BEIJING ENTERPRISES HOLDINGS LIMITED

STOCK CODE: 392

ANNUAL REPORT 2013

北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

CONTENTS

CORPORATE INFORMATION

GENERAL INFORMATION:

REGISTERED OFFICE

66/F., Central Plaza,
18 Harbour Road,
Wanchai, Hong Kong
Tel: (852) 2915 2898
Fax: (852) 2857 5084

WEBSITE

http://www.behl.com.hk

STOCK CODE

392

COMPANY SECRETARY

Mr. Tam Chun Fai CPA CFA

SHARE REGISTRARS

Tricor Tengis Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

DIRECTORS:

EXECUTIVE DIRECTORS

Mr. WANG Dong *(Chairman)*
Mr. HOU Zibo *(Vice Chairman)*
Mr. ZHOU Si *(Vice Chairman & Chief Executive Officer)*
Mr. ZHANG Honghai *(Vice Chairman)*
Mr. LI Fucheng *(Vice Chairman)*
Mr. LI Yongcheng
Mr. LIU Kai
Mr. E Meng *(Executive Vice President)*
Mr. JIANG Xinhao *(Vice President)*
Mr. TAM Chun Fai *(Chief Financial Officer & Company Secretary)*

NON-EXECUTIVE DIRECTOR

Mr. Guo Pujin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Jiesi
Mr. Robert A. Theleen
Mr. Lam Hoi Ham
Mr. Fu Tingmei
Mr. Sze Chi Ching
Mr. Shi Hanmin
Dr. Yu Sun Say

AUDIT COMMITTEE:

Mr. Wu Jiesi
Mr. Lam Hoi Ham *(Committee Chairman)*
Mr. Fu Tingmei

REMUNERATION COMMITTEE:

Mr. Zhou Si
Mr. Wu Jiesi *(Committee Chairman)*
Mr. Lam Hoi Ham

CORPORATE INFORMATION

NOMINATION COMMITTEE:

Mr. Wang Dong *(Committee Chairman)*
Mr. Lam Hoi Ham
Mr. Fu Tingmei

AUDITORS:

Ernst & Young

LEGAL ADVISERS:

HONG KONG LAW

DLA Piper
Mayer Brown JSM

PRC LAW

Haiwen & Partners

US LAW

Mayer Brown JSM

PRINCIPAL BANKERS:

IN HONG KONG

Bank of China, Hong Kong Branch
Bank of Communications, Hong Kong Branch
China Construction Bank, Hong Kong Branch
Mizuho Corporate Bank Ltd., Hong Kong Branch

IN MAINLAND CHINA

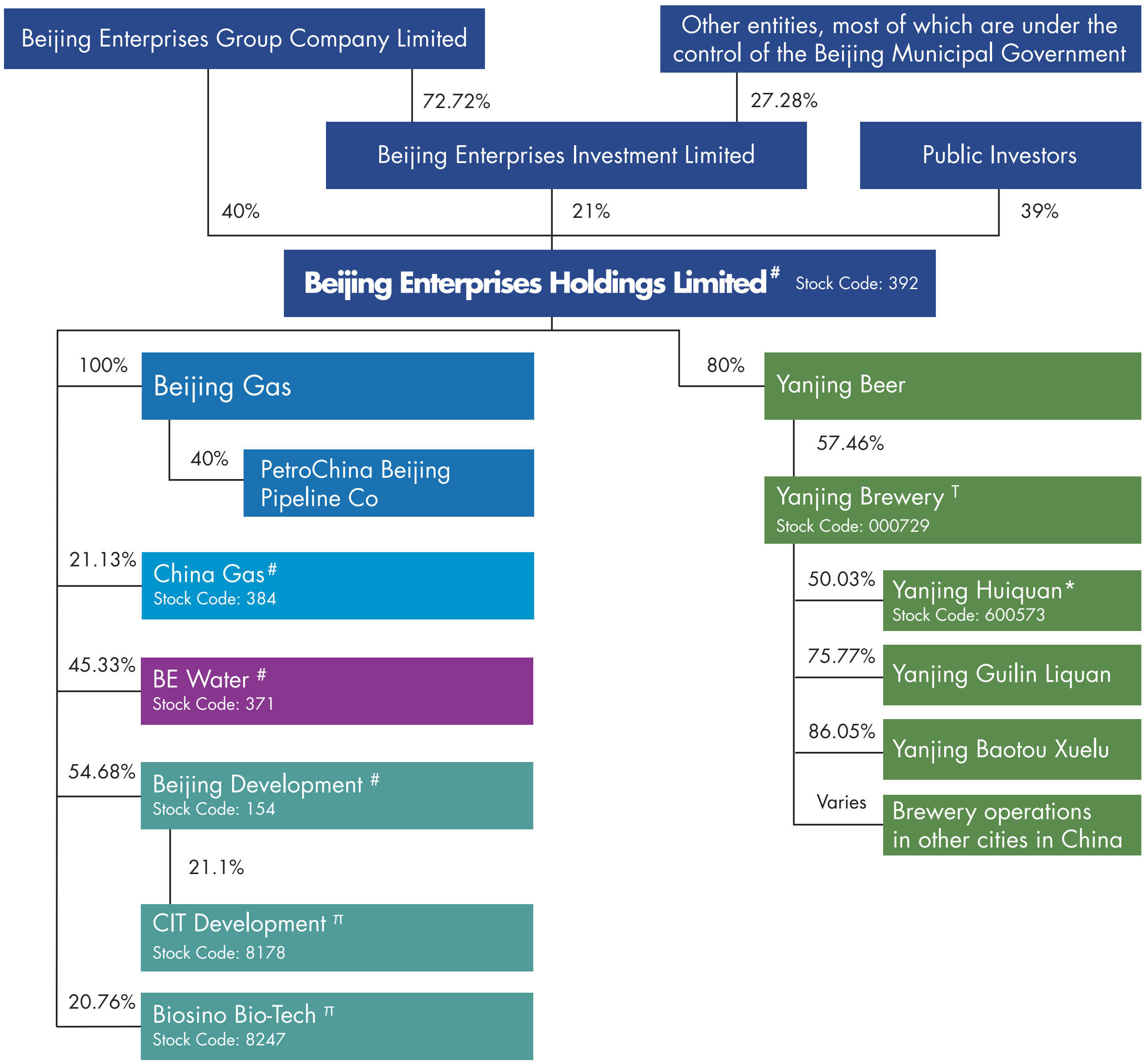
Agricultural Bank of China
Bank of China
China Construction Bank
Guangdong Development Bank
The Industrial and Commercial Bank of China

ADR DEPOSITORY BANK

The Bank of New York

CORPORATE STRUCTURE

AS AT 31 DECEMBER 2013



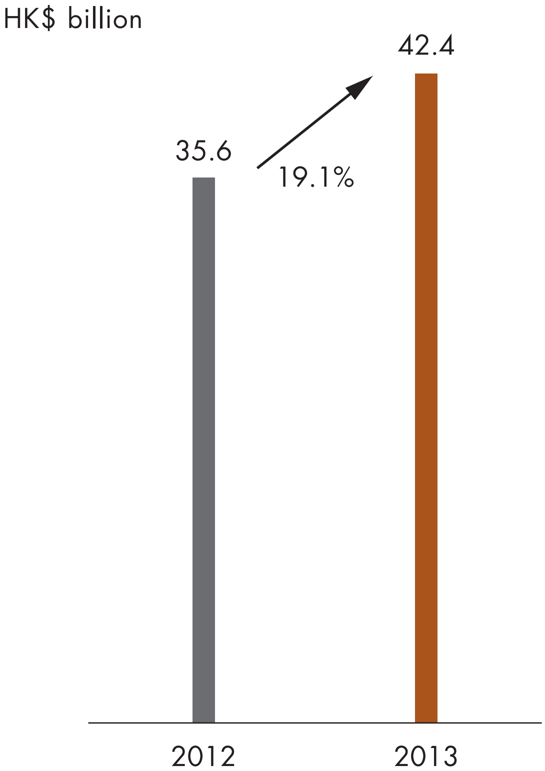
* *Listed on The Shanghai Stock Exchange*
T *Listed on The Shenzhen Stock Exchange*
\# *Listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")*
π *Listed on The Growth Enterprise Market of the Stock Exchange*

HIGHLIGHTS

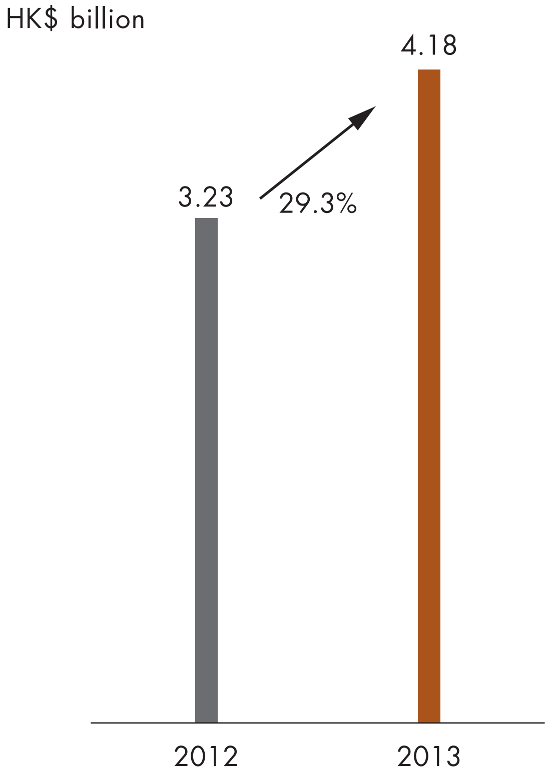
FINANCIAL HIGHLIGHTS (AUDITED)

	2013 (HK$'000)	2012 (HK$'000) (Restated)	**Change**
Revenue	**42,360,528**	35,569,649	+19.1%
Gross Profit	**8,337,213**	7,362,045	+13.2%
Profit Attributable to Shareholders of the Company	**4,183,878**	3,234,992	+29.3%
Basic Earnings Per Share (HK dollar)	**3.61**	2.84	+27.1%
Annual Dividend (HK cent)	**85**	75	+13.3%

Revenue



Profit attributable to shareholders of the Company



CHAIRMAN'S STATEMENT

In 2013, major economies in the world showed obviously different trends: Europe, the US & other developed economies remained weak; meanwhile, emerging economies represented by China basically achieved soft landing and started to recover & lead the global economic recovery. Beijing Enterprises Holdings Limited (the "Company" or the "Group") actively dealt with the domestic & foreign dynamics, and maintained a healthy & smooth growth momentum.

According to the financial statements prepared under the Hong Kong Financial Reporting Standards, revenue in 2013 amounted to HK$42.36 billion, representing a year-on-year increase of 19.1%. Profit attributable to shareholders of the Company amounted to HK$4.18 billion, representing a year-on-year increase of 29.3%. The board of directors proposed a final dividend of HK60 cents per share.

With the continuous progress of urbanization in China, the involvement in in-depth development of urbanization by gas, water and solid waste treatment businesses as a whole will achieve breakthrough in terms of both quality and quantity; end users' application of gas, domestic & industrial sewage treatment, urban waste treatment and other types of traditional & emerging business will receive huge development. In consumer product market, higher urbanization level and upgraded consumption standard, especially the rapid development of premium beer market, will generate high demand for development of the beer industry. Highlights of our future efforts are as follows:

Gas Business: Firstly, under the new requirements of the capital to alleviate PM2.5 pollution and improve air quality, the Company will remain committed to develop natural gas clean energy in Beijing. Driven by the development of natural gas vehicles, the conversion of coal-fired steam boilers, completion of the 4 major thermal power centers and other major energy projects, the demand for natural gas will grow continuously in Beijing. According to the 2013 – 2017 Clean Air Action Plan of Beijing City, the government's major objective is to achieve 10,500 steam tons of clean energy transformation for coal-fired boilers in the city from 2013 to 2017. By 2015, upon full operation of the four major thermal power centres, the natural gas thermal power plants will consume more than 7 billion cubic meters of natural gas per year, at least double of the consumption in 2013. By the end of 2017, number of natural gas vehicles in Beijing city shall reach 100,000. During the implementation of the 12th Five-Year Plan and the 13th Five-Year Plan, Beijing Gas Group Company Limited ("Beijing Gas") will construct 197 compressed natural gas ("CNG") filling stations and 261 liquefied natural gas ("LNG") filling stations, covering all the suburban districts & counties of Beijing. Secondly, we will follow up the construction of the long-distance No. 4 Shaanxi-Beijing Pipeline. Upon completion of the construction, the annual gas transmission capacity of the whole Shaanxi-Beijing pipeline system will increase by more than 15 billion cubic meters to reach over 50 billion cubic meters to satisfy the long-term gas demands of Beijing & its peripheral areas. Thirdly, we will actively study & take part in development of unconventional natural gas, especially coal-to-gas conversion projects. Fourthly, we will speed up the strategic cooperation between Beijing Gas and China Gas Holdings Limited (Stock Code: 384) ("China Gas") and facilitate common exploration/investment in the gas sector by means of joint investment or cooperation. Relying on the nationwide 128 city outlets of China Gas, the business sectors of pipe gas, sewage treatment and solid waste treatment of our Company will accelerate expansion in the country and properly capitalize on the potential synergy between each other: for expansion of pipe gas projects in other cities, we shall co-tender or apply for licensing to the corresponding provincial/city governments; for city gas projects on hand, we shall co-develop gas value-added services.

CHAIRMAN'S STATEMENT

Beer Business: Yanjing Beer will continue to implement the three major structural adjustments by accelerating sales of middle-end products and catching up with transformation of consumption, and strengthening efforts in development of the middle & western China markets for higher market share.

Water Business: The Company will continue to expand its market share, consolidate & strongly develop conventional water business, optimize the full-industrial chain layout of water business, and facilitate progress in water environment treatment, sludge treatment, sea water desalination and overseas operation. In terms of regional layout, the domestic and foreign markets shall be on parallel development: for domestic market, we will continue to pursuit regional expansion and penetration; for foreign market, we will focus on Southeast Asia, South Asia and Europe.

Solid Waste Treatment: Beijing Enterprises Holdings Environment Technology Co., Ltd is the Company's professional platform specializing in solid waste treatment. During this year, while assigning priority to explore the main business of domestic waste-to-energy, it will actively explore new businesses in the environmental protection derivative sectors such as sludge, leachate, food waste, soil treatment & environment restoration, cultivating the capability of environment integrated service and creating new sources for business growth. Meanwhile, Beijing Development (Hong Kong) Limited (Stock Code: 154) ("Beijing Development") is also exploring opportunities to transform its main business to solid waste treatment. Along with continuously improving living quality in the cities & towns of China and continuous economic growth, wastes in cities & towns will be steadily on the increase. Encompassing the characteristics of energy-saving and environmental friendly power generation as well as new energy power generation, waste incineration power generation is a dominant way for waste treatment that captures an enormous market with vast potential, delivers good social efficiency and provides stable cash flow. In addition, Beijing Development, on the basis of actively promoting the Haidian Project, shall diligently implement early-stage preparation work and accelerate to transform its main business to solid waste treatment.

The Company has continued to expand its business scales in recent years: our water business has developed rapidly through merger, acquisition and reorganization; and new asset, namely China Gas, was injected into the Company at the end of 2013. The Company will closely monitor economic fluctuation to make accurate use of the timing to gather quality resources to take part in integration of urban utilities while securing safety and stability of cash flow. Development of gas, water and solid waste business shall receive full support to make the Company the leading service provider of clean energies & utilities in the country. Meanwhile, the Company will support beer business to accelerate market expansion by means of capital operation and merger and acquisition in a timely manner.

Wang Dong
Chairman

Hong Kong
31 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

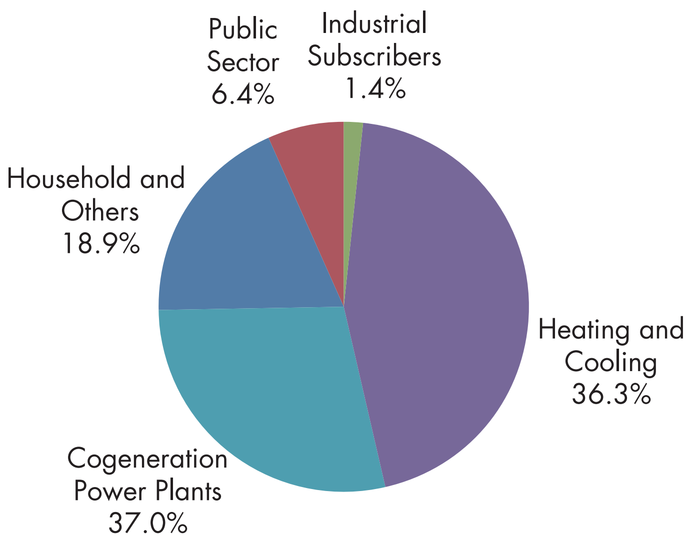
I. BUSINESS REVIEW

NATURAL GAS DISTRIBUTION BUSINESS

Beijing Gas Group Company Limited ("Beijing Gas") recorded a gas sales volume of 8.72 billion cubic metres in 2013, representing a year-on-year growth of 9.8%. Revenue amounted to HK$25.16 billion, representing a year-on-year growth of 21.9%. Net profit attributable to shareholders amounted to HK$1.32 billion, representing a year-on-year growth of 24.9%.

In 2013, there were approximately 260,000 new subscribers, of which 255,000 were household subscribers and 4,402 were public-sector subscribers. At the end of 2013, the total number of natural gas subscribers has reached 4,960,000 and pipelines in operation in Beijing increased to 15,942 kilometers in length. During the year, heating boilers with a total capacity of 6,424 t/h steam were developed, with a loading of 375 t/h steam in summer. Capital expenditure for basic pipeline and gateway stations infrastructure in Beijing amounted to HK$4.46 billion.

The sales volume of Beijing Gas in 2013 was approximately 8.72 billion cubic metres, analysed as follows:



I. BUSINESS REVIEW (Continued)

NATURAL GAS DISTRIBUTION BUSINESS (Continued)

During the second half of 2013, the sales volume growth slowed considerably, for the heating season began from mid November, which was one week later than 2012. Furthermore, the temperature in November and December 2013 in Beijing was higher than the corresponding period in 2012, reducing the gas consumption for heating. Due to the continuous increase of household subscribers, the relevant gas sales volume rose steadily. The gas used for power generation grew robustly, mainly due to the commencement of Caoqiao Power Plant in April and increasing consumption volume by Huaneng Cogeneration Plant.

Beijing Gas continued to seize the opportunities presented by the Capital City's initiatives to eliminate air pollutants, continuously strengthened the application market of natural gas, enhanced the coverage of the suburban market in Capital City, and actively explored the gas projects of other cities when safe and stable supply of gas energy to Capital City is secured.

Beijing Gas has realized the overall coverage of Beijing suburban market in 2013, and the annual sales volume of suburban county has become the new growth point of business. The coal-to-gas conversion of boilers project kept developing. Beijing's 6 metro area will hit the target of no coal-fired boiler by 2016. During the year, gas vehicle consumption market developed quickly, and Beijing City has developed 4,000 liquefied natural gas ("LNG") buses, 2,000 compressed natural gas ("CNG") taxis, over 400 regional buses and over 1,000 driving school and other gas vehicles. Beijing Gas has built 3 LNG transfer stations with total storage capacity of 1,950,000 cubic metres, and the city has built 18 LNG gas filling stations. Beijing Gas currently has 10 CNG main stations with daily production capacities of over 1 million cubic metres. It also has 32 CNG gas filling stations. In 2013, Beijing Gas's CNG sales for vehicles and LNG sales for vehicles amounted to 42.27 million cubic metres and 13,700 tons, respectively. The large-scaled application of gas-fueled vehicles will effectively reduces the emission of CO_2, which is of great importance to improve air pollution of the Capital City.

During the year, Beijing Gas quickened the construction of gas source and urban main pipeline network, promoted the construction of intra-city ancillary facilities of No. 4 Shaanxi-Beijing Pipeline, construction of intra-city reception facilities for the Datang Coal-to-Gas Project, pipeline facilities of Northwest and Northeast Thermal Gas Power Center, 6 metro area West Project and construction of ancillary pipelines for the Tangshan LNG Project to ensure the sufficient gas resource and supply for the Capital City.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW (Continued)

NATURAL GAS DISTRIBUTION BUSINESS (Continued)

In mid December 2013 Datang Coal-to-Gas Project initially supplied gas to Beijing, and phase I is predicted to produce 1 billion cubic meters of methane gas annually, which will effectively relieve the shortage of gas resource in heating season. This is the first coal-to-gas project under commercial operation in China, creating a benchmark for industry development. Beijing Gas will quicken the extension of business chain, actively study the upstream resources projects of coal to gas, coal seam gas, shale gas and LNG, etc.

NATURAL GAS TRANSMISSION BUSINESS

PetroChina Beijing Natural Gas Pipeline Company Limited ("PetroChina Beijing Pipeline Co."), a company in which Beijing Gas holds 40% equity interests, achieved an annual gas transmission volume of 25.21 billion cubic meters in 2013, representing a year-on-year increase of 6.3%. The profit after taxation attributable to the Company was HK$2.22 billion, representing a year-on-year increase of 29.3%, mainly due to the useful life of certain pipeline facilities had been extended from 14 to 30 years, which has reduced the depreciation expense. In 2013, the total net fixed asset of PetroChina Beijing Pipeline Co. has increased by RMB4.95 billion, mainly due to the construction cost for completing No.3 Shaanxi-Beijing Pipeline and special pipeline of Datang Coal-to-Gas Project as well as the preliminary project cost of No.4 Shaanxi-Beijing Pipeline.

BEER BUSINESS

In 2013, nationwide beer sales volume of Beijing Yanjing Brewery Co., Ltd. (北京燕京啤酒股份有限公司) ("Yanjing Beer") reached 5.71 million kilolitres, representing a year-on-year increase of 5.7%. Revenue amounted to HK$16.84 billion, representing a year-on-year increase of 16.6%, mainly due to the increased average selling price of products and increasing sales volume of medium and premium products. According to the PRC accounting principles, Beijing Yanjing Brewery Co., Ltd. (000729), whose A shares are listed in China, has achieved a total profit of RMB1.016 billion, representing a year-on-year growth of 18.73%; Profit attributable to shareholders of the Company amounted to HK$358 million, representing a year-on-year increase of 2.6%.

I. BUSINESS REVIEW (Continued)

BEER BUSINESS (Continued)

On the basis of consolidating and maintaining the market advantage of Beijing base, Yanjing further strengthened the development and strategy for great southwest and midwest market, and successively put companies in Guizhou and Alar, Xinjiang into operation. Both companies have achieved profits during the year in which they commenced operation. Regional markets in other provinces such as Guangxi, Guangdong, Kunming, Sichuan and Xinjiang also showed a good growth trend, and the production and sales volume, revenue and profit maintained at a high growth rate. It significantly integrated great northern China and Hunan market, clarifies the marketing strategy, reasonably allocated resources, reduced the internal competition, steadily operated and improved the efficiency.

With medium grade wine as a key breakthrough point, Yanjing Beer increased the proportion of medium and premium products, promoted the profit margin, intensified the promotion effort at national market; researched and developed new products according to market demand, optimized the product mix and increased the added value of products. It also increased its sales effort for canned beer and draught beer in response to the development trend of the beer market.

During the year, Yanjing Beer insisted "1+3" brand development strategy, integrated and analyzed the leading product line and image of Yanjing, accelerated technological upgrade project, enhanced product control towards Yanjing brand, strengthened popularity and reputation among consumers, improved the competitiveness of core products. The total sales volume of "1+3" brand was 5.15 million kilolitres, accounted for 90% of the total sales volume of the Company, of which 3.78 million kilolitres were from sales of Yanjing Beer, representing a year-on-year growth of 0.24 million kilolitres or 6.78%.

SEWAGE AND WATER TREATMENT OPERATIONS

The sewage treatment and water supply businesses of Beijing Enterprises Water Group Limited ("BE Water") (stock code: 371) grew rapidly in 2013. Its turnover increased by 72% to HK$6.41 billion as a result of the overall increase in income from water environmental renovation projects, sewage treatment charges and reclaimed water service charges. Profit attributable to shareholders of BE Water increased by 44% to HK$1.08 billion, of which net profit of HK$514 million was attributable to the Company. As at the end of 2013, BE Water already participated in 282 water plants which are or will be in operation, including 226 sewage treatment plants, 51 water distribution plants, 4 reclaimed water plants and 1 seawater desalination plant. Its total designed capacity reached 16.71 million tons/day, increased by 59% year-on-year. Its operation capacity was 9.49 million tons/day, and the capacity under development was 7.22 million tons/day. The projects developed by BE Water are located in different regions in the PRC and it has developed into a leading water treatment company nationwide.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW (Continued)

SEWAGE AND WATER TREATMENT OPERATIONS (Continued)

The Company has completed the capital injection to BE Water for the future revenue of Beijing No. 9 Water Plant, the equity interests of Beijing No. 10 Water Plant, Weifang and Hainan company, and increased its shareholding in BE Water to 49.8%, to make it become the only water company within the Company system and complete the strategic transformation. Subsequently, BE Water raised funds of approximately HK$2.3 billion through two placements of new shares. As at 31 December 2013, the equity interest of BE Water held by the Company was diluted to 45.3%.

SOLID WASTE TREATMENT BUSINESS

The Company follows the national policy on environmental protection to solely develop the investment of solid waste project, engineering construction and producing operation. During the year, the company has invested, built and operated seven waste incineration power generation projects, two hazardous and medical waste disposal projects. The total treating scale of seven power generation projects is designed to be 10,025 ton/day. Some projects use circulating fluidized bed technology and other projects use chain grate stoker technology. Most are BOT projects, the operating period is usually 30 years (including the construction period), and the total investing scale is about RMB3.63 billion, part of which is equity capital, and the rest is loan. The total scale of two hazardous waste treatment projects is designed to be 73,000 ton/year, and the total investment amounts to RMB396 million.

For power generation project, the BOT project of Waste Incineration Power Plant in Wenchang city of Hainan province has begun operation. Guodingshan BOT project in Hanyang of Wuhan province is under trial operation. The phase I of Shuangqi BOT project in Harbin is under pilot run. Phase I of Xiangyang BOT project has been formally operated and other projects are under construction. The BOT project of Hengyang Hazardous Waste Disposal Center has commenced operation, while the one in Taiyuan is under construction.

