in accordance with the applicable disclosure requirements of Appendix 16 of The Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited.

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019.

The accounting policies and basis of preparation used in the preparation of the unaudited interim condensed consolidated financial information are consistent with those adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, except for the adoption of the revised HKFRSs, as disclosed in note 2 below.

In preparing the unaudited interim condensed consolidated financial information, the Directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets as at 30 June 2020. Taking into account the Group’s internal financial resources, available banking facilities and new banking facilities currently under negotiation, the Directors of the Company considered that the Group will be able to operate as a going concern. Accordingly, the unaudited interim condensed consolidated financial information has been prepared on a going concern basis.

The financial information relating to the year ended 31 December 2019 included in this unaudited interim condensed consolidated financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to those statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on the consolidated financial statements of the Company for the year ended 31 December 2019. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

This interim condensed consolidated financial information has not been audited, but has been reviewed by the Company's audit committee.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial information:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of the above revised HKFRSs has had no significant financial effect on this unaudited interim condensed consolidated financial information and there has been no significant changes to the accounting policies applied in this unaudited condensed consolidated financial information.

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 the Group's 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 2020 and 2019, respectively.

Six months ended 30 June 2020

	Piped gas operation Unaudited HK\$'000	Brewery operation Unaudited HK\$'000	Water and environmental operation Unaudited HK\$'000	Solid waste treatment operation Unaudited HK\$'000	Corporate and others Unaudited HK\$'000	Inter- segment elimination Unaudited HK\$'000	Consolidated Unaudited HK\$'000
Segment revenue	23,108,070	5,547,023	-	3,383,494	-	-	32,038,587
Cost of sales	(20,847,556)	(3,594,517)	-	(2,529,635)	-	-	(26,971,708)
Gross profit	<u>2,260,514</u>	<u>1,952,506</u>	<u>-</u>	<u>853,859</u>	<u>-</u>	<u>-</u>	<u>5,066,879</u>
Profit/(loss) from operating activities	1,649,032	319,460	-	620,700	(299,516)	(66,339)	2,223,337
Finance costs	(265,207)	(11,924)	-	(85,926)	(756,151)	66,339	(1,052,869)
Share of profits and losses of:							
Joint ventures	6,008	-	-	-	-	-	6,008
Associates	<u>2,152,300</u>	<u>7,093</u>	<u>933,008</u>	<u>12,195</u>	<u>-</u>	<u>-</u>	<u>3,104,596</u>
Profit/(loss) before tax	3,542,133	314,629	933,008	546,969	(1,055,667)	-	4,281,072
Income tax	(218,259)	(88,388)	-	(176,066)	(11,364)	-	(494,077)
Profit/(loss) for the period	<u>3,323,874</u>	<u>226,241</u>	<u>933,008</u>	<u>370,903</u>	<u>(1,067,031)</u>	<u>-</u>	<u>3,786,995</u>
Segment profit/(loss) attributable to shareholders of the Company	<u>3,354,774</u>	<u>64,246</u>	<u>933,008</u>	<u>251,640</u>	<u>(1,035,552)</u>	<u>-</u>	<u>3,568,116</u>

Six months ended 30 June 2019

	Piped gas operation Unaudited HK\$'000	Brewery operation Unaudited HK\$'000	Water and environmental operation Unaudited HK\$'000	Solid waste treatment operation Unaudited HK\$'000	Corporate and others Unaudited HK\$'000	Inter- segment elimination Unaudited HK\$'000	Consolidated Unaudited HK\$'000
Segment revenue	24,253,763	6,525,919	-	3,453,634	-	-	34,233,316
Cost of sales	(21,584,753)	(3,991,019)	-	(2,581,215)	-	-	(28,156,987)
Gross profit	<u>2,669,010</u>	<u>2,534,900</u>	<u>-</u>	<u>872,419</u>	<u>-</u>	<u>-</u>	<u>6,076,329</u>
Profit/(loss) from operating activities	1,905,001	748,366	-	295,582	299,602	(72,232)	3,176,319
Finance costs	(252,906)	(10,528)	-	(78,118)	(778,782)	72,232	(1,048,102)
Share of profits and losses of:							
Joint ventures	5,826	-	-	-	-	-	5,826
Associates	<u>2,465,498</u>	<u>14,850</u>	<u>1,139,796</u>	<u>13,016</u>	<u>-</u>	<u>-</u>	<u>3,633,160</u>
Profit/(loss) before tax	4,123,419	752,688	1,139,796	230,480	(479,180)	-	5,767,203
Income tax	<u>(281,072)</u>	<u>(170,342)</u>	<u>-</u>	<u>(161,604)</u>	<u>(2,737)</u>	<u>-</u>	<u>(615,755)</u>
Profit/(loss) for the period	<u>3,842,347</u>	<u>582,346</u>	<u>1,139,796</u>	<u>68,876</u>	<u>(481,917)</u>	<u>-</u>	<u>5,151,448</u>
Segment profit/(loss) attributable to shareholders of the Company	<u>3,851,962</u>	<u>200,092</u>	<u>1,139,796</u>	<u>35,411</u>	<u>(481,931)</u>	<u>-</u>	<u>4,745,330</u>

During each of the six months ended 30 June 2020 and 2019, none of the Group's individual customers contributed 10% or more of the Group's revenue.

4. OTHER INCOME AND GAIN, NET

	Six months ended 30 June	
	2020	2019
	Unaudited <i>HK\$'000</i>	Unaudited <i>HK\$'000</i>
Other income		
Bank interest income	155,243	98,889
Finance income on the net investment in a finance lease	30,899	31,509
Rental income	21,885	20,864
Dividend income of an equity investment at fair value through other comprehensive income	–	49,255
Investment income of a financial asset at fair value through profit or loss	152,415	–
Government grants	87,394	74,874
Transfer of assets from customers	11,062	17,004
Others	257,343	187,746
	716,241	480,141
Gain, net		
Gain on disposal of items of property, plant and equipment, net	2,902	18,220
Other income and gain, net	719,143	498,361

5. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest on bank loans and other loans	499,671	462,680
Interest on guaranteed bonds and notes	535,834	566,858
Interest on lease liabilities	19,022	17,807
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Total interest expenses	1,054,527	1,047,345
Increase in discounted amounts of provision for major overhauls arising from the passage of time	531	7,212
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Total finance costs	1,055,058	1,054,557
Less: Interest capitalised in construction in progress	(2,189)	(6,455)
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	1,052,869	1,048,102
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6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Depreciation of items of property, plant and equipment	1,693,787	1,753,123
Depreciation of right-of-use assets	108,711	138,723
Amortisation of operating concession*	66,639	72,490
Amortisation of other intangible assets [#]	135,649	142,369
Foreign exchange differences, net	18,151	502
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* *The amortisation of operating concession for the period is included in "Cost of sales" on the face of the condensed consolidated statement of profit or loss.*

[#] *HK\$113,045,000 (six months ended 30 June 2019: HK\$118,950,000) and HK\$22,604,000 (six months ended 30 June 2019: HK\$23,419,000) of the amortisation of other intangible assets for the period are included in "Cost of sales" and "Administrative expenses" on the face of the condensed consolidated statement of profit or loss, respectively.*

7. INCOME TAX

An analysis of the Group's income tax is as follows:

	Six months ended 30 June	
	2020	2019
	Unaudited <i>HK\$'000</i>	Unaudited <i>HK\$'000</i>
Current:		
Hong Kong	37	817
Mainland China	254,661	380,571
Germany	186,151	182,124
Others	26,698	83
Deferred	<u>26,530</u>	<u>52,160</u>
Total tax expense for the period	<u><u>494,077</u></u>	<u><u>615,755</u></u>

8. INTERIM DIVIDEND

On 31 August 2020, the Board declared an interim cash dividend of HK40 cents per share (six months ended 30 June 2019: HK40 cents per share), totalling HK\$504,821,000 (six months ended 30 June 2019: HK\$504,821,000).

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit attributable to shareholders of the Company of HK\$3,568,116,000 (six months ended 30 June 2019: HK\$4,745,330,000), and the weighted average number of ordinary shares of 1,262,053,268 (six months ended 30 June 2019: 1,262,053,268) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for each of the six months ended 30 June 2020 and 2019 for a dilution as the Group had no dilutive potential ordinary shares in issue during these periods.

10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

The Group's receivables under service concession arrangements represented the Group's unconditional right to receive cash or another financial asset for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service under service concession arrangements. They were all unbilled as at 30 June 2020 and 31 December 2019.