I. BUSINESS REVIEW (Continued)

MATERIAL CAPITAL OPERATION AND IMPLEMENTATION OF STRATEGIC BUSINESS LAYOUT

Firstly, we have completed purchase of equity interests in China Gas Holdings Limited ("China Gas") (stock code: 384). In 2013, Beijing Enterprises Group Company Limited ("Beijing Enterprises Group"), the Company's holding company has signed Strategic Co-operation Framework Agreement with China Gas, and injected its 22% equity interests in China Gas into the Company in exchange for the Company's new shares and cash as consideration. The injection of China Gas assets is a significant boost for expanding strategic territory of natural gas. It has not only accelerated the development of urban gas business and improvement of national market layout, thereby further improving its domestic market share, but it will also help creating synergy among various core businesses under the Company to further promote value-added business such as compressed natural gas, cooling-heating-power supply and gas filling station, urban infrastructure and service business chain such as water and solid waste treatment. Thus, it will enhance the Company's opportunities to get key projects outside Beijing in the future. This successful capital transaction has also achieved the Company's goal of rapid expansion of the strategic layout of its core businesses, which was well received and recognised by the capital markets, thereby enhancing the Company's influence.

Secondly, the Company has injected its equity interests in Beijing No. 10 Water Plant, the future revenue of Beijing No. 9 Water Plant, equity interests of Weifang and Hainan company to BE Water by way of share swap and increased the shareholdings to 49.8%. The injection of water assets solved the historical problems, fully completed building of water businesses, thereby making BE Water the only water platform within the Company structure, and finally accomplished the strategic transformation of water business.

Thirdly, we has committed injecting capital into Beijing Development (Hong Kong) Limited ("Beijing Development") (stock code: 154). Such capital injection will fully support the strategic transformation of Beijing Development's core businesses and further realize the Company's strategic goal of establishing environmental protection and solid waste treatment platform.

In addition, according to the arrangement of Beijing Enterprises Group and the Company, we have completed the transfer of 85% equity interests in phase I of Golmud Photovoltaic Power Plant at the end of the year, thereby realizing the goal of gradually reducing shareholding and finally withdrawing from the business of Photovoltaic Power Plant.

II. PROSPECTS

NATURAL GAS DISTRIBUTION BUSINESS

Pursuant to the new requirements imposed on rectification of PM2.5 hazard and improvement of air quality in Beijing, the city accelerated the development and application of natural gas as clean energy, and pushed forward development of natural-gas vehicles and coal-to-gas operation, the construction of four major Thermal Power Centres in full scale. The demands for natural gas in Beijing will continue to rise. According to the "Action Plan for Clean Air in Beijing city 2013-2017", the general requirement of government in 2013-2017 will be as follows: Clean energy transformation for coal-fire boiler of 10,500 t/h steam across the city, among which 6 metro area achieved clean energy transformation for coal-fire boiler of 4,900 t/h steam, outer suburban districts and counties achieved clean energy transformation for coal-fire boiler of 2,400 t/h steam and Industrial Park of city-level or above achieved 3,200 t/h steam. The transformation plan for power plants was as follows: In 2014, the construction of Northwest and Northeast Gas Thermal Power Centres will be completed and commence operation, and the coal-fired generation units of the thermal power centre at Gaojing will be closed down. In 2015, the construction of a new gas-fired generation unit of Huaneng Beijing Power Plant will be completed and commence operation and the coal-fired generation units of Guohua and Jingneng will be closed down. The gas consumption of natural gas thermal power centre will exceed 7 billion cubic metres per year in 2015. In 2016, the coal-fired generation units of Huaneng Beijing Power Plant will be closed down. By the end of 2017, the scale of application for natural gas vehicles in the city will seek to reach the benchmark of 100,000.

In order to support the application and development of natural gas vehicles, the Xiji LNG liquefying plant of Beijing Gas is currently under construction with a daily LNG liquefying capacity of 300,000 cubic metres and an emergency gasification capacity of 3 million cubic metres. During the 12th Five-Year Plan period, Beijing Gas will build 143 CNG filling stations and 98 LNG filling stations. During the 13th Five-Year Plan period, there will be 54 new CNG filling stations and 163 LNG filling stations across Beijing city, covering all outer suburban districts and counties of the city.

NATURAL GAS TRANSMISSION BUSINESS

No. 4 Shaanxi Beijing Pipeline is currently under construction and will increase gas transmission capacity of over 15 billion cubic metres/year upon completion. The total annual gas transmission capacity of the Shanxi-Beijing Pipeline system will exceed 50 billion cubic metres/year, satisfying the gas demand in Beijing city and the surrounding areas in the long term.

MANAGEMENT DISCUSSION AND ANALYSIS

II. PROSPECTS (Continued)

BUSINESS OPPORTUNITIES ARISING FROM URBANIZATION AND CLEAN ENERGY

Following the injection of strategic investment of China gas, the Company has completed strategic transformation. With business network across 128 cities nationwide of China Gas, the Company will speed up expansion of piped gas, sewage treatment and solid waste treatment business across the country, and is well positioned to benefit from the implementation of acceleration in urbanization policy by China, turning itself into a leading clean energy and public facilities operator in China.

As the air pollution worsens in China, the Government is promoting the application of clean energy, including natural gas, wind energy and solar power. The Company is actively exploring expansion into non-conventional natural gas business, especially opportunities in coal-to-gas projects. In addition, the Company will cultivate some value investment projects to offset and reduce the cyclical impact of conventional business.

BEER BUSINESS

Yanjing Beer will focus on strengthening efforts in expansion in the markets in central and western regions in China and acceleration in capturing the market share in such regions. Meanwhile, Yanjing Beer will actively explore adjustment in business structure and catch up with the rising trend of e-commerce, and conduct trial of online sales business model. It also pursued diversification of business structure for a higher market share, and lifted its corporate profitability so as to raise its overall competitiveness and market position.

III. FINANCIAL REVIEW

REVENUE

The revenue of the Group in 2013 was approximately HK$42.36 billion, increased by 19.1% compared with the revenue of HK$35.57 billion in 2012. This was mainly driven by the stable growth of Beijing Gas and Yanjing Beer's revenue. Other business contributed an aggregate of not more than 1% of the total revenue.

COST OF SALES

Cost of sales increased by 20.6% to HK$34.02 billion. The cost of sales for gas distribution business included purchase cost of natural gas as well as depreciation of piped line network. Cost of sales of beer business includes raw materials, wage expenses and absorption of certain direct overhead.

III. FINANCIAL REVIEW (Continued)

GROSS PROFIT MARGIN

Overall gross profit margin was 19.7% as compared to 20.7% in 2012. The decrease in gross profit margin was mainly attributable to the increase in raw materials costs and energy charges, resulting in the higher cost of sales as a whole. Disposal of the sewage and water treatment business also lowered the gross profit margin as a whole.

GAIN ON DEEMED DISPOSAL OF PARTIAL INTEREST IN AN ASSOCIATE

BE Water raised capital by placement of new shares twice in 2013 at a price higher than net asset value per share, and the Group received a gain on deemed disposal of partial interest in an associate of HK$581 million.

OTHER INCOME

Other income was mainly comprised of government grants amounted to HK$120 million, transfer of pipeline networks amounted to HK$130 million and bank interest income amounted to HK$180 million and so on.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of the Group in 2013 increased by 9.6% to HK$2.61 billion and was mainly due to the continuous expansion of natural gas and beer business in which new sales staff were recruited as well as higher increase in logistics and marketing expenditure.

ADMINISTRATION EXPENSES

Administration expenses of the Group in 2013 were HK$3.35 billion, increased by 9.4% comparing to last year. The increase in administration expenses was mainly due to the continuing expansion of the scale of gas distribution business and beer business and increase in related wages and fixed costs.

FINANCE COSTS

Finance costs of the Group in 2013 was HK$1.13 billion, increased by 13.8% comparing to 2012, which was mainly due to the calculation of annual interest expenses of the issuance of guaranteed senior notes of US$800 million in April 2012.

SHARE OF PROFITS AND LOSSES OF ASSOCIATES

Share of profits and losses of associates mainly included the 40% share of the profit after taxation of PetroChina Beijing Pipeline Co. and in average approximately 47% share of the profit after taxation of BE Water. PetroChina Beijing Pipeline Co. is 40% owned by Beijing Gas and 60% owned by Kunlun Energy Company Limited respectively. The primary business of PetroChina Beijing Pipeline Co. is natural gas transmission which supplies natural gas to city gas operators along the three long piped lines with an approximate total length of 3,000 kilometers owned by PetroChina Beijing Pipeline Co..

III. FINANCIAL REVIEW (Continued)

SHARE OF PROFITS AND LOSSES OF ASSOCIATES (Continued)

During 2013, the Group shared 40% of PetroChina Beijing Pipeline Co.'s profits after taxation, amounting to HK$2.22 billion. The Group's share of net profits of BE Water amounted to HK$514 million in 2013.

TAX

After deducting the share of profits and losses of associates, the effective income tax rate is 21.3%, lower than that of 26.5% in last year. It was because gain from deemed disposal of interest in an associate during the year were not subject to tax.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to the shareholders of the Company for the year ended 31 December 2013 was HK$4.18 billion (2012: HK$3.23 billion).

IV. FINANCIAL POSITION OF THE GROUP

NON-CURRENT ASSETS

Property, plant and equipment and capital expenditure

The net book value of property, plant and equipment increased by HK$6.19 billion. During 2013, Beijing Gas incurred a capital expenditure of approximately HK$4.46 billion in gas distribution business. The capital expenditure of Yanjing Beer was approximately HK$1.9 billion.

Interests in associates

The increased balances attributed to the share of net profits in 2013 of PetroChina Beijing Pipeline Co. and BE Water and share of gain on deemed disposal of interests in BE Water.

Receivables under service concession arrangements

The balance was nil, and was mainly because the relevant amount was reclassified as current assets.

Available-for-sale Investments

The substantial increase in the balance by HK$433 million was mainly attributable to the substantial appreciation of the market value of the shares of Beijing Jingneng Clean Energy Co., Limited held by the Group.

IV. FINANCIAL POSITION OF THE GROUP (Continued)

CURRENT ASSETS

Trade and bills receivables

The substantial increase in the balance by HK$1.99 billion was mainly because major power plant users of Beijing Gas had not received the subsidy from the Beijing Municipal Commission of Development and Reform resulting in delay of settlement. In the first quarter of 2014, Beijing Gas has received HK$917 million of account receivables.

Prepayments, deposits and other receivables

The increase in the balance by HK$298 million was mainly attributable to prepayment of input VAT of HK$1.22 billion by Beijing Gas and offsetting of current account with holding company after acquisition of China Gas.

CASH AND BANK BORROWINGS

As at 31 December 2013, cash and bank deposits held by the Group amounted to HK$10.86 billion. If the receipts in advance for the replenishment of IC Card value of Beijing Gas which approximate to HK$4 billion are to be excluded, the Group had net current assets of HK$4.3 billion, representing a strong net working capital. 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 total borrowings amounted to HK$25.77 billion as at 31 December 2013, which mainly comprised three guaranteed senior notes of US$1.8 billion in total, five year syndicated loans amounting to HK$3 billion and convertible bonds amounting to HK$770 million with the remaining working capital loans of HK$8.15 billion denominated in Renminbi and Hong Kong dollars. Around 26.8% of the bank loans were denominated in Hong Kong dollars with the rest mainly in Renminbi. The Group was in a net debt position of HK$14.91 billion as at 31 December 2013.

NON-CURRENT LIABILITIES

Liability component of convertible bonds

The decrease in the balance by HK$1.49 billion was mainly attributable to the partial exercise of the HK$ convertible bonds issued by the Company in 2009 for conversion into the issued share capital of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. FINANCIAL POSITION OF THE GROUP (Continued)

CURRENT LIABILITIES

Trade and bills payables

The decrease in the balance by HK$233 million was mainly attributable to the reduction in inventory purchases made by Beijing Gas and Yanjing Beer.

Receipts in advance

The significant increase in the balance of HK$2.27 billion was mainly due to the increase in receipts in advance of Beijing Gas from residential users and public sector subscribers for the replenishment of IC Card value.

Other payables and accruals

The substantial increase in the balance by HK$2.06 billion was mainly attributable to the significant increase in the balance of construction in progress as a result of the acceleration of a number of pipeline construction projects in Beijing in the fourth quarter by Beijing Gas.

Liquidity and Capital Resources

The downstream gas distribution business and brewery business has been constantly contributing to the operating cash flow of the Group and significantly increased its liquidity. During the year, the issued capital of the Company significantly increased by 133,000,000 shares, mainly due to the issue of new shares for acquisition of equity interests in China Gas as consideration. As at the end of 2013, the issued capital of the Company amounted to 1,270,193,509 shares and the shareholders' equity grew to HK$54.02 billion. Total equity was HK$64.07 billion comparing to HK$47.67 billion as at the end of 2012. Gearing ratio, which is interest-bearing bank borrowings and the Guaranteed Senior Notes divided by the sum of total equity, interest-bearing bank borrowings and the Guaranteed Senior Notes, was 27% (2012: 33%).

Given the primarily cash nature business of gas distribution, brewery and water concession, the Group is benefiting from a very strong recurring cash flow and is well positioned to capture investment opportunities in the future. The Group will continue its stable dividend distribution policy and at least 30% of its recurring earnings per share will be used for dividend distribution.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

WANG Dong, aged 48, is the Chairman of the Company and Beijing Enterprises Group Company Limited. Mr. Wang graduated from Mining Mechanical Engineering Faculty of Beijing Institute of Iron and Steel in 1986, holds a master degree in Public Administration from People's University of China and the title of Senior Engineer. Mr. Wang has held various senior positions in many large and medium size state-owned enterprises. From 2001 to 2008, Mr. Wang served as the Deputy General Manager, subsequently the Executive Deputy General Manager and finally the Chairman of BBMG Group Company Limited. From 2008 to 2009, he served as Head of the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. Mr. Wang has extensive experience in corporate management, finance and state-owned assets supervision. Mr. Wang joined the Group in August 2009.

HOU Zibo, aged 48, is the Vice Chairman of the Company. Mr. Hou also serves as Vice Chairman and General Manager of Beijing Enterprises Group Company Limited. Mr. Hou graduated from the School One of Ministry of Aerospace Industry with the specialty in Structural Mechanics and China Europe International Business School with the specialty in Business Administration; possesses a master degree in engineering, an MBA degree and the title of Professor-grade Senior Engineer. He was Deputy Director of Institute 702 of Ministry of Aerospace Industry and participated in many science and research projects of the state. Subsequently, Mr. Hou acted as Director and Deputy General Manager of Beijing Jingcheng Machinery Electric Holding Co., Ltd. From 2005 to 2010, he was Deputy Director of the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. Mr. Hou has extensive experience in state-owned assets management, corporate assets management and capital operations. Mr. Hou joined the Group in March 2012.

ZHOU Si, aged 57, is the Vice Chairman and CEO of the Company. Mr. Zhou is also Vice Chairman of Beijing Enterprises Group Company Limited, Chairman of Beijing Gas Group Co., Ltd., Consultant of Beijing Properties (Holdings) Limited (stock code: 925), as well as Chairman of the Board of Directors and Executive Director of China Gas Holdings Limited (stock code:384). Mr. Zhou received a bachelor's degree in science (Physics) from Capital Normal University in 1982, an MBA degree from school of Economics and Management, Tsinghua University in 1998 and possesses the title of Senior Economist. From 1984 to 2003, he worked with Comprehensive Planning Department of Urban Management Commission of Beijing Municipality as Chief Officer, Deputy Director and Director; and later worked as Deputy Director of Urban Management Commission of Beijing Municipality. From January 2011 to January 2014, he served as Chairman and Executive Director of Beijing Properties (Holdings) Limited (stock code: 925). Mr. Zhou has extensive experience in urban management, economics, finance and enterprise management. Mr. Zhou joined the Group in June 2005.

DIRECTORS AND SENIOR MANAGEMENT

ZHANG Honghai, aged 61, is the Vice Chairman of the Company. Mr. Zhang also serves as Executive Director of Beijing Development (Hong Kong) Limited (stock code: 154), the Chairman and Executive Director of Beijing Enterprises Water Group Limited (stock code: 371) and Executive Director and Chairman of the Board of BEP International Holdings Limited (stock code: 2326). Mr. Zhang graduated from Peking University in 1982 and subsequently completed a postgraduate programme at the International Business School of Hunan University and was awarded a master degree and the title of Senior Economist. Mr. Zhang also obtained an EMBA degree from Guanghua School of Management, Peking University. Mr. Zhang has worked for the Beijing Municipal Government for many years. Prior to joining the Company, Mr. Zhang was the director of the Foreign Affairs Office of the People's Government of Beijing Municipality and Hong Kong and Macao Affairs Office of the People's Government of Beijing Municipality and was Vice President of the Beijing Chinese Overseas Friendship Association. Mr. Zhang initially worked as Deputy General Manager and was then promoted to Vice Chairman and General Manager of Beijing International Trust Investment Limited during the period from 1990 to 1998, and has accumulated extensive experience in corporate management. Mr. Zhang joined the Group in December 2003.

LI Fucheng, aged 59, is the Vice Chairman of the Company. Mr. Li also serves as the Director and Vice General Manager of Beijing Enterprises Group Company Limited. During his tenure with Yanjing Beer Factory since 1983, he had held various positions including Deputy Secretary, Deputy Director and Director, etc and is currently the Chairman of the Yanjing Group. Mr. Li has extensive experience in the brewery industry. Mr. Li joined the Group in April 1997.

LI Yongcheng, aged 52, is the Executive Director of the Company. Mr. Li is a senior engineer, graduated from Wuhan University of Science and Technology with a master's degree in environmental engineering, and subsequently obtained an EMBA degree from Guanghua School of Management of Peking University. Mr. Li has extensive management and operation experience in gas business and once assumed various positions of Deputy General Manager, Vice Chairman and General Manager with Beijing Gas Group Co., Ltd. Mr. Li was Vice President of the Company from August 2007 to March 2011, and is currently Vice Chairman and Executive Deputy General Manager of Beijing Enterprises Group Company Limited. Mr. Li possesses extensive experience and professional expertise in piped gas business, and also has plenty of experience in enterprise operations and capital operations.

LIU Kai, aged 60, is the Executive Director of the Company. Mr. Liu also serves as the Director of Beijing Enterprises Group Company Limited and the Vice Chairman of Beijing Holdings Limited. He graduated from the mechanical engineering faculty of Tsinghua University in 1979, and later obtained postgraduate qualification in domestic economics, management and legal professional studies from the State Administration Institute. In 2007, Mr. Liu graduated from the EMBA program of Tsinghua University. Prior to joining the Company, Mr. Liu served as a Senior Executive of the Beijing Transportation Bureau and the Beijing Transportation Corporation. Mr. Liu has extensive experience in economics and management. Mr. Liu joined the Group in January 2001.

DIRECTORS AND SENIOR MANAGEMENT

E Meng, aged 55, is the Executive Director and Executive Vice President of the Company. Mr. E also serves as the Vice General Manager and CFO of Beijing Enterprises Group Company Limited, the Chairman and Executive Director of Beijing Development (Hong Kong) Limited (stock code: 154), the Vice Chairman and Executive Director of Beijing Enterprises Water Group Limited (stock code: 371), and an Independent Non-executive Director of JLF Investment Company Limited (stock code: 472). Mr. E graduated from China Science and Technology University with a master's degree in engineering and subsequently obtained an EMBA degree from The Hong Kong University of Science and Technology. Mr. E is a PRC senior accountant with the qualifications of PRC certified accountant, certified asset appraiser, certified real estate appraiser and certified tax appraiser. From 1988 to 1997, Mr. E was the Deputy Director of Beijing New Technology Development Zone and concurrently acting as the Director of the Department of Financial Auditing, the General Manager of Investment Operation Company, the chief accountant of Beijing Tianping Accounting Firm and the Deputy Director of the State-owned Assets Management Office of Beijing Haidian District. Mr. E has extensive experience in economics, finance and enterprise management. Mr. E joined the Group in November 1997.

JIANG Xinhao, aged 49, is the Executive Director and Vice President of the Company and also serves as Vice General Manager of Beijing Enterprises Group Company Limited, an Executive Director of Beijing Enterprises Water Group Limited (stock code: 371) and Beijing Properties (Holdings) Limited (stock code: 925). He graduated from Fudan University in 1987 with a bachelor's degree in law, then he served as a Policy Analyst of the Chinese State Commission of Restructuring Economic System from 1987 to 1989. In 1992, he was granted a master's degree in law. Mr. Jiang was a lecturer at Peking University between 1992 and 1994. From 1995 to 1997, Mr. Jiang was a Deputy General Manager of Jingtai Finance Company in Hong Kong, and subsequently a Director and Vice President of BHL Industrial Investment Company. From 1997 to February 2005, Mr. Jiang was a Director and the Chief Executive Officer of Tramford International Ltd., a public company listed on Nasdaq. He was a Manager of the investment development department of Beijing Holdings Limited and a General Manager of Beijing BHL Investment Center between May 2000 and February 2005. He has extensive experience in economics, finance and corporate management. Mr. Jiang joined the Group in February 2005.

TAM Chun Fai, Jimmy, aged 51, is the Executive Director, Chief Financial Officer and Company Secretary of the Company. Mr. Tam also serves as the Independent Non-executive Director of Hi Sun Technology (China) Limited (stock code: 818) and KWG Property Holding Limited (stock code: 1813). Mr. Tam graduated from the Hong Kong Polytechnic University with a bachelor's degree in accountancy and is a regular member of Chartered Financial Analyst and a member of Hong Kong Institute of Certified Public Accountants. Mr. Tam has extensive experience in auditing and corporate advisory services with major international accounting firms. Mr. Tam was involved in floatation and audit work of a wide variety of businesses, including electronics, electrical appliances, athletic shoes manufacturing, banking, insurance, securities and property development. Mr. Tam joined the Group in April 1997.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

GUO Pujin, aged 60, is the Non-executive Director of the Company. He graduated from the political education faculty of Capital Normal University in 1976 and later finished his postgraduate studies at Capital University of Economics and Business. Mr. Guo was previously the Chief Executive Officer of Daxing District of Beijing and is currently a member of the 14th Beijing People's Congress Standing Committee, director of the Urban Construction and Environmental Protection Office of the Beijing People's Congress Standing Committee, and the Chairman of Beijing Capital Expressway Development Co., Ltd.. Mr. Guo has extensive experience in government affairs and corporate management in China. Mr. Guo joined the Group in April 2004 as Executive Director of the Company and was re-designated as Non-executive Director of the Company in March 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

WU Jiesi, aged 62, holds a doctorate degree in Economics. Mr. Wu also serves as Independent Non-executive Director of China Taiping Insurance Holdings Company Limited (stock code: 966), China CITIC Bank International Limited as well as Industrial and Commercial Bank of China (Asia) Limited; Non-executive Director of Shenzhen Investment Limited (stock code: 604) and Silver Base Group Holdings Limited (stock code: 886); and Independent Director of China Merchants Securities Co., Ltd. (a company listed on the Shanghai Stock Exchange with stock code: 600999) and China Life Franklin Asset Management Co., Limited. He conducted post-doctoral research work in theoretical economics at the Nankai University in the PRC and was conferred the professorship qualification by the Nankai University in 2001. During the period from 1984 to 1995, Mr. Wu worked at the Industrial and Commercial Bank of China in a number of positions, including as the President of Shenzhen Branch. From 1995 to 1998, Mr. Wu was Vice Mayor of Shenzhen Municipal Government and from 1998 to 2000 he was the assistant to the Governor of Guangdong province. He was the Chairman of Guangdong Yue Gang Investment Holdings Company Limited and GDH Limited, the Honorary President of Guangdong Investment Limited and Guangdong Tannery Limited, and the managing director and chief executive officer of Hopson Development Holdings Limited. From September 2005 to July 2011, he was Independent Non-executive Director of China Merchants Bank Co., Ltd. (stock code: 3968). Mr. Wu was Non-executive Director and Vice Chairman of China Aoyuan Property Group Limited (stock code: 3883) and Non-executive Director of China Water Affairs Group Limited (stock code: 855). He has extensive experience in finance and management. Mr. Wu joined the Group in July 2004.

Robert A. THELEEN, aged 68, is the Chairman, founder and Co-Chief Executive Officer of ChinaVest, Ltd., a Shanghai-based Merchant Bank. Mr. Theleen was a pioneer in the private equity investment industry in China where, in 1982, he launched one of the first venture capital funds investing in China. Mr. Theleen is also a Trustee of the Asia Foundation and an active member of the business community in Shanghai where he resides. He was educated at Duquesne University and at the American School of Management in the United States where he obtained his master's degree in business administration in 1970. He is also the Vice Chairman of the American Chamber of Commerce in Shanghai for 2012. Mr. Theleen joined the Group in July 2004.

DIRECTORS AND SENIOR MANAGEMENT

LAM Hoi Ham, *Justice of Peace*, aged 75, was graduated from the faculty of economics of The University of Hong Kong, is the founder of the accounting firm H H Lam & Co., and is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lam was granted Medal of Honour by The Hong Kong Government in 1994 and was appointed a Justice of the Peace in 1997. Mr. Lam serves as a Standing Committee member of the 10th and 11th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China of Beijing City, the vice chairman of Beijing Overseas Friendship Association and a committee member of Beijing Health Department Overseas Friendship Association, etc. Mr. Lam joined the Group in March 2008.

FU Tingmei, aged 47, has extensive experiences in law, investment, finance and business management. Mr. Fu graduated from the University of London with a master's degree and a doctorate degree in Law in 1989 and 1993, respectively. Between 1992 and 2003, he conducted many corporate finance transactions in investment banking firms based in Hong Kong, including serving as a director of Peregrine Capital Limited, and a deputy managing director and subsequently a managing director of BNP Paribas Peregrine Capital Limited. Mr. Fu is currently engaged in private investment business. He is currently also an independent non-executive director of CPMC Holdings Limited (stock code: 906) and Guotai Junan International Holdings Limited (stock code: 1788), both listed on the Stock Exchange. Mr. Fu joined the Group in July 2008.

SZE Chi Ching, *Justice of Peace*, aged 74. Mr. Sze obtained an honorary doctorate degree in social sciences from City University of Hong Kong in 2008. He previously served as Hong Kong Affairs Advisor to the State Council, vice chairman of All-China Federation of Industry and Commerce, standing committee member of the Chinese People's Political Consultative Conference of Fujian Province, member of China Trade Advisory Board of Hong Kong Trade Development Council, member of the 8th, 9th, 10th and 11th Committee of Chinese People's Political Consultative Conference; associate director of the Committee for Learning and Cultural and Historical Data of the Committee of the People's Political Consultative Conference; vice chairman of China Civilian Chamber of Commerce. He is currently committee member of China Federation of Literary, director of China Calligraphers Association, chairman of Hong Kong Branch of Chinese Calligraphers Association, chairman of the board of Hang Tung Resources Holding Limited, and honorary president of the Hong Kong Fujian Chamber of Commerce. He has been appointed as vice chairman and a visiting professor of Huaqiao University, a part-time professor of the Chinese Department of Xiamen University, consulting professor of Peking University, executive director of the Board of Trustees of Jimei University, etc. Mr. Sze joined the Group in March 2013.

SHI Hanmin, aged 64, senior engineer. Mr. Shi graduated from the Basic Organic Chemical Engineering Faculty of Beijing Institute of Chemical Technology in 1974. From 1978 to 2010, he worked with Beijing Municipal Environmental Protection Bureau. During his tenure, he served as director from 2002 to 2010 and was appointed as environmental expert of the World Expo 2010 by the Shanghai Municipal Government in 2009. Mr. Shi also servers as representative of the 10th Communist Party Congress of Beijing, standing committee member of the 11th Chinese People's Political Consultative Conference of Beijing and deputy director of the Committee of Environment and Resources. Mr. Shi joined the Group in March 2013.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Shi has engaged himself in the regime of environmental protection for over 30 years, and has proactively made contributions to fulfill the environmental commitment of "Green Olympic" during the course of preparing for and holding Beijing Olympics. He obtained the honorary titles of "The Advanced Individual of The Beijing Olympics and Paralympics" granted by the CPC Central Committee and the State Council in 2008 in succession. He was also awarded the first "Kong Ha Award" in the same year as recognition of his outstanding contributions in leading and organizing the air quality improvement and the fulfillment of the "Green Olympic" commitment in Beijing. In 2009, under the leadership of Mr. Shi, the International Olympic Committee and the United Nations Environment Programme co-hosted the 8th World Congress of Sports and Environment in Canada and the first "Sports and Environment" prize was awarded to Beijing.

YU Sun Say, *G.B.S., J.P.*, aged 75. Dr. Yu is chairman of the H.K.I. Group of companies, director of a number of manufacturing and investment companies, Independent Non-Executive Director of Tongda Group Holdings Limited (stock code: 698) and Wong's International Holdings Limited (stock code: 99), member of the Standing Committee of the Chinese General Chamber of Commerce, Permanent Honorary President of the Chinese Manufacturers' Association of Hong Kong. Dr. Yu was member of the Standing Committee of the Chinese People's Political Consultative Conference as well as member of the Preparatory Committee for the Hong Kong Special Administrative Region and its Hong Kong Affairs Adviser.

SENIOR MANAGEMENT

XIAO Xifa, aged 50, is Vice President of the Company. Mr. Xiao is a senior engineer and a P.R.C. Registered Consulting (Investment) Engineer. Mr. Xiao holds a master degree in engineering from University of Science and Technology Beijing and a MBA from Tsinghua University. Mr. Xiao was the dean and chairman of Beijing Gas and Heating Engineering Design Institute (Limited Company), the chairman of Beijing United Gas Engineering & Technology Co., Ltd., the manager of asset management department of Beijing Gas Group Company Limited, and the manager of strategic development department of Beijing Enterprises Group Company Limited. Mr. Xiao has extensive experience in project investment consulting, planning, merger and acquisition as well as business management in the industry of gas and heat supply. Mr. Xiao joined the Group in February 2006.

LI Yalan, aged 51, is Vice President of the Company. Ms. Li also serves as Vice Chairman and General Manager of Beijing Gas Group Company Limited, Deputy Director of China Gas Association and member of the first urban gas expert team under Ministry of Construction of the PRC Government. Ms. Li graduated from Beijing University of Civil Engineering and Architecture with a bachelor degree in urban thermal engineering, studied at Renmin University of China for postgraduate master degree in business administration, possesses the title of professor-grade senior engineer, and had worked at Gaz de France for one year as trainee. Ms. Li was appointed as Vice President of the Company in April 2011.

DIRECTORS AND SENIOR MANAGEMENT

KE Jian, aged 45, is Vice President of the Company. Mr. Ke also serves as an Executive Director of Beijing Enterprises Water Group Limited (stock code: 371), and Executive Director and Vice Chairman of Beijing Development (Hong Kong) Limited (stock code: 154). Mr. Ke is a PRC Senior Accountant, Certified Tax Agent and Senior International Finance Manager. Mr. Ke received a bachelor's degree in economics from Beijing College of Finance and Commerce and an MBA degree from Murdoch University, Australia. Mr. Ke has extensive experience in finance and corporate administration. He joined the Company in 1997 and was appointed as Vice President of the Company in April 2011.

QI Xiaohong, aged 46, is Vice President of the Company. Ms. Qi graduated from Capital Normal University with a bachelor's degree in legal studies and subsequently from Capital University of Economics and Business with a master's degree in economic management. Ms. Qi's experience include many years with Beijing Municipal Government departments. She concurrently acts as Executive Director of Beijing Enterprises Water Group Limited (stock code: 371). Ms. Qi joined the Company in 1997 and is responsible for corporation administration and human resources management of its headquarters. She was appointed as Vice President of the Company in March 2013.

REPORT OF THE DIRECTORS

The board of directors of Beijing Enterprises Holdings Limited (the "Company") present the report and the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 21 to the financial statements. There was no significant change in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 51 to 199.

An interim dividend of HK25 cents per ordinary share was paid on 28 October 2013. The directors recommend the payment of a final dividend of HK60 cents per ordinary share in respect of the year to shareholders on the register of members on 2 July 2014. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position. Subject to the approval of shareholders of the Company at the forthcoming annual general meeting, the final dividend will be paid on or around 18 July 2014.

ANNUAL GENERAL MEETING

The 2014 annual general meeting will be held on Wednesday, 18 June 2014. The notice of the 2014 annual general meeting, which constitutes part of the circular to shareholders, will be sent to all shareholders separately and will be published on the Company's website (www.behl.com.hk) and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") website (www.hkexnews.hk).

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the 2014 annual general meeting, and entitlement to the final dividend, the register of members will be closed. Details of such closures are set out below:

(i) For determining eligibility to attend and vote at the 2014 annual general meeting:

Latest time to lodge transfer documents for registration	4:30 pm on Thursday, 12 June 2014
Closure of register of members	Friday, 13 June 2014 to Wednesday, 18 June 2014 (both dates inclusive)

REPORT OF THE DIRECTORS

CLOSURE OF REGISTER OF MEMBERS (Continued)

(ii) For determining entitlement to the final dividend:

Latest time to lodge transfer documents for registration	4:30 pm on Wednesday, 25 June 2014
Closure of register of members	Thursday, 26 June 2014 to Wednesday, 2 July 2014 (both dates inclusive)
Record date	Wednesday, 2 July 2014

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2014 annual general meeting, and to qualify for the final 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

EMPLOYEES

At 31 December 2013, the Group had approximately 49,000 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.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, and assets, liabilities and equity of the Group for the last five financial years as extracted from the audited financial statements and the annual report of the Company for the year ended 31 December 2012 is set out on page 200. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 15 and 16 to the financial statements, respectively.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of movements in the share capital and share options of the Company and the Group's convertible bonds during the year, together with the reasons therefor, are set out in notes 34, 35 and 39 to the financial statements, respectively.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, has made any purchase, sale or redemption of any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the old Companies Ordinance (Chapter 32 of the Laws of Hong Kong)[Note] amounted to HK$775,301,000, of which HK$763,695,000 has been proposed as final dividend for the year. In addition, the Company's share premium account, in the amount of HK$29,607,291,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

In the year under review, sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the Group's turnover and total purchases for the year, respectively.

Note: On 3 March 2014 when the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) took effect, the majority of the provisions in the old Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and its subsidiary legislation were repealed. The ordinance was retitled as the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) containing provisions mainly related to insolvency matters.

REPORT OF THE DIRECTORS

BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION

During the year under review and up to the date of this report:

On 28 March 2013:

- Mr. Lin Fusheng resigned as Executive Director and Vice Chairman of the Company.
- Mr. Zhou Si succeeded Mr. Zhang Honghai to act as Chief Executive Officer of the Company.
- Mr. Zhou Si succeeded Mr. Liu Kai to act as member of the Remuneration Committee of the Company.
- The Company's Executive Director Mr. Guo Pujin was re-designated as the Company's Non-executive Director.
- Mr. Sze Chi Ching and Mr. Shi Hanmin were appointed as Independent Non-executive Directors of the Company.

On 31 March 2014:

- Executive Director Mr. Hou Zibo was re-designated as Executive Director and Vice Chairman of the Company.
- Executive Director Mr. Lei Zhengang resigned.
- Mr. Li Yongcheng and Dr. Yu Sun Say were appointed as Executive Director and Independent Non-executive Director of the Company respectively.

BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION
(Continued)

Changes in directors' information since the date of the Company's 2013 interim report that are required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out below:

	Appointment (effective)	Resignation (effective)
Mr. Zhou Si		
• Beijing Properties (Holdings) Limited Note(1)		
– Executive Director and Chairman		21 January 2014
– Consultant	21 January 2014	
Mr. Zhang Honghai		
• BEP International Holdings Limited Note(2)		
– Executive Director	30 October 2013	
– Chairman of the Board	28 January 2014	

Notes:

(1) a company listed on The Stock Exchange of Hong Kong Limited (stock code: 925).

(2) a company listed on The Stock Exchange of Hong Kong Limited (stock code: 2326).

In accordance with articles 96 and 105(A) of the Company's articles of association and the recommendation of the board of directors, Mr. Hou Zibo, Mr. Zhou Si, Mr. Li Fucheng, Mr. Li Yongcheng, Mr. Liu Kai, Mr. E Meng, Mr. Robert A. Theleen and Dr. Yu Sun Say will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from each of the independent non-executive directors, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors and the senior management of the Group are set out on pages 20 to 26 of the annual report.

REPORT OF THE DIRECTORS

DIRECTOR'S SERVICE CONTRACT

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The board has to seek shareholders' authorisation at general meetings to fix directors' remuneration with reference to individual director's duties, responsibilities and performance, the results of the Group as well as recommendation of the remuneration committee.

Further details of the Company's remuneration committee are set out in the corporate governance report on pages 39 to 48 of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2013, the interests and short positions of the directors and the chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the"Model Code"), were as follows:

(A) LONG POSITIONS IN SHARES OF THE COMPANY

Director	**Number of ordinary shares directly beneficially owned**	**Percentage of the Company's issued share capital**
Zhou Si	210,500	0.017%
Li Fucheng	12,000	0.001%
E Meng	30,000	0.002%
Jiang Xinhao	20,000	0.002%

(B) LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

No director and chief executive held any interest in any underlying shares of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

(C) LONG POSITIONS IN SHARES OF ASSOCIATED CORPORATIONS

Director	Associated corporation	Number of ordinary shares directly beneficially owned	Percentage of the associated corporations' issued share capital
Zhang Honghai	Beijing Development (Hong Kong) Limited@ ("Beijing Development")	4,000,000	0.468%
Li Fucheng	Beijing Yanjing Brewery Company Limited@	82,506	0.003%
E Meng	Beijing Development@	601,000	0.070%
Tam Chun Fai	Beijing Development@	150,000	0.018%

@ All interests in these associated corporations owned by the Company are indirectly held.

(D) LONG POSITIONS IN UNDERLYING SHARES OF ASSOCIATED CORPORATIONS

Long positions in share options in Beijing Properties (Holdings) Limited:

Director	Number of share options directly beneficially owned			
	Note (a)	*Note (b)*	*Note (c)*	**Total**
Zhou Si	7,000,000	5,000,000	12,000,000	24,000,000
Zhang Honghai	6,000,000	5,000,000		11,000,000
Liu Kai	5,000,000	5,000,000		10,000,000
Lei Zhengang	5,000,000	7,000,000		12,000,000
E Meng	5,000,000	3,600,000		8,600,000
Jiang Xinhao	5,000,000	3,300,000	6,000,000	14,300,000

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

(D) LONG POSITIONS IN UNDERLYING SHARES OF ASSOCIATED CORPORATIONS (Continued)

Long positions in share options in Beijing Development@ (a subsidiary of the Company):

		Number of share options directly beneficially owned			
Director	*Note*	**At 1 January 2013**	**Granted during the period**	**Exercised during the period**	**At 31 December 2013**
Zhang Honghai	*(d)*	6,770,000	–	–	6,770,000
E Meng	*(d)*	6,770,000	–	–	6,770,000

Notes:

(a) These share options were granted on 28 October 2011 at an exercise price of HK$0.465 per share. These share options may be exercised at any time commencing on 28 October 2011, and if not otherwise exercised, will lapse on 27 October 2021.

(b) These share options were granted on 1 June 2012 at an exercise price of HK$0.41 per share. These share options may be exercised at any time commencing on 1 June 2012, and if not otherwise exercised, will lapse on 31 May 2022.

(c) These share options were granted on 24 May 2013 at an exercise price of HK$0.574 per share. These share options may be exercised at any time commencing on 24 May 2013, and if not otherwise exercised, will lapse on 23 May 2023.

(d) These share options were granted on 21 June 2011 at an exercise price of HK$1.25 per ordinary share. These share options may be exercised at any time commencing on 21 June 2011, and if not otherwise exercised, will lapse on 20 June 2021.

@ All interests in this associated corporation are indirectly held by the Company.

Save as disclosed above, as at 31 December 2013, none of the directors or the chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") which became effective on 17 October 2005 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group's operations; to provide additional incentives to employees, officers and directors of the Group; and to promote the long term financial success of the Company by aligning the interests of option holders to those of shareholders. The board of the Company may, at their discretion, invite employees (including executive directors) and non-executive directors of the Company and any of its subsidiaries, to take up share options to subscribe for ordinary shares of the Company at HK$1 per share option.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to not more than 30% of the total number of shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued of share options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

A share option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

The period during which a share option granted under the Scheme may be exercised will be determined by the board at their discretion, save that no share option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of the share options is determinable by the board, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's ordinary shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the share options; and (iii) the nominal value of an ordinary share of the Company.

All share options granted under the Scheme were exercised by April 2011. Since then and until 31 December 2013, the Company did not grant any share options.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2013, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

LONG POSITIONS:

	Number of ordinary shares held, capacity and nature of interest			
Name	**Directly beneficially owned**	**Others**	**Total**	**Percentage of the Company's issued share capital**
Modern Orient Limited	100,050,000	–	100,050,000	7.88%
Beijing Enterprises Investments Limited ("BEIL")	163,730,288	100,050,000[a]	263,780,288	20.77%
Beijing Enterprises Group (BVI) Company Limited ("BE Group BVI")	509,350,000	263,780,288[b]	773,130,288	60.87%
Beijing Enterprises Group Company Limited ("Beijing Enterprises Group")	–	773,130,288[c]	773,130,288	60.87%

Notes:

(a) The interest disclosed includes the shares owned by Modern Orient Limited. Modern Orient Limited is a wholly-owned subsidiary of BEIL. Accordingly, BEIL is deemed to be interested in the shares owned by Modern Orient Limited.

(b) The interest disclosed includes the shares owned by BEIL and Modern Orient Limited. BEIL, the holding company of Modern Orient Limited, is held directly as to 72.72% by BE Group BVI. Accordingly, BE Group BVI is deemed to be interested in the shares owned by BEIL and Modern Orient Limited.

(c) The interest disclosed includes the interest in shares held by BE Group BVI as detailed in note (b). BE Group BVI is a wholly-owned subsidiary of Beijing Enterprises Group. Accordingly, Beijing Enterprises Group is deemed to be interested in the shares held by BE Group BVI, BEIL and Modern Orient Limited.

Save as disclosed above, as at 31 December 2013, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transactions and continuing connected transactions undertaken by the Group during the year are set out in note 52 to the financial statements.

The independent non-executive directors of the Company have reviewed and confirmed that the continuing connected transactions undertaken by the Group were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions which are subject to annual review under Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 57 to the financial statements.

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosures are included in respect of the Company's syndicated loan facilities, which contains covenants requiring specific performance obligations of the Company's holding companies:

In 2010, the Company obtained a five-year HK$3 billion syndicated loan facility. The loan agreement include certain conditions imposing specific performance obligations on the Company's holding companies, among which are the following events which would constitute an event of default on the loan facilities:

1. If Beijing Enterprises Group does not or ceases to own, directly or indirectly, at least 40% or 50%, where applicable, of the beneficial interest of the Company; and

2. If Beijing Enterprises Group ceases to be controlled and supervised by the People's Government of Beijing Municipality.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Wang Dong
Chairman

Hong Kong
31 March 2014

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Saved as disclosed below, the directors of Beijing Enterprises Holdings Limited (the "Company") believe that during the year ended 31 December 2013, the Company has complied with the code provisions (the "Code Provisions") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

During the year, the Company held two full board meetings instead of at least four full board meetings as required under Code Provision A.1.1. The directors consider it is more efficient to hold board meetings to address emerging issues as appropriate. Sufficient measures have been taken to ensure that there is efficient communication among the directors.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by the directors. All the directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2013.

BOARD OF DIRECTORS

COMPOSITION AND ROLE

The principal focus of the board is on the overall strategic development of the Company and it subsidiaries (collectively the "Group"), while the management is principally responsible for the Group's business operations. The board provides guidance on business plans and monitors the results of such plans implemented by the management; reviews and approves the Company's financial objectives, plans and major financial activities; establishes the internal control system and the risk management system of the Company and discusses with the management regularly to ensure that such systems are operating effectively. The board promotes a culture of integrity at the Company and requires all directors and the management to comply with guidance related to integrity and ethics, including conflicts of interest, related party transactions and the treatment of confidential information. There is no relationship (including financial, business, family or other material/relevant relationships) among the directors (including the chairman and the chief executive officer).

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

COMPOSITION AND ROLE (Continued)

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three independent non-executive directors. In addition, at least one independent non-executive director possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The board considers that all independent non-executive directors meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such directors to be independent.

During the year, the individual attendance of board or committee meetings is set out below:

Name		Attendance^					
		Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting	Extraordinary General Meeting
Executive Directors							
Wang Dong	*(Chairman)*	2/2			1/1	1/1	1/1
Hou Zibo ~	*(Vice Chairman)*	2/2					
Zhou Si*#	*(Vice Chairman & CEO)*	2/2		1/1		1/1	1/1
Zhang Honghai*	*(Vice Chairman)*	2/2					
Li Fucheng	*(Vice Chairman)*	2/2					
Liu Kai#		2/2					
E Meng	*(Executive Vice President)*	2/2	2/2				1/1
Jiang Xinhao	*(Vice President)*	2/2					
Tam Chun Fai	*(CFO & Company Secretary)*	2/2	2/2			1/1	1/1
Lin Fusheng	*(Vice Chairman)* *(resigned on 28 March 2013)*	0/0					
Lei Zhengang	*(resigned on 31 March 2014)*	2/2					
Non-executive Director							
Guo Pujin@		0/2				0/1	0/1
Independent Non-executive Directors							
Wu Jiesi		2/2	2/2	1/1		1/1	0/1
Robert A. Theleen		1/2				1/1	0/1
Lam Hoi Ham		2/2	2/2	1/1	1/1	1/1	1/1
Fu Tingmei		2/2	2/2		1/1	1/1	1/1
Sze Chi Ching	*(appointed on 28 March 2013)*	2/2				1/1	1/1
Shi Hanmin	*(appointed on 28 March 2013)*	2/2				1/1	1/1

BOARD OF DIRECTORS (Continued)

COMPOSITION AND ROLE (Continued)

Note:

^ During the year, no meeting was attended by any Director's alternate.

* On 28 March 2013, Mr. Zhou Si succeeded Mr. Zhang Honghai to act as Chief Executive Officer of the Company.

\# On 28 March 2013, Mr. Zhou Si succeeded Mr. Liu Kai to act as member of the Remuneration Committee of the Company.

@ On 28 March 2013, the Company's Executive Director Mr. Guo Pujin was re-designated as the Company's Non-executive Director.

~ On 31 March 2014, the Company's Executive Director Mr. Hou Zibo was re-designated as the Company's Executive Director and Vice Chairman.

DIRECTORS' TRAINING

It has been the board's policy that every newly appointed director is given a comprehensive, formal and tailored induction on appointment pursuant to Code Provision A.6.1. Also, from time to time, directors are provided with briefings and trainings to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities under relevant statues, laws, Listing Rules and other regulations.

Pursuant to Code Provision C.1.2, directors are provided with monthly reports updates which give a balanced and understandable assessment of the Company's performance and position to enable the directors to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

During the year, the Company organized an in-house seminar and provided reading materials for the directors to ensure that they have participated in continuous professional development to develop and refresh their knowledge and skills. A summary of training received by directors during the year according to the records provided by the directors is as follows:

Name	**Attend Seminars/ Read Training Materials**
Executive Directors	
Wang Dong	√
Hou Zibo	√
Zhou Si	√
Zhang Honghai	√
Li Fucheng	√
Liu Kai	√
E Meng	√
Jiang Xinhao	√
Tam Chun Fai	√
Lin Fusheng *(resigned on 28 March 2013)*	N/A
Lei Zhengang *(resigned on 31 March 2014)*	√

BOARD OF DIRECTORS (Continued)

DIRECTORS' TRAINING (Continued)

Name	Attend Seminars/ Read Training Materials
Non-executive Director	
Guo Pujin	√
Independent Non-executive Directors	
Wu Jiesi	√
Robert A. Theleen	√
Lam Hoi Ham	√
Fu Tingmei	√
Sze Chi Ching *(appointed on 28 March 2013)*	√
Shi Hanmin *(appointed on 28 March 2013)*	√

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Wang Dong has been the chairman of the board since 18 August 2009 while Mr. Zhou Si has succeeded Mr. Zhang Honghai to assume the position of chief executive officer since 28 March 2013. The Company has complied with Code Provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

NON-EXECUTIVE DIRECTORS

Non-executive directors (including the independent non-executive directors) serve the relevant function of bringing independent judgment on the development, performance and risk management of the Group. They have the same duties of care and skill and fiduciary duties as executive directors.

The Company has entered into letters of appointment with all non-executive directors (including independent non-executive directors) for a term of three years. Their term of appointment is as follows:

Name	Term of Appointment
Guo Pujin	3 years from 28 March 2013
Wu Jiesi	3 years from 1 April 2012
Robert A. Theleen	3 years from 1 April 2012
Lam Hoi Ham	3 years from 1 April 2012
Fu Tingmei	3 years from 1 April 2012
Sze Chi Ching	3 years from 28 March 2013
Shi Hanmin	3 years from 28 March 2013
Yu Sun Say	3 years from 31 March 2014

BOARD OF DIRECTORS (Continued)

NON-EXECUTIVE DIRECTORS (Continued)

Like all other directors, the non-executive directors (including independent non-executive directors) are subject to retirement by rotation and shall offer themselves for re-election in general meetings in accordance with the Company's articles of association.

CORPORATE GOVERNANCE FUNCTIONS

The board is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and

(e) to review the Company's compliance with the Code Provisions.

AUDIT COMMITTEE

The current members of the Audit Committee are:

Mr. Lam Hoi Ham – Committee Chairman
Mr. Wu Jiesi
Mr. Fu Tingmei

All Audit Committee members are independent non-executive directors. The board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial procedure and internal controls system of the Company. The Company has adopted the written terms of reference which describe the authority and duties of the Audit Committee in accordance with Code Provision C.3.3. A copy of the terms of reference is posted on the Company's website. The Audit Committee meets regularly to review the reporting of financial and other information to shareholders, the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

AUDIT COMMITTEE (Continued)

During the year, the work performed by the Audit Committee included: reviewed and approved the Company's annual results and interim results; reviewed the external auditors' scope of services including audit work and non-audit work and monitored their independence; reviewed with the management the Company's accounting principles and practices; and discussed with the Company's management the effectiveness of its internal control system.

REMUNERATION COMMITTEE

The current members of the Remuneration Committee are:

Mr. Wu Jiesi – Committee Chairman
Mr. Lam Hoi Ham
Mr. Zhou Si

The majority of the Remuneration Committee members are independent non-executive directors. The Company has adopted the written terms of reference which describe the authority and duties of the Remuneration Committee in accordance with Code Provision B.1.2. A copy of the terms of reference is posted on the Company's website. The major duties of the Remuneration Committee include: advises the board on the Company's overall remuneration policy and structure as well as remuneration packages for directors and senior management of the Company; and ensures that no director of the Company or any of his associate is involved in deciding his own remuneration.

The objective of the compensation policy of the Company is to provide an equitable and competitive compensation package so as to attract and retain the best employees to serve corporate needs. The compensation package for each employee is structured to include: base salary which is fixed to commensurate with market rate and each individual's experience and ability; share options granted with reference to an individual employee's position, performance and ability to contribute to the overall corporate success (the granting of share options is subject to shareholders' mandates as required and the applicable laws and regulations of relevant jurisdictions); and other customary and/or mandatory benefits to employees, such as retirement fund scheme, insurance and paid holiday, with reference to prevailing practices in relevant jurisdictions.

In evaluating the remuneration packages for directors and senior management, the Remuneration Committee takes into consideration various factors such as salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group. During the year, the work performed by the Remuneration Committee included: reviewed and made recommendation to the board the overall remuneration policy and structure for directors and senior management of the Company; assessed performance of executive directors; and made recommendations to the board on the remuneration packages of individual executive directors and senior management.

NOMINATION COMMITTEE

The current members of the Nomination Committee are:

Mr. Wang Dong – Committee Chairman
Mr. Lam Hoi Ham
Mr. Fu Tingmei

The majority of the Nomination Committee members are independent non-executive directors. The Company has adopted the written terms of reference which describe the authority and duties of the Nomination Committee in accordance with Code Provision A.5.2. A copy of the terms of reference is posted on the Company's website. The major duties of the Nomination Committee include: to review the structure, size and diversity of the board; to make recommendations to the board on the selection of individuals nominated for directorships; to assess the independence of independent non-executive directors; and to make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive officer.

In formulating the policy concerning diversity of board members, the Nomination Committee mainly takes into consideration the Company's own business model and specific needs. During the year, diversity was added to the board as Mr. Sze Chi Ching, who possesses extensive experience of finance and management, and Mr. Shi Hanmin, the former director of Beijing Municipal Environmental Protection Bureau, who possesses over 30 years of experience in environmental protection and ability to make valuable recommendation to the Group in its development in green industry, were appointed as independent non-executive directors of the Company. The composition, experience and balance of skills on the board are regularly reviewed by the Nomination Committee to ensure that the board retains a core of members with longstanding and deep knowledge of the Group alongside new directors who bring fresh perspectives and diverse experiences to the board.

AUDITORS' REMUNERATION

During the year ended 31 December 2013, fees paid and payable to the Company's external auditors for audit services were approximately HK$8.8 million; fees paid and payable for non-audit services were approximately HK$2.26 million, which included fees for an agreed-upon procedures engagement in connection with the Group's interim financial report and tax compliance services.

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND AUDITORS' RESPONSIBILITY STATEMENTS

The directors acknowledged responsibility for reviewing the accounts of the Company prepared by the executive board for the year ended 31 December 2013 and ensuring the accounts are prepared in accordance with the Hong Kong Financial Reporting Standards. A statement by the auditors about their reporting responsibilities is contained in the Independent Auditors' Report.

The board confirmed that it has taken the same view from that of the Audit Committee regarding the appointment of the external auditors.

INTERNAL CONTROL

The board has delegated power to oversee the internal control system of the Company to ensure that such system is operating effectively. During the year ended 31 December 2013, the board conducted an annual review and engaged in a discussion with the management on the effectiveness of the internal control system to satisfy itself that the internal control system of the Company was designed and operated effectively during the year. The review has covered all material controls, including financial, operational and compliance controls and risk management functions.