11. TRADE RECEIVABLES

The various group companies have different credit policies, depending on the requirements of their markets and the businesses which they operate. Ageing analysis of trade receivables is prepared and closely monitored in order to minimise any credit risk associated with the receivables. The Group does not hold any collateral or other credit enhancement over its trade receivables.

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

	30 June 2020 Unaudited HK\$'000	31 December 2019 Audited HK\$'000
Billed:		
Within one year	4,483,793	3,987,212
One to two years	388,618	63,304
Two to three years	12,869	26,112
Over three years	<u>80,252</u>	<u>67,730</u>
	4,965,532	4,144,358
Unbilled*	<u>412,012</u>	<u>1,885,092</u>
	<u><u>5,377,544</u></u>	<u><u>6,029,450</u></u>

* *The unbilled balance was attributable to the sale of natural gas near the period end date and such sale will be billed in the next metre reading date.*

12. SHARE CAPITAL

	30 June 2020 Unaudited HK\$'000	31 December 2019 Audited HK\$'000
Issued and fully paid:		
1,262,053,268 ordinary shares	<u>30,401,883</u>	<u>30,401,883</u>

13. TRADE AND BILLS PAYABLES

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

	30 June 2020 Unaudited HK\$'000	31 December 2019 Audited HK\$'000
Billed:		
Within one year	3,415,662	3,142,503
One to two years	266,796	127,634
Two to three years	6,106	3,046
Over three years	<u>18,553</u>	<u>15,923</u>
	3,707,117	3,289,106
Unbilled*	<u>1,186,322</u>	<u>1,219,237</u>
	<u>4,893,439</u>	<u>4,508,343</u>

* *The unbilled balance was attributable to (i) purchase of natural gas near the period end which will be billed subsequently in early July 2020; and (ii) accrued extra purchase costs which will be billed when the price is agreed by Beijing Gas with the supplier.*

14. IMPACT OF THE CORONAVIRUS

The COVID-19 coronavirus (the “Pandemic”) has produced a negative impact on certain operations of the Group, including piped gas, brewery, water and environmental and solid waste treatment operations in the PRC. Management of the Group has been actively taking measures to control the operating costs and pay attention to cash flow management to readily prepare for business recovery after the Pandemic.

15. COMPARATIVE AMOUNTS

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

INTERIM DIVIDEND

The Board has resolved to declare an interim cash dividend for the six months ended 30 June 2020 of HK40 cents (2019: HK40 cents) per share, which will be payable on 28 October 2020 to shareholders whose names appear on the register of members of the Company on 28 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Thursday, 24 September 2020 to Monday, 28 September 2020, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 23 September 2020.

EMPLOYEES

At 30 June 2020, the Group had approximately 40,000 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 and share options 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 complied with the code provisions (the "Code Provisions") as set out in Appendix 14 "Corporate Governance Code" to the Listing Rules during the six months ended 30 June 2020.

Mr. Hou Zibo has assumed the positions of Chairman and Chief Executive Officer since 1 September 2017. This arrangement deviates from Code Provision A.2.1 which recommends that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, the Board considers that the appointment of Mr. Hou Zibo as Chairman and Chief Executive Officer can bring benefits to the Company's business development and management at present, and will not impair the balance of power and authority between the Board and the management of the Company.

Under 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 period, not all independent non-executive directors attended general meetings of the Company due to other business engagements, which deviates from Code Provision A.6.7.

The Chairman of the Board was unable to attend the annual general meeting of the Company held on 18 June 2020, which deviates from Code Provision E.1.2. However, the Chairman had arranged other directors to attend the meeting and communicate with shareholders.

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 2020.

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 Dr. Yu Sun Say. The Audit Committee has already reviewed the unaudited interim results for the six months ended 30 June 2020 and considers that appropriate accounting policies have been adopted in preparation of the 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 2020, 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.

By order of the Board
Beijing Enterprises Holdings Limited
Hou Zibo
Chairman and Chief Executive Officer

Hong Kong, 31 August 2020

As at the date of this announcement, the board of directors of the Company comprises Mr. Hou Zibo (Chairman and Chief Executive Officer), Mr. Li Yongcheng, Mr. Zhao Xiaodong, Mr. Jiang Xinhao and Mr. Tam Chun Fai as executive directors; Mr. Wu Jiesi, Mr. Lam Hoi Ham, Dr. Sze Chi Ching and Dr. Yu Sun Say as independent non-executive directors.