COMPANY SECRETARY

The executive director and chief financial officer Mr. Tam Chun Fai has been the company secretary of the Company since 1997. Pursuant to Rule 3.29 of the Listing Rules, starting from 1 January 2015, he will be required to take no less than 15 hours of relevant professional training per annum.

SHAREHOLDERS' RIGHTS

TO CONVENE AN EXTRAORDINARY GENERAL MEETING ("EGM") BY SHAREHOLDERS

Pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), shareholder(s) of the Company holding at least 5% of the total voting rights of all the shareholders having a right to vote at EGMs can submit a written requisition to convene an EGM.

The written requisition:

1. must state the general nature of the business to be dealt with at the meeting;

2. may include the text of a resolution that may properly be moved and is intended to be moved at the meeting;

3. may consist of several documents in like form;

4. may be sent to the Company in hard copy form or in electronic form; and

5. must be authenticated by the person or persons making it.

SHAREHOLDERS' RIGHTS (Continued)

TO CONVENE AN EXTRAORDINARY GENERAL MEETING ("EGM") BY SHAREHOLDERS (Continued)

If directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of 3 months from the said date.

TO MAKE ENQUIRIES TO THE BOARD

1. Shareholders should direct their questions about their shareholdings to the Company's share registrar.

2. Enquiries made to the board may be deposited at the Company's registered office for the attention of the company secretary (email: mailbox@behl.com.hk).

TO PUT FORWARD PROPOSALS AT AN ANNUAL GENERAL MEETING ("AGM")

Shareholder(s) can submit a written requisition to move a resolution at an AGM pursuant to Section 615 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) if they:

1. represent at least 2.5% of the total voting rights of all the shareholders who have a right to vote on the resolution at the AGM to which the requests relate; or

2. represent at least 50 shareholders who have a right to vote on the resolution at the AGM to which the requests relate.

The written requisition:

1. may be sent to the Company in hard copy form or in electronic form;

2. must identify the resolution of which notice is to be given;

3. must be authenticated by the person or persons making it; and

4. must be received by the Company not later than-

   (i) 6 weeks before the AGM to which the requests relate; or

   (ii) if later, the time at which notice is given of that meeting.

SHAREHOLDERS' RIGHTS (Continued)

TO PROPOSE A PERSON OTHER THAN A DIRECTOR FOR ELECTION AS A DIRECTOR AT ANY GENERAL MEETING

Pursuant to Article 109 of the articles of association of the Company, if a shareholder wishes to propose a person, other than a retiring director or a person recommended by the directors, for election as a director of the Company at a general meeting, such shareholder, who is duly qualified to attend and vote at such general meeting, should lodge a written and signed notice of nomination and a notice signed by the person to be proposed of his willingness to be elected at the Company's registered office or at the Company's share registrar. The notices should be given within the period commencing on the day after dispatch of the notice of the general meeting appointed for such election and ending no later than 7 days prior to the date of such general meeting and such period shall be at least 7 days.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2013, there is no significant change in the Company's constitutional documents.

INDEPENDENT AUDITORS' REPORT

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of Beijing Enterprises Holdings Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Beijing Enterprises Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 51 to 199, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

AUDITORS' RESPONSIBILITY (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
31 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
REVENUE	5	**42,360,528**	35,569,649
Cost of sales		**(34,023,315)**	(28,207,604)
Gross profit		**8,337,213**	7,362,045
Gain on disposal of interests in subsidiaries, net	6	**25,935**	601,976
Gain on deemed disposal of partial interest in an associate	23(a)	**581,428**	–
Other income and gains, net	5	**908,099**	897,481
Selling and distribution expenses		**(2,611,439)**	(2,382,424)
Administrative expenses		**(3,345,808)**	(3,057,777)
Other operating expenses, net		**(197,707)**	(319,085)
PROFIT FROM OPERATING ACTIVITIES	7	**3,697,721**	3,102,216
Finance costs	8	**(1,133,744)**	(996,636)
Share of profits and losses of:			
Joint ventures	22(b)	**(5,847)**	(343)
Associates	23(b)	**2,742,612**	2,049,495
PROFIT BEFORE TAX		**5,300,742**	4,154,732
Income tax	11	**(545,287)**	(557,155)
PROFIT FOR THE YEAR		**4,755,455**	3,597,577
ATTRIBUTABLE TO:			
Shareholders of the Company	12	**4,183,878**	3,234,992
Non-controlling interests		**571,577**	362,585
		4,755,455	3,597,577
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	14		
Basic		**HK$3.61**	HK$2.84
Diluted		**HK$3.54**	HK$2.78

Details of the dividends payable and proposed for the year are disclosed in note 13 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013 HK$'000	2012 HK$'000 (Restated)
PROFIT FOR THE YEAR	**4,755,455**	3,597,577
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**550,728**	95,318
Reclassification adjustments for gain on disposal included in the consolidated statement of profit or loss	**(106,200)**	(52,938)
Income tax effect	**20,941**	(22,333)
	465,469	20,047
Exchange differences:		
Translation of foreign operations	**1,860,766**	23,096
Reclassification adjustments for gain on disposal of interests in subsidiaries included in the consolidated statement of profit or loss	**(15,081)**	(353,123)
	1,845,685	(330,027)
Share of other comprehensive income of an associate	**119,749**	–
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**2,430,903**	(309,980)
Items not to be reclassified to profit or loss in subsequent periods:		
Defined benefit plans:		
Actuarial gains/(losses)	**36,832**	(84,107)
Income tax effect	**(9,208)**	21,027
	27,624	(63,080)
Share of other comprehensive income of an associate	**13,072**	–
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	**40,696**	(63,080)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX	**2,471,599**	(373,060)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**7,227,054**	3,224,517
ATTRIBUTABLE TO:		
Shareholders of the Company	**6,347,464**	2,871,455
Non-controlling interests	**879,590**	353,062
	7,227,054	3,224,517

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	**31 December 2013 HK$'000**	31 December 2012 HK$'000 (Restated)	1 January 2012 HK$'000 (Restated)
ASSETS				
Non-current assets:				
Property, plant and equipment	*15*	**38,996,767**	32,805,468	26,317,184
Investment properties	*16*	**719,968**	665,144	681,096
Prepaid land premiums	*17*	**1,785,609**	1,640,194	1,275,264
Goodwill	*18*	**7,659,735**	7,549,326	7,453,561
Operating concessions	*19*	**606,292**	419,238	1,225,011
Other intangible assets	*20*	**64,120**	19,650	23,681
Investments in joint ventures	*22*	**217,350**	136,706	210,878
Investments in associates	*23*	**29,184,338**	15,120,306	12,573,986
Available-for-sale investments	*24*	**1,315,859**	883,170	917,412
Amounts due from contract customers	*27*	**947,102**	769,559	566,032
Receivables under service concession arrangements	*19*	**–**	505,248	1,588,046
Prepayments, deposits and other receivables	*29*	**1,316,771**	1,139,600	430,583
Deferred tax assets	*43*	**601,056**	552,926	552,566
Total non-current assets		**83,414,967**	62,206,535	53,815,300
Current assets:				
Prepaid land premiums	*17*	**53,509**	43,643	30,165
Property held for sale	*25*	**–**	28,511	27,611
Inventories	*26*	**5,661,492**	5,913,959	5,285,611
Amounts due from contract customers	*27*	**28,599**	16,441	46,631
Receivables under service concession arrangements	*19*	**701,582**	1,007,375	1,003,260
Trade and bills receivables	*28*	**4,393,374**	2,403,154	1,586,438
Prepayments, deposits and other receivables	*29*	**4,290,561**	3,992,633	2,313,196
Other taxes recoverable		**219,169**	203,152	588,996
Restricted cash and pledged deposits	*31*	**63,104**	60,953	36,631
Cash and cash equivalents	*32*	**10,795,467**	12,236,964	12,579,439
		26,206,857	25,906,785	23,497,978
Non-current asset and assets of disposal groups classified as held for sale	*33*	**–**	1,385,301	–
Total current assets		**26,206,857**	27,292,086	23,497,978
TOTAL ASSETS		**109,621,824**	89,498,621	77,313,278

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	**31 December 2013 HK$'000**	31 December 2012 HK$'000 (Restated)	1 January 2012 HK$'000 (Restated)
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Company				
Issued capital	*34*	**127,019**	113,757	113,757
Reserves	*36(a)(i)*	**53,130,524**	38,951,411	37,110,463
Proposed final dividend	*13*	**763,695**	572,286	511,907
		54,021,238	39,637,454	37,736,127
Non-controlling interests		**10,046,841**	8,030,221	7,587,062
TOTAL EQUITY		**64,068,079**	47,667,675	45,323,189
Non-current liabilities:				
Bank and other borrowings	*37*	**4,519,636**	4,224,787	4,070,115
Guaranteed senior notes	*38*	**13,866,081**	13,853,502	7,699,084
Liability component of convertible bonds	*39*	**93,501**	2,259,313	2,711,835
Derivative component of convertible bonds	*39*	**8,851**	9,428	61,783
Defined benefit plans	*40*	**535,655**	507,148	353,775
Provision for major overhauls	*41*	**30,544**	29,414	196,157
Other non-current liabilities	*42*	**361,859**	244,060	239,320
Deferred tax liabilities	*43*	**233,462**	375,979	371,353
Total non-current liabilities		**19,649,589**	21,503,631	15,703,422
Current liabilities:				
Trade and bills payables	*44*	**2,383,225**	2,616,491	1,904,594
Amounts due to contract customers	*27*	**325,794**	177,874	123,822
Receipts in advance		**5,690,597**	3,418,479	3,446,916
Other payables and accruals	*45*	**9,014,718**	6,951,842	4,430,794
Income tax payables		**378,319**	504,624	342,313
Other taxes payable		**821,418**	240,517	333,277
Liability component of convertible bonds	*39*	**673,054**	–	–
Bank and other borrowings	*37*	**6,617,031**	6,276,941	5,704,951
		25,904,156	20,186,768	16,286,667
Liabilities directly associated with the assets of disposal groups classified as held for sale	*33*	**–**	140,547	–
Total current liabilities		**25,904,156**	20,327,315	16,286,667
TOTAL LIABILITIES		**45,553,745**	41,830,946	31,990,089
TOTAL EQUITY AND LIABILITIES		**109,621,824**	89,498,621	77,313,278

Wang Dong
Director

Zhou Si
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000 (note 36(a)(ii))	Capital reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Defined benefit plans reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC reserve funds HK$'000 (note 36(a)(iii))	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to shareholders of the Company													
At 1 January 2012:															
As previously reported		113,757	20,738,291	238	877,842	(113,803)	33,980	–	5,124,354	3,623,668	6,699,433	511,907	37,609,667	7,587,062	45,196,729
Effect of adoption of HKAS 19 (2011)	2.2	–	–	–	–	–	–	143,489	–	–	(17,029)	–	126,460	–	126,460
As restated		113,757	20,738,291	238	877,842	(113,803)	33,980	143,489	5,124,354	3,623,668	6,682,404	511,907	37,736,127	7,587,062	45,323,189
Profit for the year, as restated		–	–	–	–	–	–	–	–	–	3,234,992	–	3,234,992	362,585	3,597,577
Other comprehensive income/(loss) for the year:															
Available-for-sale investments:															
Changes in fair value		–	–	–	–	75,636	–	–	–	–	–	–	75,636	19,682	95,318
Reclassification adjustments for gain on disposal included in the consolidated statement of profit or loss		–	–	–	–	(42,351)	–	–	–	–	–	–	(42,351)	(10,587)	(52,938)
Income tax effect		–	–	–	–	(17,867)	–	–	–	–	–	–	(17,867)	(4,466)	(22,333)
Exchange differences:															
Reclassification adjustments for gain on disposal of interests in subsidiaries included in the consolidated statement of profit or loss	47	–	–	–	–	–	–	–	(338,998)	–	–	–	(338,998)	(14,125)	(353,123)
Translation of foreign operations		–	–	–	–	–	–	–	23,123	–	–	–	23,123	(27)	23,096
Defined benefit plans:															
Actuarial losses, as restated		–	–	–	–	–	–	(84,107)	–	–	–	–	(84,107)	–	(84,107)
Income tax effect, as restated		–	–	–	–	–	–	21,027	–	–	–	–	21,027	–	21,027
Total comprehensive income/(loss) for the year, as restated		–	–	–	–	15,418	–	(63,080)	(315,875)	–	3,234,992	–	2,871,455	353,062	3,224,517
Capital contribution from non-controlling equity holders		–	–	–	–	–	–	–	–	–	–	–	–	88,836	88,836
Conversion of convertible bonds of a subsidiary		–	–	–	(161,058)	–	–	–	–	–	–	–	(161,058)	370,915	209,857
Acquisition of subsidiaries	46	–	–	–	–	–	–	–	–	–	–	–	–	15,144	15,144
Disposal of subsidiaries	47	–	–	–	(183,710)	–	–	–	–	(360,919)	544,629	–	–	(31,966)	(31,966)
Share of reserves of associates		–	–	–	(16,433)	–	–	–	–	2,657	1,006	–	(12,770)	–	(12,770)
Final 2011 dividend		–	–	–	–	–	–	–	–	–	–	(511,907)	(511,907)	–	(511,907)
Interim 2012 dividend	13	–	–	–	–	–	–	–	–	–	(284,393)	–	(284,393)	–	(284,393)
Proposed final 2012 dividend	13	–	–	–	–	–	–	–	–	–	(572,286)	572,286	–	–	–
Dividends paid to non-controlling equity holders		–	–	–	–	–	–	–	–	–	–	–	–	(352,832)	(352,832)
Transfer to reserves		–	–	–	–	–	–	–	–	913,123	(913,123)	–	–	–	–
At 31 December 2012, as restated		113,757	20,738,291*	238*	516,641*	(98,385)*	33,980*	80,409*	4,808,479*	4,178,529*	8,693,229*	572,286	39,637,454	8,030,221	47,667,675

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

		Attributable to shareholders of the Company													
	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000 (note 36(a)(ii))	Capital reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Defined benefit plans reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC reserve funds HK$'000 (note 36(a)(iii))	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013:															
As previously reported		113,757	20,738,291	238	516,641	(98,385)	33,980	-	4,808,479	4,178,529	8,745,649	572,286	39,609,465	8,030,221	47,639,686
Effect of adoption of HKAS 19 (2011)	2.2	-	-	-	-	-	-	80,409	-	-	(52,420)	-	27,989	-	27,989
As restated		113,757	20,738,291	238	516,641	(98,385)	33,980	80,409	4,808,479	4,178,529	8,693,229	572,286	39,637,454	8,030,221	47,667,675
Profit for the year		-	-	-	-	-	-	-	-	-	4,183,878	-	4,183,878	571,577	4,755,455
Other comprehensive income/(loss) for the year:															
Available-for-sale investments:															
Changes in fair value		-	-	-	-	546,237	-	-	-	-	-	-	546,237	4,491	550,728
Reclassification adjustments for gain on disposal included in the consolidated statement of profit or loss		-	-	-	-	(84,960)	-	-	-	-	-	-	(84,960)	(21,240)	(106,200)
Income tax effect		-	-	-	-	16,753	-	-	-	-	-	-	16,753	4,188	20,941
Exchange differences:															
Translation of foreign operations		-	-	-	-	-	-	-	1,540,192	-	-	-	1,540,192	320,574	1,860,766
Reclassification adjustments for gain on disposal of interests in subsidiaries included in the consolidated statement of profit or loss	47	-	-	-	-	-	-	-	(15,081)	-	-	-	(15,081)	-	(15,081)
Defined benefit plans:															
Actuarial gains		-	-	-	-	-	-	36,832	-	-	-	-	36,832	-	36,832
Income tax effect		-	-	-	-	-	-	(9,208)	-	-	-	-	(9,208)	-	(9,208)
Share of other comprehensive income of an associate		-	-	-	-	-	7,459	5,613	119,749	-	-	-	132,821	-	132,821
Total comprehensive income for the year		-	-	-	-	478,030	7,459	33,237	1,644,860	-	4,183,878	-	6,347,464	879,590	7,227,054
Capital contribution from non-controlling equity holders		-	-	-	(17,766)	-	-	-	-	-	-	-	(17,766)	1,024,367	1,006,601
Conversion of convertible bonds to ordinary shares	34	3,452	1,496,785	-	-	-	-	-	-	-	-	-	1,500,237	-	1,500,237
Issue of shares	34	9,810	7,372,215	-	-	-	-	-	-	-	-	-	7,382,025	-	7,382,025
Acquisition of subsidiaries	46	-	-	-	-	-	-	-	-	-	-	-	-	539,999	539,999
Disposal of subsidiaries	47	-	-	-	(22,637)	-	-	-	-	-	1,989	-	(20,648)	(94,926)	(115,574)
Share of reserves of associates		-	-	-	56,241	-	-	-	-	175	-	-	56,416	-	56,416
Final 2012 dividend	13	-	-	-	-	-	-	-	-	-	-	(572,286)	(572,286)	-	(572,286)
Interim 2013 dividend	13	-	-	-	-	-	-	-	-	-	(291,658)	-	(291,658)	-	(291,658)
Proposed final 2013 dividend	13	-	-	-	-	-	-	-	-	-	(763,695)	763,695	-	-	-
Dividends paid to non-controlling equity holders		-	-	-	-	-	-	-	-	-	-	-	-	(332,410)	(332,410)
Transfer to reserves		-	-	-	-	-	-	-	-	457,303	(457,303)	-	-	-	-
At 31 December 2013		127,019	29,607,291*	238*	532,479*	379,645*	41,439*	113,646*	6,453,339*	4,636,007*	11,366,440*	763,695	54,021,238	10,046,841	64,068,079

* These reserve accounts comprise the consolidated reserves of HK$53,130,524,000 (2012: HK$38,951,411,000, as restated) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	**2013 HK$'000**	2012 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**5,300,742**	4,154,732
Adjustments for:			
Gain on disposal of interests in subsidiaries, net		**(25,935)**	(601,976)
Gain on deemed disposal of partial interest in an associate		**(581,428)**	–
Interest income	5	**(177,922)**	(253,779)
Transfer of assets from customers	5	**(127,172)**	(131,601)
Fair value gain on investment properties	5	**–**	(14,282)
Fair value gain on the derivative component of convertible bonds	5	**–**	(13,973)
Gain on disposal of available-for-sale investments carried at fair value	5	**(106,200)**	(52,938)
Gain on transfer of receivables under a service concession arrangement	5	**(47,087)**	–
Depreciation	7	**2,240,146**	1,800,332
Amortisation of operating concessions	7	**7,483**	52,810
Amortisation of computer software	7	**6,140**	9,988
Impairment of items of property, plant and equipment, net	7	**4,004**	115,941
Loss on early redemption of convertible bonds	7	**–**	30,663
Loss on disposal of items of property, plant and equipment, net	7	**6,270**	61,792
Provision against inventories, net		**244**	381
Reversal of impairment of trade and bills receivables, net	7	**(6,036)**	(35,542)
Impairment of other receivables, net	7	**46,285**	29,195
Finance costs	8	**1,133,744**	996,636
Share of profits and losses of joint ventures and associates		**(2,736,765)**	(2,049,152)
Operating profit before working capital changes		**4,936,513**	4,099,227

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	2013 HK$'000	2012 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES (Continued)		
Operating profit before working capital changes	**4,936,513**	4,099,227
Increase in prepaid land premiums	**(56,538)**	(324,362)
Decrease/(increase) in inventories	**482,326**	(625,394)
Increase in amounts due from contract customers	**(177,715)**	(173,337)
Decrease in receivables under service concession arrangements	**664,031**	140,829
Increase in trade and bills receivables	**(1,816,475)**	(688,668)
Increase in prepayments, deposits and other receivables	**(1,398,169)**	(1,660,080)
Decrease/(increase) in other taxes recoverable	**(16,017)**	385,844
Increase/(decrease) in trade and bills payables	**(432,057)**	608,172
Increase in amounts due to contract customers	**139,293**	54,052
Increase/(decrease) in receipts in advance	**2,113,541**	(28,437)
Increase in other payables and accruals	**849,033**	2,696,935
Increase/(decrease) in other taxes payable	**564,414**	(92,760)
Increase in defined benefit plans	**46,601**	69,266
Increase in provision for major overhauls	**–**	42,933
Increase/(decrease) in other non-current liabilities	**(54,106)**	4,740
Cash generated from operations	**5,844,675**	4,508,960
Dividends received from joint ventures and associates	**1,025,857**	1,367,584
Mainland China income tax paid	**(717,275)**	(495,502)
Net cash flows from operating activities	**6,153,257**	5,381,042

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(6,411,305)**	(8,128,137)
Proceeds from disposal of items of property, plant and equipment		**30,040**	57,623
Purchases of operating concessions		**(176,154)**	–
Purchases of other intangible assets		**(36,044)**	(5,957)
Acquisition of subsidiaries	*46*	**171,331**	(340,521)
Disposal of subsidiaries	*47*	**(8,372)**	(223,258)
Acquisition of/increase in investments in joint ventures and associates		**(665,012)**	(1,880,593)
Decrease/(increase) in amounts due from/to and loans to joint ventures and associates		**(51,511)**	17,689
Proceeds from disposal of an available-for-sale investment carried at fair value, net		**181,120**	124,004
Decrease in time deposits with maturity of more than three months when acquired		**58,942**	780,048
Decrease/(increase) in pledged deposits		**3,628**	(24,322)
Interest received		**177,922**	253,779
Net cash flows used in investing activities		**(6,725,415)**	(9,369,645)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions from non-controlling equity holders		**996,552**	88,836
Issue of guaranteed senior notes		**–**	6,154,418
New loans		**7,767,307**	10,187,277
Repayment of loans		**(7,481,830)**	(9,451,042)
Redemption of convertible bonds		**–**	(330,352)
Interest paid		**(1,165,315)**	(1,073,165)
Dividends paid		**(863,944)**	(796,300)
Dividends paid to non-controlling equity holders		**(332,410)**	(352,832)
Net cash flows from/(used in) financing activities		**(1,079,640)**	4,426,840
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,651,798)**	438,237
Cash and cash equivalents at beginning of year		**11,515,682**	11,077,445
Effect of foreign exchange rate changes, net		**268,579**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		**10,132,463**	11,515,682

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*32*	**7,725,743**	5,474,868
Time deposits	*32*	**3,132,828**	6,823,049
Less: Restricted cash and pledged deposits	*32*	**(63,104)**	(60,953)
Cash and cash equivalents as stated in the consolidated statement of financial position		**10,795,467**	12,236,964
Add: Cash and bank balances attributable to disposal groups	*33*	**–**	664
Less: Time deposits with maturity of more than three months when acquired		**(663,004)**	(721,946)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**10,132,463**	11,515,682

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets:			
Property, plant and equipment	15	**6,879**	9,536
Investment properties	16	**56,914**	56,914
Investments in subsidiaries	21	**48,054,713**	35,097,780
Investments in joint ventures	22	**–**	2,581
Investments in associates	23	**106,320**	153,245
Available-for-sale investments	24	**175,637**	175,637
Prepayments, deposits and other receivables	29	**–**	660,000
Total non-current assets		**48,400,463**	36,155,693
Current assets:			
Trade and bills receivables	28	**1,128**	1,095
Prepayments, deposits and other receivables	29	**139,071**	603,815
Cash and cash equivalents	32	**1,658,686**	4,543,243
Total current assets		**1,798,885**	5,148,153
TOTAL ASSETS		**50,199,348**	41,303,846

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	**2013 HK$'000**	2012 HK$'000
EQUITY AND LIABILITIES			
Equity:			
Issued capital	*34*	**127,019**	113,757
Reserves	*36(b)*	**29,627,143**	21,048,626
Proposed final dividend	*13*	**763,695**	572,286
TOTAL EQUITY		**30,517,857**	21,734,669
Non-current liabilities:			
Bank and other borrowings	*37*	**2,985,750**	2,976,750
Due to subsidiaries	*21*	**15,643,971**	16,429,658
Total non-current liabilities		**18,629,721**	19,406,408
Current liabilities:			
Other payables and accruals	*45*	**966,398**	77,397
Income tax payable		**85,372**	85,372
Total current liabilities		**1,051,770**	162,769
TOTAL LIABILITIES		**19,681,491**	19,569,177
TOTAL EQUITY AND LIABILITIES		**50,199,348**	41,303,846

Wang Dong
Director

Zhou Si
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2013

1. CORPORATE INFORMATION

Beijing Enterprises Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong and shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office and the principal place of business of the Company is located at 66/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively the "Group") were involved in the following principal activities:

- the distribution and sale of piped natural gas, the provision of natural gas transmission, gas technology consultation and development services, surveying and plotting of underground construction projects, the construction and installation of gas pipelines and related equipment and the provision of repair and maintenance services in Beijing, the People's Republic of China (the "PRC")

- the production, distribution and sale of beer in Beijing and other provinces in the PRC

- the construction of sewage and water treatment plants and other infrastructural facilities, the provision of construction services for comprehensive renovation projects in the PRC and Malaysia, sewage treatment, water treatment and distribution in the PRC and the Portuguese Republic, and the provision of consultancy services and the licensing of technical know-how that are related to sewage treatment in the PRC

The immediate holding company of the Company is Beijing Enterprises Group (BVI) Company Limited ("BE Group BVI"), which is incorporated in the British Virgin Islands, and in the opinion of the directors, the ultimate holding company is 北京控股集團有限公司 ("Beijing Enterprises Group"), which is a state-owned enterprise established in the PRC and is wholly owned by The State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality (the "Beijing Municipal Government").

2.1 BASIS OF PREPARATION

These financial statements 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 (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for (i) investment properties, certain available-for-sale investments and the derivative component of convertible bonds which have been measured at fair value; and (ii) non-current asset and disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs of disposal, as further explained in note 2.4 to the financial statements. These financial statements are presented in Hong Kong dollar ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (Continued)

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, HKAS 19 (2011), amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36 and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group. The Group has made significant judgements in determining whether it has control over another listed investee, details of which are set out in note 3 to the financial statements. The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011). The application of HKFRS 11 does not change any of the joint arrangement conclusions of the Group in respect of its involvement with investees as at 1 January 2013 and the only impact is the change of the term "jointly-controlled entities" to "joint ventures" in the financial statements.

(c) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries, joint ventures and associates are included in notes 21, 22 and 23 to the financial statements, respectively.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(d) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(e) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and financial instruments are included in notes 16 and 54 to the financial statements.

(f) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the remeasurement of defined benefit plans). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(g) HKAS 19 (2011) changes the accounting for defined benefit plans. The revised standard removes the choice to defer the recognition of actuarial gains and losses. All actuarial gains and losses are required to be recognised immediately in other comprehensive income. The interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a net interest amount under HKAS 19 (2011), which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. Prior to the adoption of HKAS 19 (2011), the Group elected to recognise actuarial gains or losses as income or expense over the expected average remaining service periods of the employees participating in the defined benefit plan when the net cumulative unrecognised actuarial gains or losses for the plan at the end of the previous period exceeded 10% of the present value of the defined benefit obligation. Upon the adoption of HKAS 19 (2011), all actuarial gains and losses are recognised in other comprehensive income immediately. As a result, all deferred actuarial gains and losses as at 1 January 2012 and 31 December 2012 were recognised in OCI and the actuarial gains and losses recognised in the statement of profit or loss for the year ended 31 December 2012 was adjusted to other comprehensive income.

Furthermore, upon the adoption of HKAS 19 (2011), all past service costs are recognised at the earlier of when an amendment/curtailment occurs and when the related restructuring or termination costs are recognised. As a result, unvested past service costs can no longer be deferred and recognised over the future vesting period. The amortisation of past service costs for the year ended 31 December 2012 has been adjusted. HKAS 19 (2011) also requires more extensive disclosures which are included in note 40 to the financial statements.

Other than the changes to the accounting for defined benefit plans, HKAS 19 (2011) also changes the timing of recognition for termination benefits and the classification of short term employee benefits. The revised standard requires termination benefits outside of a wider restructuring to be recognised only when the offer becomes legally binding and cannot be withdrawn. Under the revised standard, the distinction between short term and other long term employee benefits is now based on the expected timing of settlement rather than employee entitlement. As the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period or had no events giving rise to termination benefits, the changes to the accounting for these benefits have had no effect on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(g) (Continued)

The effects of the changes to the accounting for the Group's defined benefit plans are summarised below:

Impact on the consolidated statement of profit or loss for the year ended 31 December:

	2013 HK$'000	2012 HK$'000
Increase in administrative expenses and decrease in profit before tax	**(333)**	(47,189)
Decrease in income tax	**84**	11,798
Decrease in profit for the year and profit attributable to shareholders of the Company	**(249)**	(35,391)
Decrease in earnings per share attributable to shareholders of the Company:		
Basic	**(HK0.02 cents)**	(HK3.11 cents)
Diluted	**(HK0.02 cents)**	(HK2.98 cents)

Impact on the consolidated statement of comprehensive income for the year ended 31 December:

	2013 HK$'000	2012 HK$'000
Decrease in profit for the year	**(249)**	(35,391)
Actuarial gains/(losses) on defined benefit plans	**36,832**	(84,107)
Decrease/(increase) in income tax	**(9,208)**	21,027
Increase/(decrease) in other comprehensive income for the year, net of income tax	**27,624**	(63,080)
Increase/(decrease) in total comprehensive income for the year and total comprehensive income attributable to shareholders of the Company	**27,375**	(98,471)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(g) (Continued)

Impact on the consolidated statement of financial position as at 31 December:

	2013	2012
	HK$'000	HK$'000
Decrease in defined benefit obligations, which are classified as non-current liabilities	**73,818**	37,319
Decrease in deferred tax assets, which are classified as non-current assets	**(18,454)**	(9,330)
Increase in net assets and total equity	**55,364**	27,989

Impact on the consolidated statement of financial position as at 1 January 2012:

	HK$'000
Decrease in defined benefit obligations, which are classified as non-current liabilities	168,615
Decrease in deferred tax assets, which are classified as non-current assets	(42,155)
Increase in net assets and total equity	126,460

(h) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group. Disclosures about the Group's impaired non-financial assets are included in note 18 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(i) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
HKFRS 14	*Regulatory Deferral Accounts*[3]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

(a) HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) (Continued)

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

(b) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(c) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SUBSIDIARIES

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any accumulated impairment losses.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any accumulated impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group or of a holding company of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUSINESS COMBINATIONS AND GOODWILL (Continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the statement of profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUSINESS COMBINATIONS AND GOODWILL (Continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sales, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale".

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its estimated residual value over its estimated useful life. The estimated useful lives of different categories of property, plant and equipment are as follows:

Leasehold land	Over the lease terms
Buildings	10 to 50 years
Leasehold improvements	Over the lease terms or 5 to 10 years, whichever is shorter
Gas pipelines	25 years
Gas meters	8 years
Other plant and machinery	5 to 20 years
Furniture, fixtures and office equipment	5 to 12 years
Motor vehicles	5 to 15 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents gas pipelines, sewage and water pipelines, buildings, structures, plant and machinery and other property, plant and equipment under construction or installation, construction materials (which include materials for construction projects and equipment that needs to be installed) and prepayments for large-scale equipment. Construction in progress is stated at cost less any accumulated impairment losses, and is not depreciated. Cost comprises direct costs of construction, installation and testing as well as capitalised borrowing costs on related borrowed funds during the period of construction or installation. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

FAIR VALUE MEASUREMENT

The Group measures its investment properties, derivative financial instruments and certain equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FAIR VALUE MEASUREMENT (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

INVESTMENT PROPERTIES

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the period of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENT PROPERTIES (Continued)

When a property occupied by the Group as an owner-occupied property becomes an investment property, any difference between the carrying amount and the fair value of the property at the date of change in use is accounted for as follows:

(a) any resulting decrease in the carrying amount of the property is recognised in the statement of profit or loss in the period the change in use takes place.

(b) any resulting increase in the carrying amount is credited to the statement of profit or loss, to the extent that the increase reserves a previous impairment loss for that property, or restores the carrying amount of the property to an amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the property in prior periods; and any remaining part of the increase in the carrying amount is credited directly to equity in the property revaluation reserve. On subsequent disposal of the property, the relevant portion of the property revaluation reserve realised is transferred to retained profits as a movement in reserves.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

OPERATING LEASES

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases, net of any incentives received from the lessor, are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land premiums under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SERVICE CONCESSION ARRANGEMENTS

Consideration given by the grantor

A financial asset (receivable under service concession arrangement) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor 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; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out for "Investments and other financial assets" below.

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "Intangible assets (other than goodwill)" below.

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

Construction or upgrade services

Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy set out for "Construction contracts" below.

Operating services

Revenue relating to operating services is accounted for in accordance with the policy for "Revenue recognition" below. Costs relating to operating services are expensed in the period in which they are incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SERVICE CONCESSION ARRANGEMENTS (Continued)

Contractual obligations to restore the infrastructures to a specified level of serviceability

The Group has contractual obligations which it must fulfill as a condition of its licence, that is (a) to maintain the infrastructures it operates to a specified level of serviceability and/or (b) to restore the infrastructures to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the infrastructures, except for any upgrade element, are recognised and measured in accordance with the policy set out for "Provisions" below.

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

Operating concessions

Operating concessions represent the rights to operate an expressway and a toll road, sewage and water treatment plants, and are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the respective periods of the operating concessions granted to the Group of 20 to 40 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INTANGIBLE ASSETS (OTHER THAN GOODWILL) (Continued)

Patents

Purchased patents are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over their estimated useful lives of 10 years.

Computer software

Computer software is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over its estimated useful life of 2 to 10 years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset arising from the projects so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development expenditure which does not meet these criteria is expensed when incurred.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, goodwill, deferred tax assets, financial assets, inventories, amounts due from contract customers and non-current asset/disposal groups classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS (Continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of a non-financial asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are equity investments held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other operating expense in profit or loss. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policy for "Other investment income" set out in "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

Subsequent measurement (Continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate and transaction costs. The effective interest rate amortisation is included in "Revenue" or "Other income and gains, net", as appropriate, in profit or loss. The loss arising from impairment is recognised as other operating expenses in profit or loss.

(c) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets in listed and unlisted equity investments that are designated as available for sale. After initial recognition, available-for-sale investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve, until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss as other income and gains or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the profit or loss as other operating expenses. Dividends earned whilst holding the available-for-sale financial investments are reported as investment income and are recognised as other income and gains in profit or loss in accordance with the policy set out in "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for these investments or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any accumulated impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

Impairment

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

Impairment (Continued)

(a) Financial assets carried at amortised cost (Continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss as other operating expenses.

(b) Available-for-sale investments carried at fair value

For available-for-sale investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from the available-for-sale investment revaluation reserve and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss) is removed from the available-for-sale investment revaluation reserve and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in the available-for-sale investment revaluation reserve.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

Impairment (Continued)

(c) Available-for-sale investments carried at cost

If there is objective evidence that an impairment loss has been incurred on an unlisted equity investment that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL LIABILITIES (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss represent conversion options of convertible bonds that exhibit characteristics of an embedded derivative. Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(b) Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issue of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of best estimate of the expenditure required to settle the present obligation at the end of the reporting period and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

CONVERTIBLE BONDS

Convertible bonds containing an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component (conversion option).

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a non-current liability or a current liability, as appropriate, on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option (the equity component) that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. In respect of the convertible bonds issued by the Company, the equity component is included in the Company's convertible bond equity reserve. In respect of the convertible bonds issued by a subsidiary, the equity component attributable to the Group is included in the consolidated capital reserve. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONVERTIBLE BONDS (Continued)

Convertible bonds containing an equity component (Continued)

Upon the exercise of the conversion options, the resulting shares issued are recorded by the relevant companies in the Group as additional share capital at the nominal value of the shares issued, and the excess of the total carrying amount of the liability and equity components of the convertible bonds over the nominal value of the shares issued is recorded in their respective share premium accounts. When convertible bonds are redeemed, the carrying amount of the equity component is transferred to retained profits as a movement in reserves and any difference between the amount paid and the carrying amount of the liability component is recognised in profit or loss. Where the conversion option remains unexercised at the expiry date, any remaining balance of the equity component of the convertible bonds will be transferred to retained profits as a movement in reserves. No gain or loss is recognised in the statement of profit or loss upon conversion or expiration of the conversion option.

Convertible bonds containing a derivative component

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest rate method. The derivative component of the convertible bonds is measured at fair value with changes in fair value recognised in profit or loss. Upon the exercise of the conversion options, the resulting shares issued are recorded by the relevant entity in the Group as additional share capital at the nominal value of the shares issued, and the excess of the total carrying amount of the liability and derivative components of the convertible bonds over the nominal value of the shares issued is recorded in the entity's share premium account. When convertible bonds are redeemed, any difference between the amount paid and the total carrying amounts of the liability and derivative components is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

PROPERTIES HELD FOR SALE

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes all development expenditure and other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis or the weighted average basis, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

CONSTRUCTION CONTRACTS

Contract revenue comprises (i) the agreed contract amounts and appropriate amounts from variation orders, claims and incentive payments in respect of the construction services for comprehensive renovation projects and (ii) construction revenue recognised under Build-Operate-Transfer ("BOT") contracts. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from the construction services for comprehensive renovation projects is recognised on the percentage-of-completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from the construction of waste power plants under the terms of BOT contracts (service concession agreements) is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the date of the agreement applicable to similar construction services rendered in similar location, and is recognised on the percentage-of-completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONSTRUCTION CONTRACTS (Continued)

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

CONTRACTS FOR SERVICES

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included as finance costs in profit or loss.

INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAX (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or is deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation/ amortisation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT GRANTS (Continued)

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) toll revenue, on an accrual basis;

(c) from construction contracts, on the percentage-of-completion basis, as further explained in the accounting policy for "Construction contracts" above;

(d) from the rendering of services, on the percentage-of-completion basis, as further explained in the accounting policy for "Contracts for services" above;

(e) from licensing of technical know-how, when the related technique has been delivered and accepted;

(f) rental income, on a time proportion basis over the lease terms; and

(g) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a short period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SHARE-BASED PAYMENTS

The Company operates a share option scheme for the granting of non-transferable options, for the purpose of providing incentives and rewards, to eligible participants who contribute to the success of the operations of the Group. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value of share options granted by the Company is determined by external valuers using the binomial lattice model.

The cost of equity-settled transactions is recognised in the statement of profit or loss, together with a corresponding increase in the share option reserve, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification, that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SHARE-BASED PAYMENTS (Continued)

The dilutive effect of outstanding options, if any, is reflected as additional share dilution in the computation of earnings per share amounts.

Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. In addition, at the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to the share premium account.

Options which are cancelled prior to their exercise date or lapse are deleted from the register of outstanding options. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits as a movement in reserves.

OTHER EMPLOYEE BENEFITS

Pension schemes

The Group has joined a number of defined contribution pension schemes organised by certain PRC provincial or municipal governments for certain of its employees, the assets of which are held separately from those of the Group. Contributions are made based on a percentage of the eligible employees' salaries and are charged to profit or loss as they become payable, in accordance with the rules of the pension schemes. The employer contributions vest fully once made.

For those employees that have not yet joined a pension scheme, the Group has accrued for the estimated future pension costs based on a percentage of their salaries. The related assets for the purpose of discharging such liabilities are not separately held from those of the Group.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme in Hong Kong (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

OTHER EMPLOYEE BENEFITS (Continued)

Other retirement benefits

Certain employees of the Group can enjoy other retirement benefits after retirement such as supplementary medical reimbursement, allowance and beneficiary benefits pursuant to certain defined benefit plans of the Group. These benefits are unfunded. The costs of providing benefits under these defined benefit plans are determined using the projected unit credit method and are charged to the consolidated profit or loss so as to spread the costs over the average service lives of the relevant employees in accordance with the actuarial report which contains valuation of the obligations for the year. These obligations are measured at the present value of the estimated future cash outflows using the interest rates of the PRC government bonds which have terms similar to those of related liabilities. Actuarial gains and losses, which are remeasurements arising from defined benefit pension plans, are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "administrative expenses" in the consolidated profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BORROWING COSTS

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred.

FOREIGN CURRENCIES

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain Mainland China and overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of comprehensive income and statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of the exchange fluctuation reserve relating to that particular foreign operation is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCIES (Continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition date are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of Mainland China and overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

DIVIDENDS

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

ASSOCIATE

The Group regards Beijing Enterprises Water Group Limited ("BE Water", an entity listed on the Stock Exchange with its 45.33% equity interest held by the Group as at 31 December 2013) as an associate. In determining whether the Group has control over BE Water, the Group has taken into account its effective influence it may exercise over the decisions of BE Water's board of directors, including the voting rights held by the Group, the structure of the board of directors and senior management of BE Water and the expertise of directors designated by other shareholders. In the opinion of the directors, the Group did not have the sufficient ability to exercise power to control BE Water throughout the year ended 31 December 2013 and BE Water was accounted for as an associate in the Group's consolidated financial statements.

ESTIMATE OF GAS CONSUMPTION

Determination of the revenue for the distribution and sale of piped gas may include an estimation of the gas supplied to customers for whom actual metre reading is not available. The estimation is done mainly based on the past consumption records and the recent consumption pattern of individual customers.

In addition, with respect to the distribution and sale of piped gas, the Group recognises revenue from prepayments made by customers using integrated circuit cards ("IC card customers") upon their consumption of gas. The Group's management estimates the consumption of gas by IC card customers with reference to the average consumption volume of the customers for whom metre reading is available with similar consumption patterns.

The actual consumption could deviate from those estimates.

USEFUL LIVES AND RESIDUAL VALUES OF PROPERTY, PLANT AND EQUIPMENT

The Group's management determines the useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives or residual values are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and hence depreciation in future periods.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

IMPAIRMENT OF GOODWILL

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use or fair value less costs of disposal of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill carried as assets in the consolidated statement of financial position as at 31 December 2013 was HK$7,659,735,000 (2012: HK$7,549,326,000), details of which are set out in note 18 to the financial statements.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (OTHER THAN GOODWILL)

The carrying amounts of items of property, plant and equipment and intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in note 2.4 to the financial statements. The recoverable amount is the higher of its fair value less costs of disposal and value in use, and calculations of which involve the use of estimates. In estimating the recoverable amounts of assets, various assumptions, including future cash flows or compensation to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position. The carrying amounts of property, plant and equipment and intangible assets (other than goodwill) carried as assets in the consolidated statement of financial position as at 31 December 2013 were HK$38,996,767,000 (2012: HK$32,805,468,000) and HK$670,412,000 (2012: HK$438,888,000), respectively, details of which are set out in notes 15, 19 and 20 to the financial statements.

IMPAIRMENT OF AVAILABLE-FOR-SALE INVESTMENTS

The Group follows the guidance of HKAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and the extent to which the estimated value of an investment is less than its cost; and the financial health of and the short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operating and financing cash flows. The carrying amount of available-for-sale investments carried as assets in the consolidated statement of financial position as at 31 December 2013 was HK$1,315,859,000 (2012: HK$883,170,000), details of which are set out in note 24 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

IMPAIRMENT OF RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS, TRADE AND BILLS RECEIVABLES AND OTHER RECEIVABLES

The Group's management determines the provision for impairment of receivables under service concession arrangements, trade and bills receivables and other receivables. This estimate is based on the evaluation of collectibility and aged analysis of accounts and on management's estimation in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor and the provision is applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. Management reassesses the adequacy of provision on a regular basis. The identification of impairment of receivables requires the use of judgements and estimates. Where the expectations are different from the original estimates, such differences will impact on the carrying values of receivables and the impairment of receivables recognised in the periods in which such estimates have been changed. The carrying amounts of receivables under service concession arrangements, trade and bills receivables and other receivables carried as assets in the consolidated statement of financial position as at 31 December 2013 were HK$701,582,000 (2012: HK$1,512,623,000), HK$4,393,374,000 (2012: HK$2,403,154,000) and HK$4,819,293,000 (2012: HK$4,170,262,000), respectively, details of which are set out in notes 19, 28 and 29 to the financial statements.

PROVISION AGAINST OBSOLETE AND SLOW-MOVING INVENTORIES

Management reviews the condition of inventories of the Group and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of each reporting period.

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed. The carrying amount of inventories carried as assets in the consolidated statement of financial position as at 31 December 2013 was HK$5,661,492,000 (2012: HK$5,913,959,000), details of which are set out in note 26 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

DEFINED BENEFIT PLANS

The present value of the retirement benefit obligations under the various defined benefit plans of the Group depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact on the carrying amount of the retirement benefit obligations. Key assumptions for the obligations are based in part on the current market conditions. The carrying amount of the obligations carried as liabilities in the consolidated statement of financial position under defined benefit plans as at 31 December 2013 was HK$545,705,000 (2012: HK$515,965,000, as restated), details of which are disclosed in note 40 to the financial statements.

CURRENT TAX AND DEFERRED TAX

The Group is subject to income taxes in Hong Kong, Mainland China and overseas. The Group carefully evaluates tax implications of transactions in accordance with the prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made. The carrying amount of income tax payable carried as a liability in the consolidated statement of financial position as at 31 December 2013 was HK$378,319,000 (2012: HK$504,624,000).

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed. The carrying amounts of deferred tax assets and liabilities carried in the consolidated statement of financial position as at 31 December 2013 were HK$601,056,000 (2012: HK$552,926,000, as restated) and HK$223,462,000 (2012: HK$375,979,000), respectively, details of which are set out in note 43 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, 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. Particulars of the Group's reportable operating segments are summarised as follows:

(a) the piped gas operation segment engages in the distribution and sale of piped natural gas, the provision of natural gas transmission, gas technology consultation and development services, the surveying and plotting of underground construction projects, the construction and installation of gas pipelines and related equipment and the provision of repair and maintenance services;

(b) the brewery operation segment produces, distributes and sells brewery products;

(c) the construction of sewage and water treatment plants and other infrastructural facilities, the provision of construction services for comprehensive renovation projects in the PRC and Malaysia, sewage treatment, water treatment and distribution in the PRC and the Portuguese Republic, and the provision of consultancy services and the licensing of technical know-how that are related to sewage treatment in the PRC;

(d) the expressway and toll road operations segment engages in the operation of the Capital Airport Expressway, which connects the Capital Airport and the city centre of Beijing (disposed of by the Group during the year ended 31 December 2012, details of which are set out in notes 6 and 47 to the financial statements), and the Shenzhen Shiguan Road and Bridge, which is located in Shenzhen Municipality, the PRC (which ceased operation during the year ended 31 December 2011, details of which are set out in note 19 (a)(ii) to the financial statements); and

(e) the corporate and others segment comprises the construction of waste power plants, the construction of broadband infrastructure, the sale of software, the provision of Internet services and IT technical support and consultation services, property investment and corporate income and expense items.

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 year of each reportable operating segment, which is measured consistently with the Group's profit for the year.

Segment assets and liabilities of each of the reportable operating segments are separately managed by each of the individual operating segments.

4. OPERATING SEGMENT INFORMATION (Continued)

Group

Year ended 31 December 2013

	Piped gas operation HK$'000	Brewery operation HK$'000	Sewage and water treatment operations HK$'000	Expressway and toll road operations HK$'000	Corporate and others HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Segment revenue	25,159,146	16,836,952	-	-	364,430	-	42,360,528
Cost of sales	(21,953,351)	(11,821,943)	-	-	(248,021)	-	(34,023,315)
Gross profit	3,205,795	5,015,009	-	-	116,409	-	8,337,213
Profit from operating activities	1,706,754	1,376,690	-	-	614,277	-	3,697,721
Finance costs	(165,210)	(140,638)	-	-	(827,896)	-	(1,133,744)
Share of profits and losses of:							
Joint ventures	(5,561)	-	-	-	(286)	-	(5,847)
Associates	2,207,821	(2,899)	514,454	-	23,236	-	2,742,612
Profit/(loss) before tax	3,743,804	1,233,153	514,454	-	(190,669)	-	5,300,742
Income tax	(206,065)	(300,026)	-	-	(39,196)	-	(545,287)
Profit/(loss) for the year	3,537,739	933,127	514,454	-	(229,865)	-	4,755,455
Segment profit/(loss) attributable to shareholders of the Company	3,520,112	357,986	514,454	-	(208,674)	-	4,183,878
Segment assets	64,223,753	24,934,992	9,492,533	541,531	14,332,614	(3,903,599)	109,621,824
Segment liabilities	19,444,955	9,424,766	766,389	232,646	19,588,588	(3,903,599)	45,553,745
Other segment information:							
Interest income	31,968	27,129	-	-	118,825	-	177,922
Depreciation	1,187,761	1,037,450	130	-	14,805	-	2,240,146
Amortisation of operating concessions	-	-	-	-	7,483	-	7,483
Amortisation of other intangible assets	6,042	-	-	-	98	-	6,140
Impairment/provision/(reversal of impairment/provision) against segment assets, net *	(6,147)	4,927	-	-	45,473	-	44,253
Investments in joint ventures	205,364	-	-	-	11,986	-	217,350
Investments in associates	12,643,564	205,885	6,395,675	-	9,939,214	-	29,184,338
Capital expenditure **	4,473,865	1,904,833	38,923	-	250,486	-	6,668,107

NOTES TO FINANCIAL STATEMENTS

31 December 2013

4. OPERATING SEGMENT INFORMATION (Continued)

Group (Continued)

Year ended 31 December 2012

	Piped gas operation HK$'000 (Restated)	Brewery operation HK$'000	Sewage and water treatment operations HK$'000	Expressway and toll road operations HK$'000	Corporate and others HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000 (Restated)
Segment revenue	20,644,716	14,442,726	185,549	150,022	146,636	–	35,569,649
Cost of sales	(17,974,593)	(9,942,636)	(4,841)	(213,293)	(72,241)	–	(28,207,604)
Gross profit	2,670,123	4,500,090	180,708	(63,271)	74,395	–	7,362,045
Profit/(loss) from operating activities	1,255,946	1,236,166***	184,384	(98,111)	523,831	–	3,102,216
Finance costs	(34,666)	(207,542)	(159)	(5,114)	(749,155)	–	(996,636)
Share of profits and losses of:							
Joint ventures	(343)	–	–	–	–	–	(343)
Associates	1,696,913	(1,553)	330,999	–	23,136	–	2,049,495
Profit/(loss) before tax	2,917,850	1,027,071	515,224	(103,225)	(202,188)	–	4,154,732
Income tax	(163,800)	(270,541)	(45,647)	(243)	(76,924)	–	(557,155)
Profit/(loss) for the year	2,754,050	756,530	469,577	(103,468)	(279,112)	–	3,597,577
Segment profit/(loss) attributable to shareholders of the Company	2,752,436	348,860	469,577	(99,330)	(236,551)	–	3,234,992
Segment assets	44,511,225	23,973,359	7,032,770	1,991,483	16,262,690	(4,272,906)	89,498,621
Segment liabilities	13,604,124	10,949,960	1,002,626	539,759	20,007,383	(4,272,906)	41,830,946
Other segment information:							
Interest income	40,891	24,433	189,036	13,527	168,618	–	436,505
Depreciation	814,466	964,540	1,672	10,939	8,715	–	1,800,332
Amortisation of operating concessions	–	–	–	52,810	–	–	52,810
Amortisation of other intangible assets	9,849	–	–	–	139	–	9,988
Impairment/provision/(reversal of impairment/provision) against segment assets, net *	(40,211)	7,916	–	19	142,251	–	109,975
Fair value gain on investment properties	–	–	–	–	14,282	–	14,282
Provision for major overhauls	–	–	–	42,933	–	–	42,933
Investments in joint ventures	136,706	–	–	–	–	–	136,706
Investments in associates	10,227,107	3,152	4,048,196	–	841,851	–	15,120,306
Capital expenditure **	5,479,991	2,296,416	195	3,805	453,862	–	8,234,269

4. OPERATING SEGMENT INFORMATION (Continued)

* These amounts are recognised in the consolidated statement of profit or loss and included impairment/provision (reversal of impairment/provision) against items of property, plant and equipment, trade and bills receivables and other receivables.

** Capital expenditure consists of additions of property, plant and equipment, operating concessions and other intangible assets, excluding assets from the acquisition of subsidiaries.

*** The amount included a fair value gain on the derivative component of convertible bonds of HK$13,973,000, which was wholly attributable to non-controlling shareholders of the relevant subsidiary company recognised during the year ended 31 December 2012 and therefore did not affect the profit attributable to shareholders of the Company for the year ended 31 December 2012.

GEOGRAPHICAL INFORMATION

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the assets of the Group are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of these financial statements.

INFORMATION ABOUT MAJOR CUSTOMERS

During each of the years ended 31 December 2013 and 2012, none of the Group's individual customers contributed to 10% or more of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents: (1) the aggregate of the invoiced value of goods sold, net of value-added tax, consumption tax and government surcharges, and after allowances for returns and trade discounts; (2) the aggregate of toll revenue, net of business tax; (3) an appropriate proportion of contract revenue of construction contracts and service contracts, net of value-added tax, business tax and government surcharges; and (4) the imputed interest income on receivables under service concession arrangements.

5. REVENUE, OTHER INCOME AND GAINS, NET (Continued)

An analysis of the Group's revenue, other income and gains, net is as follows:

	Notes	2013 HK$'000	2012 HK$'000
Revenue			
Piped gas operation		**25,159,146**	20,644,716
Brewery operation		**16,836,952**	14,442,726
Sewage and water treatment operations§		**–**	185,549
Expressway and toll road operations		**–**	150,022
Corporate and others		**364,430**	146,636
		42,360,528	35,569,649
Other income			
Bank interest income		**177,922**	253,779
Rental income		**30,592**	14,627
Service income		**–**	30,147
Government grants*		**123,194**	210,492
Transfer of assets from customers	15	**127,172**	131,601
Others		**216,705**	155,094
		675,585	795,740
Gains, net			
Fair value gain on investment properties	16	**–**	14,282
Fair value gain on the derivative component of convertible bonds	39	**–**	13,973
Gain on disposal of available-for-sale investments carried at fair value		**106,200**	52,938
Gain on transfer of receivables under a service concession arrangement@		**47,087**	–
Foreign exchange differences, net		**79,227**	20,548
		232,514	101,741
Other income and gains, net		**908,099**	897,481

5. REVENUE, OTHER INCOME AND GAINS, NET (Continued)

§ Imputed interest income of HK$182,726,000 on receivables under service concession arrangements recognised during the year ended 31 December 2012 was included in the revenue derived from "Sewage and water treatment operations" disclosed above.

* The government grants represented government subsidies, corporate income tax and turnover tax refunds. Turnover tax includes value-added tax, city construction tax and education surcharge. The government grants are unconditional, except for certain grants which must be utilised for the development of the Company's subsidiaries.

@ The gain on transfer of receivables under a service concession arrangement arose from the transfer of the Future Income (as defined in note 33 to the financial statements) to BE Water during the year, details of which are set out in note 33 to the financial statements.

6. GAIN ON DISPOSAL OF INTERESTS IN SUBSIDIARIES, NET

The gain on disposal of interests in subsidiaries recognised during the year ended 31 December 2012 arose from the disposal of the Group's equity interest in Beijing Enterprises (Motorway) Limited ("BE Motorway", a wholly-owned subsidiary of the Company which holds a 96% equity interest in Beijing Capital Expressway Development Co., Ltd. ("Capital Expressway Company")). Details of the operations of Capital Expressway Company and the disposal transaction are set out in notes 19(a)(i) and 47 to the financial statements, respectively.

Details of the gain on disposal of interests in subsidiaries recognised during the year ended 31 December 2013 are set out in notes 33 and 47 to the financial statements.

7. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Notes	**2013 HK$'000**	2012 HK$'000 (Restated)
Cost of inventories sold		**33,755,633**	27,902,611
Cost of services provided		**260,199**	252,183
Depreciation	*15*	**2,240,146**	1,800,332
Amortisation of prepaid land premiums	*17*	**73,948**	33,221
Amortisation of operating concessions*	*19*	**7,483**	52,810
Amortisation of computer software**	*20*	**6,140**	9,988
Research and development expenditure		**88,742**	15,664
Loss on early redemption of convertible bonds		**–**	30,663
Loss on disposal of items of property, plant and equipment, net		**6,270**	61,792
Minimum lease payments under operating leases:			
Land and buildings		**231,839**	170,620
Plant and machinery		**–**	2,098
		231,839	172,718
Auditors' remuneration		**8,800**	8,800
Employee benefit expense (including directors' remuneration – *note 9*):			
Salaries, allowances and benefits in kind		**3,774,552**	3,503,680
Net pension scheme contributions		**512,401**	427,732
Net benefit expense of defined benefit plans**	*40*	**56,524**	83,738
		4,343,477	4,015,150
Provision for major overhauls	*41*	**–**	42,933
Impairment of items of property, plant and equipment, net***	*15*	**4,004**	115,941
Reversal of impairment of trade and bills receivables, net	*28(c)*	**(6,036)**	(35,542)
Impairment of other receivables, net	*29(c)*	**46,285**	29,195
Net rental income on investment properties less direct operating expenses of HK$15,271,000 (2012: HK$12,986,000)		**(28,618)**	(14,262)

7. PROFIT FROM OPERATING ACTIVITIES (Continued)

* The amortisation of operating concessions for the year is included in "Cost of sales" on the face of the consolidated statement of profit or loss.

** The amortisation of computer software and the net benefit expenses of defined benefit plans for the year are included in "Administrative expenses" on the face of the consolidated statement of profit or loss.

*** The net impairment of items of property, plant and equipment for the year are included in "Other operating expenses, net" on the face of the consolidated statement of profit or loss.

8. FINANCE COSTS

		Group	
	Notes	**2013 HK$'000**	2012 HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years		**414,757**	396,321
Interest on guaranteed senior notes		**722,170**	627,186
Interest on convertible bonds	*39*	**37,889**	64,819
Imputed interest on convertible bonds	*39*	**3,532**	3,481
Total interest expense		**1,178,348**	1,091,807
Increase in discounted amounts of provision for major overhauls arising from the passage of time	*41*	**–**	5,004
Total finance costs		**1,178,348**	1,096,811
Less: Interest included in construction in progress		**(44,604)**	(100,175)
		1,133,744	996,636

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group 2013 HK$'000	Group 2012 HK$'000
Fees	**3,117**	2,610
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**18,054**	18,909
Pension scheme contributions	**22**	21
	18,076	18,930
	21,193	21,540

An analysis of the directors' remuneration, on a named basis, is as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 December 2013				
Executive directors:				
Mr. Wang Dong	**173**	**3,910**	**–**	**4,083**
Mr. Zhou Si	**173**	**3,339**	**–**	**3,512**
Mr. Zhang Honghai	**173**	**2,845**	**–**	**3,018**
Mr. Lin Fusheng	**38**	**1,372**	**–**	**1,410**
Mr. Li Fucheng	**400**	**–**	**–**	**400**
Mr. Hou Zibo	**143**	**–**	**–**	**143**
Mr. Liu Kai	**143**	**–**	**–**	**143**
Mr. Lei Zhengang	**143**	**–**	**–**	**143**
Mr. E Meng	**143**	**2,375**	**–**	**2,518**
Mr. Jiang Xinhao	**143**	**2,375**	**–**	**2,518**
Mr. Tam Chun Fai	**143**	**1,838**	**22**	**2,003**
	1,815	**18,054**	**22**	**19,891**
Non-executive director:				
Mr. Guo Pujin	**150**	**–**	**–**	**150**
	1,965	**18,054**	**22**	**20,041**

9. DIRECTORS' REMUNERATION (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Independent non-executive directors:				
Mr. Wu Jiesi	**207**	**–**	**–**	**207**
Mr. Robert A. Theleen	**207**	**–**	**–**	**207**
Mr. Lam Hoi Ham	**207**	**–**	**–**	**207**
Mr. Fu Tingmei	**207**	**–**	**–**	**207**
Mr. Sze Chi Ching	**162**	**–**	**–**	**162**
Mr. Shi Hanmin	**162**	**–**	**–**	**162**
	1,152	**–**	**–**	**1,152**
Total directors' remuneration	**3,117**	**18,054**	**22**	**21,193**

9. DIRECTORS' REMUNERATION (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 December 2012				
Executive directors:				
Mr. Wang Dong	150	3,690	–	3,840
Mr. Zhang Honghai	150	2,622	–	2,772
Mr. Lin Fusheng	150	3,283	–	3,433
Mr. Li Fucheng	400	–	–	400
Mr. Zhou Si	150	3,126	–	3,276
Mr. Hou Zibo	90	–	–	90
Mr. Guo Pujin	200	–	–	200
Mr. Liu Kai	120	–	–	120
Mr. Lei Zhengang	120	–	–	120
Mr. E Meng	120	2,211	–	2,331
Mr. Jiang Xinhao	120	2,211	–	2,331
Mr. Tam Chun Fai	120	1,766	21	1,907
	1,890	18,909	21	20,820
Independent non-executive directors:				
Mr. Wu Jiesi	180	–	–	180
Mr. Robert A. Theleen	180	–	–	180
Mr. Lam Hoi Ham	180	–	–	180
Mr. Fu Ting Mei	180	–	–	180
	720	–	–	720
Total directors' remuneration	2,610	18,909	21	21,540

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during each of the years ended 31 December 2013 and 2012 are directors of the Company, details of whose remuneration for these years are set out in note 9 to the financial statements.

11. INCOME TAX

	Group	
	2013	2012
	HK$'000	HK$'000
		(Restated)
Current – PRC:		
Mainland China	**532,211**	654,047
Underprovision in prior years	**–**	2,985
Deferred *(note 43)*	**13,076**	(99,877)
Total tax expense for the year	**545,287**	557,155

No provision for Hong Kong profits tax has been made for the year ended 31 December 2013 as the Group did not generate any assessable profits in Hong Kong during the year (2012: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. In accordance with the relevant tax rules and regulations of the PRC, certain of the Company's subsidiaries established in Mainland China enjoy PRC corporate income tax exemptions and reductions.

11. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2013

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	353,140		4,947,602		5,300,742	
Tax expense at the statutory tax rate	58,268	16.5	1,236,901	25.0	1,295,169	24.4
Lower tax rate for specific provinces or enacted by local authority	-	-	(483,149)	(9.8)	(483,149)	(9.1)
Profits and losses attributable to joint ventures and associates	(89,339)	(25.3)	(330,351)	(6.6)	(419,690)	(7.9)
Income not subject to tax	(129,670)	(36.7)	(81,931)	(1.7)	(211,601)	(4.0)
Expenses not deductible for tax	141,481	40.1	13,396	0.3	154,877	2.9
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	-	-	25,547	0.5	25,547	0.5
Tax losses not recognised as deferred tax assets	19,260	5.4	188,068	3.8	207,328	3.9
Tax losses utilised from previous periods	-	-	(23,194)	(0.5)	(23,194)	(0.4)
Tax expense at the Group's effective tax rate	-	-	545,287	11.0	545,287	10.3

11. INCOME TAX (Continued)

Group – 2012

	Hong Kong HK$'000	%	Mainland China HK$'000 (Restated)	%	Total HK$'000 (Restated)	%
Profit before tax	487,280		3,667,452		4,154,732	
Tax expense at the statutory tax rate	80,402	16.5	916,862	25.0	997,264	24.0
Lower tax rate for specific provinces or enacted by local authority	–	–	(457,935)	(12.5)	(457,935)	(11.0)
Adjustments in respect of current tax of previous periods	–	–	2,985	0.1	2,985	0.1
Profits and losses attributable to joint ventures and associates	(53,264)	(10.9)	(265,181)	(7.2)	(318,445)	(7.7)
Income not subject to tax	(166,693)	(34.2)	(34,825)	(0.9)	(201,518)	(4.9)
Expenses not deductible for tax	120,982	24.8	108,124	3.0	229,106	5.5
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	–	–	(12,730)	(0.3)	(12,730)	(0.3)
Effect of withholding tax on the disposal of interest in a PRC subsidiary	–	–	84,230	2.3	84,230	2.0
Tax losses not recognised as deferred tax assets	18,573	3.8	225,526	6.0	244,099	5.9
Tax losses utilised from previous periods	–	–	(9,901)	(0.3)	(9,901)	(0.2)
Tax expense at the Group's effective tax rate	–	–	557,155	15.2	557,155	13.4

12. PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company for the year ended 31 December 2013 includes a profit of HK$149,480,000 (2012: HK$787,247,000) which has been dealt with in the financial statements of the Company.

A reconciliation of the amount of consolidated profit for the year attributable to shareholders of the Company dealt with in the financial statements of the Company to the Company's profit for the year is as follows:

	2013 **HK$'000**	2012 HK$'000
Amount of consolidated profit for the year attributable to shareholders of the Company dealt with in the financial statements of the Company	**149,480**	787,247
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and payable during the year	**615,390**	–
Company's profit for the year *(note 36(b))*	**764,870**	787,247

13. DIVIDENDS

	2013 **HK$'000**	2012 HK$'000
Interim – HK$0.25 (2012: HK$0.25) per ordinary share	**291,658**	284,393
Proposed final – HK$0.60 (2012: HK$0.50) per ordinary share	**763,695**	572,286
	1,055,353	856,679

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted earnings per share amount for the year is based on the profit for the year attributable to shareholders of the Company, adjusted to reflect the effect of the deemed conversion of all dilutive convertible bonds of the Group at the beginning of the year, and the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed conversion of those convertible bonds of the Group which are convertible into ordinary shares of the Company at the beginning of the year.

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

	2013	2012
	HK$'000	HK$'000
		(Restated)
Earnings		
Profit for the year attributable to shareholders of the Company, used in the basic earnings per share calculation	**4,183,878**	3,234,992
Interest expense for the year relating to the liability component of the dilutive convertible bonds of the Group	**35,932**	62,844
Profit for the year attributable to shareholders of the Company, used in the diluted earnings per share calculation	**4,219,810**	3,297,836

14. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Continued)

	2013	2012
Number of ordinary shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**1,160,128,990**	1,137,571,000
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	**30,935,982**	50,000,000
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**1,191,064,972**	1,187,571,000

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Notes	Land and buildings HK$'000 *(notes (a) and (b))*	Leasehold improve-ments HK$'000	Gas pipelines HK$'000	Gas metres and other plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000 *(note (c))*	Total HK$'000
Year ended 31 December 2013									
At 1 January 2013:									
Cost		9,169,940	23,044	13,750,650	14,469,404	731,023	692,293	6,409,963	45,246,317
Accumulated depreciation and impairment		(1,790,080)	(10,534)	(2,321,283)	(7,378,661)	(453,260)	(340,997)	(146,034)	(12,440,849)
Net carrying amount		7,379,860	12,510	11,429,367	7,090,743	277,763	351,296	6,263,929	32,805,468
Net carrying amount:									
At 1 January 2013		7,379,860	12,510	11,429,367	7,090,743	277,763	351,296	6,263,929	32,805,468
Acquisition of subsidiaries	46	17,538	-	86,321	23,022	15,716	13,303	825,686	981,586
Additions		252,692	-	144,213	266,221	122,119	117,179	5,553,485	6,455,909
Transfer of assets from customers	5	-	-	63,002	64,170	-	-	-	127,172
Transfer from construction in progress		1,860,113	-	1,959,989	1,692,011	18,847	10,909	(5,541,869)	-
Depreciation provided during the year		(336,423)	(2,522)	(740,181)	(1,027,528)	(73,129)	(60,363)	-	(2,240,146)
Impairment during the year recognised in profit or loss		-	-	-	-	(4,004)	-	-	(4,004)
Transfer of assets from property held for sale		28,511	-	-	-	-	-	-	28,511
Disposal of subsidiaries		-	-	-	(395,444)	-	(3,279)	(31,796)	(430,519)
Disposals		(5,995)	-	(33)	(14,872)	(348)	(15,062)	-	(36,310)
Reclassification		10,487	-	(2,338)	2,216	(10,228)	(137)	-	-
Exchange realignment		306,910	191	458,962	280,730	11,565	14,304	236,438	1,309,100
At 31 December 2013		9,513,693	10,179	13,399,302	7,981,269	358,301	428,150	7,305,873	38,996,767
At 31 December 2013:									
Cost		11,716,565	23,619	16,575,183	16,575,984	912,275	845,136	7,457,100	54,105,862
Accumulated depreciation and impairment		(2,202,872)	(13,440)	(3,175,881)	(8,594,715)	(553,974)	(416,986)	(151,227)	(15,109,095)
Net carrying amount		9,513,693	10,179	13,399,302	7,981,269	358,301	428,150	7,305,873	38,996,767

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	Notes	Land and buildings HK$'000 *(notes (a) and (b))*	Leasehold improve-ments HK$'000	Gas pipelines HK$'000	Gas metres and other plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000 *(note (c))*	Total HK$'000
Year ended 31 December 2012									
At 1 January 2012:									
Cost		8,663,490	23,017	11,225,971	12,654,051	692,846	636,472	3,385,429	37,281,276
Accumulated depreciation and impairment		(1,673,133)	(7,975)	(1,905,493)	(6,516,251)	(429,564)	(285,642)	(146,034)	(10,964,092)
Net carrying amount		6,990,357	15,042	9,320,478	6,137,800	263,282	350,830	3,239,395	26,317,184
Net carrying amount:									
At 1 January 2012		6,990,357	15,042	9,320,478	6,137,800	263,282	350,830	3,239,395	26,317,184
Acquisition of subsidiaries	*46*	87,423	–	16,569	126,778	235	23,249	4,440	258,694
Additions		188,042	27	32,425	402,230	62,143	68,170	7,475,275	8,228,312
Transfer of assets from customers	*5*	–	–	91,048	40,553	–	–	–	131,601
Transfer from construction in progress		595,991	–	2,382,302	1,331,963	11,962	1,991	(4,324,209)	–
Transfer from/(to) investment properties	*16*	54,127	–	–	–	–	–	(14,037)	40,090
Transfer to property held for sale		–	–	–	–	–	–	(900)	(900)
Transfer to assets of disposal groups held for sale	*33*	(7,179)	–	–	(7,360)	(46)	(315)	–	(14,900)
Depreciation provided during the year		(239,299)	(2,559)	(415,396)	(999,663)	(56,259)	(87,156)	–	(1,800,332)
Impairment during the year recognised in profit or loss		–	–	–	–	–	–	(115,941)	(115,941)
Disposal of subsidiaries	*47*	(90,137)	–	–	(21,729)	(3,579)	(3,386)	(94)	(118,925)
Disposals		(40,051)	–	(379)	(75,654)	(290)	(3,041)	–	(119,415)
Reclassification		(159,414)	–	2,320	155,825	315	954	–	–
At 31 December 2012		7,379,860	12,510	11,429,367	7,090,743	277,763	351,296	6,263,929	32,805,468
At 31 December 2012:									
Cost		9,169,940	23,044	13,750,650	14,469,404	731,023	692,293	6,409,963	45,246,317
Accumulated depreciation and impairment		(1,790,080)	(10,534)	(2,321,283)	(7,378,661)	(453,260)	(340,997)	(146,034)	(12,440,849)
Net carrying amount		7,379,860	12,510	11,429,367	7,090,743	277,763	351,296	6,263,929	32,805,468

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
Year ended 31 December 2013			
At 1 January 2013:			
Cost	**9,989**	**4,192**	**14,181**
Accumulated depreciation	**(2,664)**	**(1,981)**	**(4,645)**
Net carrying amount	**7,325**	**2,211**	**9,536**
Net carrying amount:			
At 1 January 2013	**7,325**	**2,211**	**9,536**
Depreciation provided during the year	**(1,998)**	**(659)**	**(2,657)**
At 31 December 2013	**5,327**	**1,552**	**6,879**
At 31 December 2013:			
Cost	**9,989**	**4,192**	**14,181**
Accumulated depreciation	**(4,662)**	**(2,640)**	**(7,302)**
Net carrying amount	**5,327**	**1,552**	**6,879**
Year ended 31 December 2012			
At 1 January 2012:			
Cost	9,989	4,192	14,181
Accumulated depreciation	(666)	(1,143)	(1,809)
Net carrying amount	9,323	3,049	12,372
Net carrying amount:			
At 1 January 2012	9,323	3,049	12,372
Depreciation provided during the year	(1,998)	(838)	(2,836)
At 31 December 2012	7,325	2,211	9,536
At 31 December 2012:			
Cost	9,989	4,192	14,181
Accumulated depreciation	(2,664)	(1,981)	(4,645)
Net carrying amount	7,325	2,211	9,536

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) Land and buildings of the Group included above as at 31 December 2013 and 2012 are held under the following lease terms:

Group

	2013 Hong Kong HK$'000	**2013** Elsewhere HK$'000	**2013** Total HK$'000	2012 Hong Kong HK$'000	2012 Elsewhere HK$'000	2012 Total HK$'000
Cost:						
Long term leases	**23,313**	**–**	**23,313**	23,313	–	23,313
Medium term leases	**–**	**11,693,252**	**11,693,252**	–	9,146,627	9,146,627
	23,313	**11,693,252**	**11,716,565**	23,313	9,146,627	9,169,940

(b) At 31 December 2013, a building of the Group situated in Mainland China with a net carrying amount of HK$27,203,000 (2012: HK$27,000,000) was pledged to secure a bank loan granted to the Group (note 37(d)(i)).

(c) During the year ended 31 December 2012, impairments of RMB93,912,000 (equivalent to HK$115,941,000, at the then exchange rate) were recognised in profit or loss on certain construction in progress of a PRC subsidiary for the production of concentrating photovoltaic modules, in view of the downturn of the solar power generation industry. The assets impaired were reported in the corporate and others segment, which is set out in note 4 to the financial statements.

16. INVESTMENT PROPERTIES

	Notes	**Group 2013** HK$'000	Group 2012 HK$'000	**Company 2013** HK$'000	Company 2012 HK$'000
Carrying amount at 1 January		**665,144**	681,096	**56,914**	49,136
Acquisition of a subsidiary	*46*	**45,812**	41,604	**–**	–
Transfer to property, plant and equipment, net	*15*	**–**	(40,090)	**–**	–
Transfer to prepaid land premiums	*17*	**–**	(31,748)	**–**	–
Fair value gain on revaluation	*5*	**–**	14,282	**–**	7,778
Exchange realignment		**9,012**	–	**–**	–
Carrying amount at 31 December		**719,968**	665,144	**56,914**	56,914

16. INVESTMENT PROPERTIES (Continued)

Notes:

(a) The investment properties are leased to third parties under operating leases, further summary details of which are included in note 50(a) to the financial statements.

(b) The investment properties of the Group as at 31 December 2013 and 2012 are held under the following lease terms:

Group

	2013			2012		
	Hong Kong HK$'000	**Elsewhere HK$'000**	**Total HK$'000**	Hong Kong HK$'000	Elsewhere HK$'000	Total HK$'000
Long term leases	**21,550**	**–**	**21,550**	21,550	–	21,550
Medium term leases	**–**	**698,418**	**698,418**	–	643,594	643,594
	21,550	**698,418**	**719,968**	21,550	643,594	665,144

The Company's investment property is situated in Mainland China and held under a medium term lease.

(c) At 31 December 2013, the investment properties were revalued based on valuations performed by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, using the direct comparison approach or income approach. In the opinion of the directors, no fair value gain was recognised on the Group's investment properties during the year ended 31 December 2013 as the fair value movement of the Group's investment properties was insignificant during the year.

(d) Each year, the Group's chief financial officer decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's chief financial officer has discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

Fair value hierarchy disclosure

The fair value of all the Group's investment properties were revalued by reference to significant unobservable inputs (Level 3).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3. The definitions of Level 1, Level 2 and Level 3 are explained under the heading of "Fair value measurement" in note 2.4 to the financial statements.

In the opinion of the directors, since the financial impact of the Group's investment properties on the financial statements is insignificant, information in respect of the valuation techniques used and key inputs to the valuation of investment properties is not disclosed in the financial statements.

17. PREPAID LAND PREMIUMS

		Group	
		2013	2012
	Notes	**HK$'000**	HK$'000
Carrying amount at 1 January		**1,683,837**	1,305,429
Acquisition of subsidiaries	*46*	**32,835**	22,298
Additions		**130,486**	357,583
Transfer from investment properties	*16*	**–**	31,748
Amortisation provided during the year		**(73,948)**	(33,221)
Exchange realignment		**65,908**	–
Carrying amount at 31 December		**1,839,118**	1,683,837
Portion classified as current assets		**(53,509)**	(43,643)
Non-current portion		**1,785,609**	1,640,194

All leasehold lands of the Group as at 31 December 2013 are situated in Mainland China and held under medium term leases.

18. GOODWILL

	Group	
	2013	2012
	HK$'000	HK$'000
Cost and net carrying amount:		
At 1 January	**7,549,326**	7,453,561
Acquisition of subsidiaries *(note 46)*	**83,184**	95,765
Exchange realignment	**27,225**	–
At 31 December	**7,659,735**	7,549,326

18. GOODWILL (Continued)

IMPAIRMENT TESTING OF GOODWILL

The carrying amount of the goodwill has been allocated to the relevant business units of the individual operating segments of the Group for impairment testing, which is summarised as follows:

		Group	
		2013	2012
	Notes	**HK$'000**	HK$'000
Piped gas operation	*(i)*	**7,029,625**	7,022,337
Brewery operation	*(ii)*	**518,138**	498,948
Others		**111,972**	28,041
		7,659,735	7,549,326

(i) The recoverable amount of the piped gas operation has been determined by reference to a business valuation performed by CB Richard Ellis Limited, independent professionally qualified valuers, on a value in use calculation using cash flow projections which are based on financial forecast approved by senior management covering a period of five years and based on the assumption that the operation can generate cash flows perpetually. The discount rate applied to the cash flow projections for the first five-year period is 10.63% (2012: 11%), which is determined by reference to the average rates for similar industry and the business risk of the relevant business unit. A growth rate of 3% (2012: 3%) is used for the perpetual period.

(ii) Goodwill attributable to the brewery operation mainly arose from the Group's investments in Beijing Yanjing Brewery Company Limited ("Yanjing Brewery"), the recoverable amount of which was determined on the fair value less costs of disposal basis by reference to the market value of the shares of Yanjing Brewery held by the Group (as categorised within Level 1 of the fair value hierarchy) as at 31 December 2013.

Based on the results of the impairment testing of goodwill, in the opinion of the directors, no impairment provision is considered necessary for the Group's goodwill as at 31 December 2013 (2012: Nil).

18. GOODWILL (Continued)

IMPAIRMENT TESTING OF GOODWILL (Continued)

Key assumptions used in value in use calculation

The following describes each key assumption adopted by management in the preparation of the cash flow projections for the purpose of impairment testing of goodwill attributable to the piped gas operation:

- Budgeted turnover

  The budgeted turnover is based on projected piped gas sales volume.

- Budgeted gross margins

  In respect of the relevant business units in the piped gas operation segment, the budgeted gross margins is based on the latest gas selling price up to the date of the valuation report.

- Discount rate

  The discount rate used is before tax and reflect specific risks relating to the piped gas operation.

- Business environment

  – There will be no major changes in the existing political, legal and economic conditions in Mainland China and other locations in which the assessed entity carried on its business.

  – As the gas supply network has already been set up in most urban areas in Beijing, where the Group's piped gas operation is located, and due to the high degree of idiosyncratic features of the gas supply business, the high construction and fixed costs in establishing another gas supply network in these urban districts in Beijing are too huge for other operators to enter these regions. Therefore, in the opinion of the directors, the Group's piped gas operation can generate income perpetually.

19. SERVICE CONCESSION ARRANGEMENTS

The Group has entered into certain service concession arrangements with certain governmental authorities in Mainland China on a Build-Operate-Transfer ("BOT") or a Transfer-Operate-Transfer ("TOT") basis in respect of its expressway and toll road operations, sewage and water treatment operations and solid waste treatment operations. These service concession arrangements generally involve the Group as an operator (i) constructing the infrastructures for those arrangements on a BOT basis; (ii) paying a specific amount for those arrangements on a TOT basis; and (iii) operating and maintaining the infrastructures at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 20 to 30 years (the "service concession periods"), and the Group will be paid for its services over the relevant periods of the service concession arrangements at prices stipulated through a pricing mechanism. The Group is generally entitled to, where appropriate, use all the property, plant and equipment of the infrastructures, however, the relevant governmental authorities as grantors will control and regulate the scope of services the Group must provide with the infrastructures, and retain the beneficial entitlement to any residual interest in the infrastructures at the end of the term of the service concession periods. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authority in Mainland China that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the infrastructures to a specified level of serviceability at the end of the service concession periods, and arrangements for arbitrating disputes. The accounting policies in respect of the classification of the service concession arrangements between intangible assets (operating concessions) and financial assets (receivables under service concession arrangements) are set out under the heading of "Service concession arrangements" in note 2.4 to the financial statements.

19. SERVICE CONCESSION ARRANGEMENTS (Continued)

The following is the summarised information of the Group's service concession arrangements by business operation:

OPERATING CONCESSIONS

	Group	
	2013	2012
	HK$'000	HK$'000
	(note (a))	*(note (a))*
At 1 January:		
Cost	**1,777,107**	2,529,816
Accumulated amortisation	**(1,357,869)**	(1,304,805)
Net carrying amount	**419,238**	1,225,011
Net carrying amount:		
At 1 January	**419,238**	1,225,011
Additions	**176,154**	–
Amortisation provided during the year	**(7,483)**	(52,810)
Disposal of a subsidiary *(note 47)*	**–**	(752,963)
Exchange realignment	**18,383**	–
At 31 December	**606,292**	419,238
At 31 December:		
Cost	**2,023,997**	1,777,107
Accumulated amortisation	**(1,417,705)**	(1,357,869)
Net carrying amount	**606,292**	419,238

19. SERVICE CONCESSION ARRANGEMENTS (Continued)

RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

	Group	
	2013	2012
	HK$'000	HK$'000
Receivables under service concession arrangements wholly attributable to sewage and water treatment operations *(notes (b) and (c))*	**701,582**	1,512,623
Portion classified as current assets	**(701,582)**	(1,007,375)
Non-current portion	**–**	505,248

Notes:

(a) The operating concessions of the Group are mainly attributable to expressway (disposed of during the year ended 31 December 2012) and toll road operations and details of the service concession arrangements are as follows:

(i) In connection with a group reorganisation undertaken by the Group prior to the listing of the Company's shares on the Main Board of the Stock Exchange in 1997, Capital Expressway Company (a then 96% indirectly-owned subsidiary of the Company) was established in the PRC with an initial term of 30 years commencing on 13 March 1997. Pursuant to the approval documents issued by the Beijing Municipal Government in March and April 1997, the right to operate the Capital Airport Expressway and the right to use the land on which the Capital Airport Expressway is adhered for a period of 30 years commencing on 1 January 1997 were injected into Capital Expressway Company as part of the capital contributions from one of its equity holders.

During the year ended 31 December 2012, the entire equity interest of Capital Expressway Company was disposed of by the Group, details of which are disclosed in notes 6 and 47 to the financial statements.

(ii) Pursuant to a co-operative joint venture agreement dated 18 July 2001 entered into between Hong Kong Zhong Ji Facility Investment Co., Ltd., a 96.5% indirectly-owned subsidiary of the Company, and 深圳市石觀公路有限公司 ("Shiguan Road Limited") for the establishment of Shenzhen Guanshun Road & Bridge Co., Ltd. ("Shenzhen Guanshun", a 53.08% indirectly-owned subsidiary of the Company), and as approved by the relevant government authorities, Shiguan Road Limited transferred to Shenzhen Guanshun at a total consideration of RMB652 million an operating right to operate the Shenzhen Shiguan Road and Bridge, which is located in Shenzhen Municipality, the PRC, for a period of 20 years commencing on 12 April 2002.

The Group was ordered by the Shenzhen Municipal Government to stop charging the public for the use of the Shenzhen Shiguan Road and Bridge operated by Shenzhen Guanshun by 31 December 2011.

The Group is currently negotiating with relevant government authorities in Shenzhen to work out a scheme relating to severance, compensation and all other matters to prepare for the cessation of the toll road operation of Shenzhen Guanshun, however, no concrete detail of the scheme has been reached as at the date of approval of these financial statements. In the opinion of the directors, no impairment provision against the operating concession in respect of the Shenzhen Shiguan Road and Bridge is considered necessary as at 31 December 2013 (2012: Nil).

19. SERVICE CONCESSION ARRANGEMENTS (Continued)

Notes: (Continued)

(b) Details of the Group's sewage and water treatment operations under service concession arrangements are as follows:

Pursuant to a concession agreement (the "Concession Agreement") dated 13 July 1998 entered into between the Company and 北京市自來水集團有限責任公司 ("Beijing Water"), the Company acquired at a consideration of RMB1.5 billion an operating right from Beijing Water to operate a water purification and treatment plant, No. 9 Phase I, in Beijing (the "No. 9 Water Plant") and sell purified water, for a period of 20 years commencing on 24 November 1998. Beijing Water had guaranteed the Company a net cash inflow of RMB210 million from the water purification and treatment business for each of the years in the concession period. The concession right so granted was subsequently transferred by the Company to Beijing Bei Kong Water Production Co., Ltd., a wholly-owned subsidiary set up by the Company for the purpose of holding this concession right and engaging in the water purification and treatment operations.

Pursuant to a supplemental agreement entered into between Beijing Water and the Company in April 2011, commencing on 1 January 2011, the water purification and treatment income receivable by the Group would be determined based on the actual water purification and treatment volume, subject to a minimum volume guaranteed by Beijing Water. In the opinion of the directors, as a result of the revised arrangement, the estimated net cash inflow receivable by the Group under this service concession arrangement was decreased to RMB190 million for each of the remaining years in the concession period.

As detailed in note 33 to the financial statements, pursuant to the Master Agreement (as defined in note 33), the Group agreed to pay any amount so received as water purification fee under the Concession Agreement to BE Water, an associate of the Group, after deducting all state and local taxes in Mainland China and operating costs in respect of the operation of the No.9 Water Plant commencing from 1 January 2013 to 31 December 2018. Accordingly, the carrying amount of the Future Income (as defined in note 33) receivable by the Group under the Concession Agreement as at 31 December 2012 had been classified as a non-current asset held for sale in the consolidated statement of financial position and was derecognised by the Group upon the completion of the transaction in February 2013.

The amount of HK$701,582,000 (2012: HK$1,007,375,000) included in the current portion of "Receivables under service concession arrangements" as at 31 December 2013 represented the outstanding water purification fee receivable by the Company from Beijing Water prior to the transfer of the Future Income to BE Water.

19. SERVICE CONCESSION ARRANGEMENTS (Continued)

Notes: (Continued)

(c) In respect of the Group's receivables under service concession arrangements, aged analyses of receivables under service concession arrangements are closely monitored in order to minimise any credit risk associated with the receivables.

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

	Group	
	2013	2012
	HK$'000	HK$'000
Billed:		
Within one year	**–**	327,484
One to two years	**358,585**	1,685
Two to three years	**342,997**	372,102
Over three years	**–**	306,104
	701,582	1,007,375
Unbilled	**–**	505,248
	701,582	1,512,623

An aged analysis of the billed receivables under service concession arrangements that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Less than one year past due	**–**	327,484
One to two years past due	**358,585**	1,685
Two to three years past due	**342,997**	372,102
Over three years past due	**–**	306,104
	701,582	1,007,375

The above receivables were due from Beijing Water as grantor in respect of the No.9 Water Plant under a service concession arrangement. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

20. OTHER INTANGIBLE ASSETS

Group

	Patents HK$'000	Computer software HK$'000	Total HK$'000
Year ended 31 December 2013			
At 1 January 2013:			
Cost	**–**	**48,800**	**48,800**
Accumulated amortisation	**–**	**(29,150)**	**(29,150)**
Net carrying amount	**–**	**19,650**	**19,650**
Net carrying amount:			
At 1 January 2013	**–**	**19,650**	**19,650**
Acquisition of a subsidiary *(note 46)*	**–**	**9,265**	**9,265**
Additions	**–**	**36,044**	**36,044**
Amortisation provided during the year	**–**	**(6,140)**	**(6,140)**
Exchange alignment	**–**	**5,301**	**5,301**
At 31 December 2013	**–**	**64,120**	**64,120**
At 31 December 2013:			
Cost	**–**	**127,540**	**127,540**
Accumulated amortisation	**–**	**(63,420)**	**(63,420)**
Net carrying amount	**–**	**64,120**	**64,120**
Year ended 31 December 2012			
At 1 January 2012:			
Cost	6,793	76,607	83,400
Accumulated amortisation and impairment	(6,793)	(52,926)	(59,719)
Net carrying amount	–	23,681	23,681
Net carrying amount:			
At 1 January 2012	–	23,681	23,681
Additions	–	5,957	5,957
Amortisation provided during the year	–	(9,988)	(9,988)
At 31 December 2012	–	19,650	19,650
At 31 December 2012:			
Cost	–	48,800	48,800
Accumulated amortisation	–	(29,150)	(29,150)
Net carrying amount	–	19,650	19,650

21. INTERESTS IN SUBSIDIARIES

	Notes	Company 2013 HK$'000	2012 HK$'000
Investments in subsidiaries, included in non-current assets:			
Unlisted shares or investments, at cost		**20,129,953**	19,411,644
Due from subsidiaries	*(a)*	**28,229,096**	15,990,472
Impairment of unlisted shares or investments	*(b)*	**(89,789)**	(89,789)
Impairment of amounts due from subsidiaries	*(c)*	**(214,547)**	(214,547)
		48,054,713	35,097,780
Due to subsidiaries, included in non-current liabilities	*(a)*	**(15,643,971)**	(16,429,658)
Total interests in subsidiaries		**32,410,742**	18,668,122

Notes:

(a) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts due from subsidiaries are considered as quasi-equity loans to the subsidiaries.

The amounts due to subsidiaries are unsecured, interest-free and are expected to be repayable after one year.

(b) An impairment was recognised for certain unlisted shares or investments with an aggregate carrying amount of HK$197,000,000 (before deducting the impairment loss) (2012: HK$197,000,000) as at the end of the reporting period because these subsidiaries have been loss-making for some time.

(c) There was no movement in the provision for impairment of amounts due from subsidiaries during the years ended 31 December 2013 and 2012.

21. INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(d) Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and business	Nominal value of issued and paid-up capital/ registered capital	Percentage of attributable equity interest held by Company	Group	Principal activities
北京市燃氣集團有限責任公司 ("Beijing Gas") ο	PRC/Mainland China	RMB3,983,630,000	–	100	Distribution and sale of piped gas
北京燕京啤酒投資有限公司 ("Yanjing Investment")	PRC/Mainland China	RMB3,409,828,000	–	80	Investment holding
Beijing Yanjing Brewery Company Limited *	PRC/Mainland China	RMB2,808,451,958	–	45.97†	Production and sale of beer
Fujian Yanjing Huiquan Brewery Co., Ltd. ("Yanjing Huiquan") #	PRC/Mainland China	RMB250,000,000	–	23.00†	Production and sale of beer
燕京啤酒(包頭雪鹿)股份有限公司	PRC/ Mainland China	RMB547,300,000	–	39.56†	Production and sale of beer
燕京啤酒(桂林漓泉)股份有限公司	PRC/Mainland China	RMB349,366,900	–	34.83†	Production and sale of beer
燕京啤酒(桂林玉林)股份有限公司	PRC/Mainland China	RMB430,000,000	–	35.29†	Production and sale of beer
燕京啤酒(赤峰)有限責任公司	PRC/Mainland China	RMB367,110,200	–	41.84†	Production and sale of beer
燕京啤酒(新疆)有限責任公司	PRC/Mainland China	RMB742,450,000	–	45.99†	Production and sale of beer
燕京啤酒(衡陽)有限公司	PRC/Mainland China	RMB525,660,000	–	44.31†	Production and sale of beer
燕京啤酒(萊州)有限公司	PRC/Mainland China	RMB187,053,800	–	69.00	Production and sale of beer
燕京啤酒(仙桃)有限公司	PRC/Mainland China	RMB292,353,000	–	45.99†	Production and sale of beer
燕京啤酒(曲阜三孔)有限責任公司	PRC/Mainland China	RMB260,817,189	–	80.00	Production and sale of beer
燕京啤酒(四川)有限公司	PRC/Mainland China	RMB480,000,000	–	45.89†	Production and sale of beer
燕京啤酒(晉中)有限公司	PRC/Mainland China	RMB250,000,000	–	45.99†	Production and sale of beer
廣東燕京啤酒有限公司	PRC/Mainland China	RMB809,880,000	–	59.49	Production and sale of beer
新疆燕京農產品開發有限公司	PRC/Mainland China	RMB230,000,000	–	45.99†	Production and sale of raw materials
Beijing Development (Hong Kong) Limited ("Beijing Development") Ω	Hong Kong	HK$854,960,000	1.73	54.68	System integration and provision of information technology technical support and consultation services

21. INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(d) (Continued)

α This entity is registered as a wholly-foreign-owned enterprise under PRC law.

† These entities are accounted for as subsidiaries by virtue of the Company's control over them through non-wholly owned subsidiaries.

* Shares of Yanjing Brewery are listed on the Shenzhen Stock Exchange.

Shares of Yanjing Huiquan are listed on the Shanghai Stock Exchange.

Ω Shares of Beijing Development are listed on the Main Board of the Stock Exchange.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(e) Material non-wholly owned subsidiary disclosure

Details of Yanjing Investment (a 80% indirectly-owned subsidiary which holds 57.48% equity interests in Yanjing Brewery, shares of which are listed on the Shenzhen Stock Exchange) and its subsidiaries (collectively the "Yanjing Investment Group") that have material non-controlling interests are set out below:

	2013	2012
Percentage of equity interest held by non-controlling interests	**20%**	20%
	2013 HK$'000	2012 HK$'000
Profit for the year allocated to non-controlling interests	**575,141**	407,670
Dividends paid to non-controlling interests of the Yanjing Investment Group	**299,457**	311,767
Accumulated balances of non-controlling interests at the reporting dates	**9,223,926**	7,679,770

21. INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(e) Material non-wholly owned subsidiary disclosure (Continued)

The following tables illustrate the summarised consolidated financial information of the Yanjing Investment Group:

	2013 **HK$'000**	2012 HK$'000
Revenue	**16,836,952**	14,442,726
Total expenses	**(15,903,825)**	(13,686,196)
Profit for the year	**933,127**	756,530
Total comprehensive income for the year	**870,325**	749,016
Current assets	**8,494,418**	8,995,138
Non-current assets	**16,440,574**	14,978,221
Current liabilities	**(9,300,971)**	(10,605,027)
Non-current liabilities	**(123,795)**	(344,933)
Net cash flows from operating activities	**3,551,872**	1,682,843
Net cash flows used in investing activities	**(1,882,285)**	(2,212,078)
Net cash flows from/(used in) in financing activities	**(1,849,070)**	1,540,539
Net increase/(decrease) in cash and cash equivalents	**(179,483)**	1,011,304

* The amounts disclosed above are before any inter-company eliminations.

22. INTERESTS IN JOINT VENTURES

	Notes	Group 2013 HK$'000	Group 2012 HK$'000	Company 2013 HK$'000	Company 2012 HK$'000
Investments in joint ventures, included in non-current assets:					
Share of net assets	*(b)*	**217,350**	134,125	**–**	–
Due from joint ventures	*(c)*	**–**	2,581	**–**	2,581
		217,350	136,706	**–**	2,581
Due from joint ventures, included in current assets	*29*	**53,559**	–	**–**	–
Total interests in joint ventures		**270,909**	136,706	**–**	2,581

Notes:

(a) Particulars of the principal joint ventures, which are all indirectly held by the Company, are as follows:

Company name	Place of registration and business	Nominal value of registered capital	Percentage of Ownership interest attributable to the Group	Percentage of Voting power	Percentage of Profit sharing	Principal activities
烏審旗京鵬天然氣有限公司	PRC/Mainland China	RMB99,000,000	49	49	49	Sale of natural gas
北京中石化北燃清潔能源科技有限公司	PRC/Mainland China	RMB98,000,000	50	50	50	Sale of natural gas
北京華電北燃能源有限公司	PRC/Mainland China	RMB50,000,000	40	40	40	Supply of electricity

The table above lists the joint ventures of the Group which, in the opinion of the directors, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

22. INTERESTS IN JOINT VENTURES (Continued)

Notes: (Continued)

(b) The following tables illustrate the aggregate financial information of the Group's joint ventures, which are not individually material:

	2013 HK$'000	2012 HK$'000
Share of the joint ventures' assets and liabilities		
Non-current assets	**286,563**	94,938
Current assets	**144,398**	74,522
Non-current liabilities	**(53,895)**	(134)
Current liabilities	**(159,716)**	(35,201)
Net assets	**217,350**	134,125
Share of the joint ventures' results		
Loss for the year and total comprehensive loss for the year	**(5,847)**	(343)
Aggregate carrying amount of the Group's investments in the joint ventures	**217,350**	136,706

(c) The amounts due from joint ventures are unsecured, interest-free and have no fixed terms of repayment.

23. INTERESTS IN ASSOCIATES

		Group		Company	
		2013	2012	**2013**	2012
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Investments in associates, included in non-current assets:					
Unlisted shares, at cost		**–**	–	**106,128**	46,168
Shares listed in Hong Kong, at cost		**–**	–	**–**	46,814
Share of net assets	*(b)*	**21,611,585**	13,262,789	**–**	59,960
Investment deposits		**975,467**	1,490,154	**–**	–
Due from/(to) associates	*(c)*	**(1,745)**	303	**192**	303
Goodwill on acquisition	*(d)*	**6,599,031**	367,060	**–**	–
		29,184,338	15,120,306	**106,320**	153,245
Dividend receivable from an associate, included in current assets	*29*	**695,538**	843,733	**–**	–
Total interests in associates		**29,879,876**	15,964,039	**106,320**	153,245

Notes:

(a) Particulars of the principal associates, which are all indirectly held by the Company, are as follows:

			Percentage of			
Company name	**Place of incorporation/ registration and operations**	**Nominal value of paid-up capital/ registered capital**	**Ownership interest attributable to the Group**	**Voting power**	**Profit sharing**	**Principal activities**
中石油北京天然氣管道有限公司 ("PetroChina Beijing Gas")	PRC/Mainland China	RMB10,240,000,000	40	40	40	Provision of natural gas transmission services
China Gas Holdings Limited$^{\Omega}$ ("China Gas")	Bermuda/Hong Kong	HK$49,888,846	21.13	21.13	21.13	Distribution and sale of piped natural gas, sale of liquefied petroleum gas; and gas connection
Beijing Enterprises Water Group Limited$^{\pi}$	Bermuda/Hong Kong	HK$843,598,132	45.33	45.33	45.33	Sewage treatment, reclaimed water treatment, water distribution and construction services

23. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(a) (Continued)

Ω Shares of China Gas are listed on the Main Board of the Stock Exchange. The market value of the shares of China Gas held by the Group as at 31 December 2013, based on its then published price quotation, amounted to approximately HK$12,016,605,000.

π Shares of BE Water are listed on the Main Board of the Stock Exchange. The market value of the shares of BE Water held by the Group as at 31 December 2013, based on its then published price quotation, amounted to approximately HK$18,624,671,000. In October 2013, the Group's equity interest in BE Water was diluted from 49.76% to 45.33% upon the issue of 750,000,000 ordinary shares by BE Water to certain investors and a gain on deemed disposal of HK$581,428,000 was recognised by the Group as a result of the transaction.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

(b) Material associates disclosures

In the opinion of the directors, the material associates of the Group accounted for using the equity method include the following three entities:

(i) PetroChina Beijing Gas, which is engaged in the provision of natural gas transmission services in the PRC;

(ii) BE Water, which is principally engaged in the construction of sewage and water treatment plants and other infrastructural facilities, the provision of construction services for comprehensive renovation projects in the PRC and Malaysia, sewage treatment, water treatment and distribution in the PRC and the Portuguese Republic, and the provision of consultancy services and the licensing of technical know-how that are related to sewage treatment in the PRC;

(iii) China Gas, which is principally engaged in the distribution and sale of piped natural gas, sale of liquefied petroleum gas, and gas connection in the PRC.

Pursuant to a sale and purchase agreement (the "Sale and Purchase Agreement") dated 29 July 2013 entered into between the Group and BE Group BVI, the immediate holding company, the Group agreed to acquire 1,054,088,132 ordinary shares of China Gas from BE Group BVI, which shall be settled by the payment of a cash consideration of HK$2 billion and the issue of 113,125,226 ordinary shares by the Company. Pursuant to a supplemental agreement dated 10 October 2013 entered into between the same parties, the number of consideration shares to be issued by the Company was reduced to 98,100,000 and all other major terms and conditions of the Sale and Purchase Agreement remained unchanged. The transaction was completed on 18 December 2013 and China Gas became an associate of the Group.

HK$1.1 billion of the cash consideration was offset against an amount due from BE Group BVI and the remaining amount of HK$900 million payable to BE Group BVI remained unsettled as at 31 December 2013 and was included in other payables and accruals, further details of which are set out in note 30(c) to the financial statements.

23. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(b) Material associates disclosures (Continued)

The following table illustrates the summarised financial information of the above three material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	PetroChina Beijing Gas		BE Water		China Gas	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current assets	**1,354,717**	2,340,846	**15,212,240**	13,679,203	**14,272,979**	–
Non-current assets	**37,450,025**	31,636,129	**28,974,430**	17,610,677	**30,225,606**	–
Current liabilities	**(7,546,881)**	(5,637,848)	**(11,650,828)**	(9,258,283)	**(12,454,425)**	–
Non-current liabilities	**(10,078,031)**	(11,693,383)	**(16,611,400)**	(11,300,104)	**(14,545,738)**	–
Net assets	**21,179,830**	16,645,744	**15,924,442**	10,731,493	**17,498,422**	–
Less: Non-controlling interests	**(9,724)**	(8,670)	**(2,626,811)**	(2,264,369)	**(2,310,540)**	–
Net assets attributable to shareholders of the associates	**21,170,106**	16,637,074	**13,297,631**	8,467,124	**15,187,882**	–
Net assets, excluding goodwill of the associate	**-**	–	**13,411,580**	8,969,342	**14,422,948**	–
Reconciliation to the Group's interest in the associates						
Proportion of the Group's ownership	**40%**	40%	**45.33%**	44.11%	**21.13%**	N/A
Group's share of net assets of the associates, excluding goodwill recognised by the Group	**8,468,042**	6,654,830	**6,027,816**	3,734,848	**3,209,200**	–
Goodwill on acquisition recognised by the Group	**-**	–	**424,091**	309,401	**6,172,825#**	–
Other reconciling items	**-**	–	**(56,233)**	3,804	**-**	–
Carrying amount of the investment	**8,468,042**	6,654,830	**6,395,674**	4,048,053	**9,382,025**	–
Other disclosures						
Revenues	**11,704,490**	11,171,691	**6,406,455**	3,727,379	**-**	–
Profit for the year	**5,541,439**	4,291,200	**1,145,398**	867,150	**-**	–
Other comprehensive income	**-**	–	**342,111**	1,385	**-**	–
Total comprehensive income for the year	**5,541,439**	4,291,200	**1,487,509**	868,535	**-**	–
Share of the associates' profit for the year	**2,215,582**	1,715,664	**514,454**	330,999	**-**	–
Dividend received by the Group	**695,538**	843,733	**172,096**	152,378	**-**	–

Up to the date of approval of these financial statements, the Group had not completed the fair value measurement of the identifiable net assets of the China Gas Group and the initial accounting for the acquisition was incomplete. The goodwill on acquisition recognised by the Group represented the provision amount estimated by the directors of the Company.

23. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(b) Material associates disclosures (Continued)

The following tables illustrate the aggregate financial information of the Group's associates that are not individually material:

	2013 HK$'000	2012 HK$'000
Share of the associates' profit and total comprehensive income for the year	**12,576**	2,832
The Group's share of net assets of the associates, excluding goodwill recognised by the Group	**3,962,760**	2,869,307
Goodwill on acquisition recognised by the Group	**2,115**	57,659

(c) The amounts due from/(to) associates are unsecured, interest-free and have no fixed terms of repayment.

(d) The movements of the amount of the goodwill included in investments in associates during the year are as follows:

	Group	
	2013 HK$'000	2012 HK$'000
Cost and net carrying amount:		
At 1 January	**367,060**	367,060
Acquisition of an additional interest in an associate	**6,287,515**	–
Reclassification from an investment in an associate to an investment in a subsidiary	**(55,622)**	–
Exchange realignment	**78**	–
At 31 December	**6,599,031**	367,060

24. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed equity investments, at fair value	**961,852**	587,264	**43,063**	43,063
Unlisted equity investments, at cost	**365,365**	307,264	**132,574**	132,574
Impairment	**(11,358)**	(11,358)	**–**	–
	1,315,859	883,170	**175,637**	175,637

The unlisted equity investments of the Group and the Company are not stated at fair value but at cost because they do not have a quoted market price in an active market, the range of reasonable fair value estimates is significant for these investments and the probabilities of the various estimates cannot be reasonably assessed.

25. PROPERTY HELD FOR SALE

The property held for sale of the Group as at 31 December 2012 was situated in Mainland China and was constructed for the intention of selling to Beijing Development, a then associate of the Group. Since Beijing Development became a subsidiary of the Group during the year as a result of the acquisition of additional ordinary shares of Beijing Development by the Group in February 2013 (as further detailed in note 46 to the financial statements), the property was accounted for by the Group as an item of property, plant and equipment in the consolidated statement of financial position as at 31 December 2013.

26. INVENTORIES

	Group	
	2013	2012
	HK$'000	HK$'000
Raw materials	**4,642,402**	4,546,410
Work in progress	**441,741**	549,333
Finished goods	**577,349**	818,216
	5,661,492	5,913,959

27. AMOUNTS DUE FROM/TO CONTRACT CUSTOMERS

	Group	
	2013	2012
	HK$'000	HK$'000
Amounts due from contract customers:		
Non-current portion	**947,102**	769,559
Current portion	**28,599**	16,441
	975,701	786,000
Amounts due to contract customers	**(325,794)**	(177,874)
	649,907	608,126
Contract costs incurred plus recognised profits less recognised losses to date	**1,393,823**	1,062,319
Less: Progress billings received and receivable	**(743,916)**	(454,193)
	649,907	608,126

28. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and bills receivables	**4,618,375**	2,631,609	**1,128**	1,095
Impairment *(note (c))*	**(225,001)**	(228,455)	**–**	–
	4,393,374	2,403,154	**1,128**	1,095

28. TRADE AND BILLS RECEIVABLES (Continued)

Notes:

(a) Included in the Group's trade and bills receivables as at 31 December 2013 was an aggregate amount of HK$73,324,000 (2012: HK$33,765,000) due from certain fellow subsidiaries of the Group arising from transactions carried out in the ordinary course of business of the Group. The balances are unsecured, interest-free and are repayable within credit periods similar to those offered by the Group to its major customers.

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

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Billed:				
Within one year	**2,260,699**	1,027,936	**–**	1,095
One to two years	**66,176**	24,639	**1,128**	–
Two to three years	**34,955**	13,269	**–**	–
Over three years	**28,804**	17,742	**–**	–
	2,390,634	1,083,586	**1,128**	1,095
Unbilled	**2,002,740**	1,319,568	**–**	–
	4,393,374	2,403,154	**1,128**	1,095

(c) The movements in the Group's provision for impairment of trade and bills receivables during the year are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**228,455**	277,609
Reversal of impairment during the year recognised in the statement of profit or loss, net *(note 7)*	**(6,036)**	(35,542)
Amount written off as uncollectible	**(6,048)**	(13,612)
Exchange realignment	**8,630**	–
At 31 December	**225,001**	228,455

28. TRADE AND BILLS RECEIVABLES (Continued)

Notes: (Continued)

(c) (Continued)

The above provision for impairment of trade and bills receivables represented provision for individually impaired trade and bills receivables with an aggregate carrying amount of HK$285,210,000 (2012: HK$288,664,000). The individually impaired trade receivables relate to customers that were in financial difficulties or were in default or delinquency in principal payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the billed trade and bills receivables as at the end of the reporting period that are not considered to be impaired is as follows:

	Group		**Company**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Neither past due nor impaired	**2,077,769**	620,120	**-**	–
Less than one year past due	**178,860**	347,606	**-**	–
More than one year past due	**73,796**	55,651	**1,128**	1,095
	2,330,425	1,023,377	**1,128**	1,095

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that either have a good track record with the Group or are in negotiation with the Group over the amounts or terms of repayment. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and/or the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

(d) At 31 December 2013, trade receivables of the Group of HK$628,205,000 (2012: HK$448,725,000) were pledged to secure a bank loan granted to the Group (note 37(d)(iii)).

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
		2013	2012	**2013**	2012
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Prepayments		**788,039**	961,971	**566**	546
Deposits and other debtors	*(a)*	**3,569,085**	1,938,753	**11,633**	12,542
Dividend receivable from an associate	*(b)*	**695,538**	843,733	**–**	–
Due from holding companies	*30*	**303,646**	312,658	**110,047**	119,059
Due from fellow subsidiaries	*30*	**227,778**	1,147,320	**12,439**	1,129,919
Due from joint ventures	*30*	**53,559**	–	**–**	–
Due from related parties	*30*	**82,672**	3,354	**4,386**	1,749
		5,720,317	5,207,789	**139,071**	1,263,815
Impairment	*(c)*	**(112,985)**	(75,556)	**–**	–
		5,607,332	5,132,233	**139,071**	1,263,815
Portion classified as current assets		**(4,290,561)**	(3,992,633)	**(139,071)**	(603,815)
Non-current portion		**1,316,771**	1,139,600	**–**	660,000

Notes:

(a) The Group's deposits and other debtors as at 31 December 2013 included, inter alia, the following:

(i) certain deposits of HK$222,295,000 (2012: HK$450,493,000) in total paid for the construction or purchase buildings, pipelines, equipment and machinery. The deposits were classified as non-current assets; and

(ii) an amount of RMB600 million (equivalent to approximately HK$769,231,000) (2012: Nil) advanced to a local government authority for an investment in a wastage treatment plant project in Haidian district in Beijing, the PRC. The amount is unsecured, bears interest at 8.5% per annum and is fully repayable in April 2016 and was classified as a non-current asset.

The Group's deposits and other debtors as at 31 December 2012 also included investment deposits of HK$20,522,000 in total paid for the incorporation or acquisition of subsidiaries in Mainland China. The deposits were classified as non-current assets.

(b) The balances represented the dividends declared to the Group by PetroChina Beijing Gas, an associate of the Group, in respect of its financial years ended 31 December 2013 and 2012, respectively.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(c) The movements in provision for impairment during the year are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**75,556**	46,761	**-**	–
Impairment during the year recognised in profit or loss, net *(note 7)*	**46,285**	29,195	**-**	–
Amount written off as uncollectible	**(16,711)**	(400)	**-**	–
Acquisition of a subsidiary	**6,804**	–	**-**	–
Disposal of subsidiaries	**(1,303)**	–	**-**	–
Exchange realignment	**2,354**	–	**-**	–
At 31 December	**112,985**	75,556	**-**	–

The above provision for impairment of deposits and other debtors of the Group represented provision for individually impaired deposits and other debtors with an aggregate carrying amount of HK$182,036,000 (2012: HK$144,607,000).

30. DUE FROM/TO HOLDING COMPANIES/FELLOW SUBSIDIARIES/JOINT VENTURES/RELATED PARTIES

The amounts due from/to holding companies, fellow subsidiaries, joint ventures and related parties are unsecured, interest-free and have no fixed terms of repayment, except for the following:

(a) an amount of RMB110,185,500 (approximately HK$139,475,000) (2012: Nil) due from a fellow subsidiary in respect of the acquisition of an 85% equity interest in 北控綠產（青海）新能源有限公司 (a then 85% indirectly-held subsidiary of the Group) by the fellow subsidiary. The amount will be settled by four instalments, as further detailed in note 47 to the financial statements;

(b) an amount of RMB40,000,000 (equivalent to HK$51,280,000) (2012: Nil) due from a joint venture, which is unsecured, bears interest at 6% per annum and is fully repayable in two equal instalments on 6 March 2014 and 30 June 2014, respectively. Interest income of RMB1,577,000 (equivalent to HK$1,996,000) (2012: Nil) was recognised in profit or loss in respect of the loan; and

30. DUE FROM/TO HOLDING COMPANIES/FELLOW SUBSIDIARIES/JOINT VENTURES/RELATED PARTIES (Continued)

(c) an amount of HK$1,100,000,000 due from a fellow subsidiary as at 31 December 2012 with respect to the disposal of the interest in BE Motorway (notes 6 and 47). During the year ended 31 December 2013, the amount was offset against the amount payable to BE Group BVI in respect of the acquisition of shares of China Gas, further details of which are set out in note 23(b)(iii) to the financial statements.

The balances with fellow subsidiaries, associates and related companies of the Group included in trade and bills receivables, trade and bills payables, and other liabilities are disclosed in notes 28(a), 44 and 45 to the financial statements, respectively.

31. RESTRICTED CASH AND PLEDGED DEPOSITS

		Group	
		2013	2012
	Notes	**HK$'000**	HK$'000
Restricted cash	*(a)*	**30,721**	29,583
Pledged deposits	*(b)*	**32,383**	31,370
Restricted cash and pledged deposits		**63,104**	60,953

Notes:

(a) Restricted cash of the Group mainly represented the proceeds of a government surcharge of HK$30,721,000 (2012: HK$29,583,000) collected by Beijing Gas, a wholly-owned subsidiary indirectly held the Company, from piped gas customers on behalf of 北京市發展和改革委員會 (the Beijing Municipal Commission of Development and Reform) (the "BMCDR") prior to 2003. The proceeds held on behalf of the BMCDR, which are deposited in a specific bank account of the Group, together with any interest earned therefrom, are repayable to the BMCDR (note 45(i)).

(b) Bank balances of HK$32,383,000 (2012: HK$31,370,000) as at 31 December 2013 were pledged to secure certain trade finance facilities (note 44) granted to the Group.

32. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances other than time deposits	**7,725,743**	5,474,868	**31,128**	209,895
Time deposits	**3,132,828**	6,823,049	**1,627,558**	4,333,348
	10,858,571	12,297,917	**1,658,686**	4,543,243
Less: Restricted cash and pledged deposits *(note 31)*	**(63,104)**	(60,953)	**–**	–
Cash and cash equivalents	**10,795,467**	12,236,964	**1,658,686**	4,543,243

Notes:

(a) At 31 December 2013, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$7.5 billion (2012: HK$6.7 billion). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

33. NON-CURRENT ASSET AND ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

On 26 September 2012, the Company and two subsidiaries (collectively, the "Vendors") entered into a master agreement (the "Master Agreement") with BE Water and two of its subsidiaries (collectively, the "Purchasers"), pursuant to which the Vendors agreed to transfer the following assets to BE Water in exchange for a total of 776,810,838 new ordinary shares of BE Water at HK$1.62 per share:

(i) all water purification fee to be received by the Group from Beijing Water under the Concession Agreement (as defined in note 19(b) to the financial statements), and after deducting all state and local taxes in Mainland China and operating costs in respect of the operation of the No. 9 Water Plant commencing from 1 January 2013 to 31 December 2018 (the "Future Income");

(ii) the entire equity interest in 濰坊北控水務有限公司 ("BE Water (Weifang)"), which principally engaged in the centralised supply of drinking water, reuse of water, operation and management of a water plant and a sewage treatment plant, installation and maintenance of water facilities, sale of plumbing equipment, and sewage treatment services and utilisation;

(iii) the entire equity interest in Beijing Enterprises Water Company Limited ("BE Water (BVI)"), which holds a 50.5% equity interest in BJA Holdings Company Limited ("BJA"). BJA is directly interested in a 67% equity interest in Beijing Anling Water Technology Company Limited, a joint venture of BJA principally engaged in the construction and operations of Phase A of No. 10 water plant in Beijing; and

(iv) the 90% equity interest in 北控水務集團（海南）有限公司 ("BE Water (Hainan)"), which is principally engaged in water project and waste treatment (excluding dangerous wastes) project investments.

The Master Agreement was approved by the independent shareholders of BE Water at a special general meeting of BE Water held on 18 December 2012. The transfers of assets other than the equity interest in BE Water (Hainan) under the Master Agreement were completed in February 2013 and the transfer of the equity interest in BE Water (Hainan) was completed in May 2013.

At 31 December 2012, the carrying amount of the Future Income receivable by the Company under the Concession Agreement was classified as a non-current asset held for sale and BE Water (Weifang) and BE Water (BVI) were classified as disposal groups held for sale. As there were restrictions stipulated in the constitutional documents of BE Water (Hainan) with respect to the transfer of its equity interest, the equity interest in BE Water (Hainan) was not available for immediate sale as at 31 December 2012 and hence BE Water (Hainan) was not classified as a disposal group held for sale as at that date.

33. NON-CURRENT ASSET AND ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (Continued)

The major classes of assets and liabilities classified as held for sale are as follows:

	2013	2012
	HK$'000	HK$'000
Assets		
Property, plant and equipment	–	14,900
Investment in a joint venture	–	431,756
Receivables under service concession arrangements	–	937,854
Inventories	–	94
Prepayments, deposits and other receivables	–	33
Cash and bank balances	–	664
Non-current asset and assets of disposal groups classified as held for sale	–	1,385,301
Liabilities		
Trade payables	–	(30)
Other payables and accruals	–	(140,457)
Income tax payable	–	(60)
Liabilities directly associated with the assets of disposal groups classified as held for sale	–	(140,547)
Net assets directly associated with the non-current asset and disposal groups held for sale	–	1,244,754
Exchange fluctuation reserve of the disposal groups	–	12,894

The assets and liabilities classified as held for sale and the equity interest in BE Water (Hainan) were derecognised by the Group during the year upon completion of the transactions and details of the disposal of the equity interests in BE Water (Weifang), BE Water (BVI) and BE Water (Hainan) are set out in note 47(a)(i) to the financial statements.

34. SHARE CAPITAL

SHARES

	2013 HK$'000	2012 HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
1,270,193,509 (2012: 1,137,571,000) ordinary shares of HK$0.10 each	**127,019**	113,757

A summary of the movements in the Company's issued share capital during the years ended 31 December 2013 and 2012 is as follows:

	Notes	**Number of ordinary shares in issue**	**Issued capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
At 1 January 2012, 31 December 2012, 1 January 2013		1,137,571,000	113,757	20,738,291	20,852,048
Conversion of convertible bonds to ordinary shares	*(a)*	34,522,509	3,452	1,496,785	1,500,237
Issue of shares	*(b)*	98,100,000	9,810	7,372,215	7,382,025
At 31 December 2013		1,270,193,509	127,019	29,607,291	29,734,310

34. SHARE CAPITAL (Continued)

SHARES (Continued)

Notes:

(a) During the year ended 31 December 2013, certain of the Company's Guaranteed Convertible Bonds (as defined in note 39(a) to the financial statements) with an aggregate principal amount of HK$1,501,730,000 were converted into 34,522,509 ordinary shares of the Company by certain bondholders and credited to the Company's issued capital and share premium account, after deduction of issue expenses of HK$1,493,000. Details of the transaction are set out in note 39(a) to the financial statements.

(b) As detailed in note 23(b)(iii) to the financial statements, the Group acquired certain equity interests in China Gas and part of the consideration was settled by the issue of 98,100,000 ordinary shares by the Company and the transaction was completed on 18 December 2013. The fair value of these ordinary shares, determined by reference to the closing quoted market price of the Company's ordinary shares on the Stock Exchange at the date of the completion of the acquisition, amounted to HK$7,382,025,000.

SHARE OPTIONS

Details of the Company's share option scheme and the share options issued under the scheme are included in note 35 to the financial statements.

35. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") which became effective on 17 October 2005 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group's operations; to provide additional incentives to employees, officers and directors of the Group; and to promote the long term financial success of the Company by aligning the interests of option holders to those of shareholders. The directors of the Company may, at their discretion, invite employees (including executive directors) and non-executive directors of the Company and any of its subsidiaries, to take up share options to subscribe for ordinary shares of the Company at HK$1 per grant of share options.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the total number of ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of share options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

A share option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

35. SHARE OPTION SCHEME (Continued)

The period during which a share option granted under the Scheme may be exercised will be determined by the directors at their discretion, save that no share option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's ordinary shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the share options; and (iii) the nominal value of an ordinary share of the Company.

All share options granted under the Scheme in prior years were either exercised or forfeited in prior years. There was no grant of share options during the years ended 31 December 2013 and 2012 and there was no share option outstanding under the Scheme as at these dates.

36. RESERVES

(a) Group

(i) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(ii) The capital redemption reserve represents the par value of ordinary shares of the Company which had been repurchased and cancelled.

(iii) The PRC reserve funds are reserves set aside in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's PRC subsidiaries, joint ventures and associates. None of the Group's PRC reserve funds as at 31 December 2013 were distributable in the form of cash dividends.

36. RESERVES (Continued)

(b) Company

	Notes	Share premium account HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2012		20,738,291	238	13,220	(22,773)	17,561	371,521	21,118,058
Profit for the year and total comprehensive income for the year	12	–	–	–	–	–	787,247	787,247
Interim 2012 dividend	13	–	–	–	–	–	(284,393)	(284,393)
Proposed final 2012 dividend	13	–	–	–	–	–	(572,286)	(572,286)
At 31 December 2012 and 1 January 2013		20,738,291	238	13,220	(22,773)	17,561	302,089	21,048,626
Profit for the year and total comprehensive income for the year	12	–	–	–	–	–	764,870	764,870
Conversion of convertible bonds to ordinary shares	34(a)	1,496,785	–	–	–	–	–	1,496,785
Issue of shares	34(b)	7,372,215	–	–	–	–	–	7,372,215
Interim 2013 dividend	13	–	–	–	–	–	(291,658)	(291,658)
Proposed final 2013 dividend	13	–	–	–	–	–	(763,695)	(763,695)
At 31 December 2013		29,607,291	238	13,220	(22,773)	17,561	11,606	29,627,143

37. BANK AND OTHER BORROWINGS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans:				
Secured	**1,377,622**	1,040,536	**–**	–
Unsecured	**8,911,251**	8,901,850	**2,985,750**	2,976,750
	10,288,873	9,942,386	**2,985,750**	2,976,750
Other loans, unsecured	**847,794**	559,342	**–**	–
Total bank and other borrowings	**11,136,667**	10,501,728	**2,985,750**	2,976,750
Analysed into:				
Bank loans repayable:				
Within one year	**6,488,221**	6,171,467	**–**	–
In the second year	**3,091,397**	267,644	**2,985,750**	–
In the third to fifth years, inclusive	**355,403**	3,198,092	**–**	2,976,750
Beyond five years	**353,852**	305,183	**–**	–
	10,288,873	9,942,386	**2,985,750**	2,976,750
Other loans repayable:				
Within one year	**128,810**	105,474	**–**	–
In the second year	**450,454**	81,165	**–**	–
In the third to fifth years, inclusive	**185,796**	210,357	**–**	–
Beyond five years	**82,734**	162,346	**–**	–
	847,794	559,342	**–**	–
Total bank and other borrowings	**11,136,667**	10,501,728	**2,985,750**	2,976,750
Portion classified as current liabilities	**(6,617,031)**	(6,276,941)	**–**	–
Non-current portion	**4,519,636**	4,224,787	**2,985,750**	2,976,750

37. BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) The carrying amounts of the Group's and the Company's bank and other borrowings are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**2,985,750**	2,976,750	**2,985,750**	2,976,750
RMB	**7,905,075**	7,185,417	**–**	–
US$	**237,325**	330,601	**–**	–
Euro	**8,517**	8,960	**–**	–
	11,136,667	10,501,728	**2,985,750**	2,976,750

(b) Included in the Group's bank and other borrowings as at 31 December 2013 are:

(i) amortised cost of an interest-free loan of HK$148,622,000 (2012: HK$143,117,000) granted from a non-controlling equity holder of a subsidiary;

(ii) an amount of RMB250,000,000 (equivalent to HK$320,513,000) (2012: Nil) due to an associate, which bears interest at 5.54% per annum. Interest expenses of RMB259,000 (equivalent to HK$328,000) (2012: Nil) was recognised in profit and loss during the year in respect of the loan; and

(iii) certain bank and other loans, with an aggregate carrying amount of HK$397,443,000 (2012: HK$423,012,000), that were utilising the proceeds from certain loans granted by three overseas governments and the Asian Development Bank to the PRC government and a number of loans from 北京市財政局 (the Finance Bureau of Beijing) to finance certain of the Group's pipeline construction projects. Except for an interest-free loan of HK$10,130,000 (2012: HK$10,587,000), these loans bear interest at rates ranging from 2% to 6.3% per annum.

(c) The Group's unsecured bank loans of HK$333,333,000 (2012: HK$1,469,138,000) as at 31 December 2013 were guaranteed by the non-controlling equity holder of a PRC subsidiary of the Group.

(d) The Group's secured bank loans as at 31 December 2013 were secured by:

(i) a mortgage over a building of the Group with a net carrying amount of HK$27,203,000 (2012: HK$27,000,000) as at 31 December 2013 (note 15(b));

(ii) mortgages over the Group's concession right and receivables under a concession right of two waste power plants, respectively, which were under construction as at 31 December 2013 and 2012; and

(iii) a pledge over certain of the Group's trade receivables amounting to HK$628,205,000 (2012: HK$448,725,000) (note 28(d)).

37. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(e) At 31 December 2013, the bank loans of the Group included a five-year HK$3 billion syndicated loan facility obtained by the Company in 2010, which bears interest at HIBOR+0.85% and is fully payable on 2 August 2015.

The loan agreements include certain conditions imposing specific performance obligations on the Company's holding companies, among which are the following events which would constitute an event of default on the loan facilities:

(i) if Beijing Enterprises Group does not or ceases to own, directly or indirectly, at least 40% of the beneficiary interest of the Company; and

(ii) if Beijing Enterprises Group ceases to be controlled and supervised by the Beijing Municipal Government.

Within the best knowledge of the directors, neither of the above events took place during the year and as at the date of approval of these financial statements.

38. GUARANTEED SENIOR NOTES

On 25 April 2012 and 12 May 2011, Talent Yield Investments Limited and Mega Advance Investments Limited (wholly-owned subsidiaries of the Company) issued senior notes with aggregate principal amounts of US$800 million and US$1 billion, respectively, (collectively, the "Guaranteed Senior Notes") to certain institutional investors. Pursuant to the Guaranteed Senior Notes purchase agreements dated 19 April 2012 and 5 May 2011, respectively, the Guaranteed Senior Notes are guaranteed by the Company, of which, unless redeemed prior to their maturity pursuant to the terms thereof and of the indenture, (i) US$800,000,000, bearing interest at the rate of 4.5% per annum, will mature on 25 April 2022; (ii) US$600,000,000, bearing interest at the rate of 5% per annum, will mature on 12 May 2021; and (iii) US$400,000,000, bearing interest at the rate of 6.375% per annum, will mature on 12 May 2041. Further details of the Guaranteed Senior Notes are set out in the Company's announcements dated 19 April 2012 and 6 May 2011, respectively.

At 31 December 2013, the Guaranteed Senior Notes are repayable beyond five years and are carried in the consolidated statement of financial position at their amortised cost.

39. CONVERTIBLE BONDS

Summary information of the Group's convertible bonds is set out as follows:

Group

	Guaranteed Convertible Bonds *(note (a))*	**Yanjing Brewery Convertible Bonds** *(note (b))*
Issuance date	2 June 2009	15 October 2010
Maturity date	1 June 2014	14 October 2015
Original principal amount:		
HK$'000	2,175,000	N/A
RMB'000	N/A	429,804
Coupon rate (per annum)	2.25%	0.5% – 1.4%
Conversion price per ordinary share of:		
– The Company (HK$)	43.5	N/A
– Yanjing Brewery (RMB)	N/A	7.58

39. CONVERTIBLE BONDS (Continued)

For accounting purposes, each batch of these convertible bonds is bifurcated into a liability component and an equity component or a derivative component, as appropriate, as further described in the accounting policy for "Convertible bonds" set out in note 2.4 to the financial statements. The following tables summarise the movements in the principal amounts, the liability component and derivative component of the Group's convertible bonds during the year:

Group

	Guaranteed Convertible Bonds HK$'000 *(note (a))*	Yanjing Brewery Convertible Bonds HK$'000 *(note (b))*	Total HK$'000
Principal amount outstanding			
At 1 January 2012	2,175,000	564,610	2,739,610
Conversion to ordinary shares of Yanjing Brewery	–	(180,394)	(180,394)
Redemption of convertible bonds	–	(281,281)	(281,281)
At 31 December 2012 and 1 January 2013	2,175,000	102,935	2,277,935
Conversion to ordinary shares of the Company	**(1,501,730)**	**–**	**(1,501,730)**
Conversion to ordinary shares of Yanjing Brewery	**–**	**(10,128)**	**(10,128)**
Exchange realignment	**–**	**3,829**	**3,829**
At 31 December 2013	**673,270**	**96,636**	**769,906**

39. CONVERTIBLE BONDS (Continued)

Group (Continued)

	Guaranteed Convertible Bonds HK$'000 *(note (a))*	Yanjing Brewery Convertible Bonds HK$'000 *(note (b))*	Total HK$'000
Liability component			
At 1 January 2012	2,151,299	560,536	2,711,835
Interest expense *(note 8)*	62,844	1,975	64,819
Imputed interest expense *(note 8)*	–	3,481	3,481
Interest paid	(48,937)	(721)	(49,658)
Conversion to ordinary shares of Yanjing Brewery	–	(171,475)	(171,475)
Redemption of convertible bonds	–	(299,689)	(299,689)
At 31 December 2012 and 1 January 2013	2,165,206	94,107	2,259,313
Interest expense *(note 8)*	**35,932**	**1,957**	**37,889**
Imputed interest expense *(note 8)*	**–**	**3,532**	**3,532**
Interest paid	**(27,847)**	**(541)**	**(28,388)**
Conversion to ordinary shares of the Company	**(1,500,237)**	**–**	**(1,500,237)**
Conversion to ordinary shares of Yanjing Brewery	**–**	**(9,120)**	**(9,120)**
Exchange realignment	**–**	**3,566**	**3,566**
At 31 December 2013	**673,054***	**93,501***	**766,555**

39. CONVERTIBLE BONDS (Continued)

Group (Continued)

	Guaranteed Convertible Bonds HK$'000 *(note (a))*	Yanjing Brewery Convertible Bonds HK$'000 *(note (b))*	Total HK$'000
Derivative component			
At 1 January 2012	–	61,783	61,783
Fair value gain on revaluation *(note 5)*	–	(13,973)	(13,973)
Conversion to ordinary shares of Yanjing Brewery	–	(38,382)	(38,382)
At 31 December 2012 and 1 January 2013	–	9,428	9,428
Conversion to ordinary shares of Yanjing Brewery	**–**	**(929)**	**(929)**
Exchange realignment	**–**	**352**	**352**
At 31 December 2013	**–**	**8,851***	**8,851**

* The carrying amount of HK$673,054,000 of the liability component of the Guaranteed Convertible Bonds was classified as a current liability as at 31 December 2013, whereas the respective carrying amounts of the liability component and the derivative component of the Yanjing Brewery Convertible Bonds were classified as non-current liabilities as at that date.

Notes:

(a) On 2 June 2009, Power Regal Group Limited ("Power Regal", a wholly-owned subsidiary of the Company) issued convertible bonds with an aggregate principal amount of HK$2.175 billion (the "Guaranteed Convertible Bonds") to certain institutional investors. Pursuant to the convertible bond subscription agreement dated 25 April 2009, the convertible bonds are guaranteed by the Company, bear interest at the rate of 2.25% per annum and are convertible into ordinary shares of the Company at an initial conversion price of HK$43.5 per share of the Company, subject to adjustments in certain events. The outstanding principal amount of the convertible bonds, if not converted, will be repaid on the maturity date of 2 June 2014 at 100% of the outstanding amount. The outstanding liability component of the convertible bonds of HK$673,054,000 was classified as current liability as at 31 December 2013. Further details of the Guaranteed Convertible Bonds are set out in the Company's announcement dated 27 April 2009.

39. CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(a) (Continued)

The fair value of the liability component of the Guaranteed Convertible Bonds was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The equity component of the Guaranteed Convertible Bonds is not significant to the Group and accordingly, the whole amount of the Guaranteed Convertible Bonds, net of transaction costs, is accounted for as a financial liability of the Group.

During the year ended 31 December 2013, certain of the Guaranteed Convertible Bonds with an aggregate principal amount of HK$1,501,730,000 were converted into 34,522,509 ordinary shares of the Company by certain bondholders (2012: Nil).

(b) On 15 October 2010, Yanjing Brewery, a subsidiary held indirectly as to 45.99% by the Company, issued convertible bonds with an aggregate principal amount of RMB1.13 billion (the "Yanjing Brewery Convertible Bonds") to the then existing shareholders of Yanjing Brewery. The Yanjing Brewery Convertible Bonds are convertible, at the option of the bondholders, into fully-paid ordinary shares of Yanjing Brewery at an initial conversion price of RMB21.86 per share of Yanjing Brewery and the conversion period is from 15 October 2010 to 14 October 2015, both dates inclusive. The Yanjing Brewery Convertible Bonds bear interests at 0.5%, 0.7%, 0.9%, 1.1% and 1.4% per annum in each of the annual convertible periods. The outstanding liability component of the convertible bonds of HK$93,501 was classified as non-current liability as at 31 December 2013. Further details of the Yanjing Brewery Convertible Bonds are set out in the Company's announcement published in the Chinese website of the Stock Exchange on 12 October 2010.

On 10 February 2012, certain of the Yanjing Brewery Convertible Bonds with an aggregate principal amount of HK$281,281,000 were redeemed by Yanjing Brewery at a consideration of RMB267 million upon the exercise of the early redemption option by the convertible bondholders. Further details are set out in the announcement of Yanjing Brewery published in the website of the Shenzhen Stock Exchange on 10 February 2012.

On 26 March 2012 and 7 June 2012, the conversion price of the Yanjing Brewery Convertible Bonds was changed from RMB21.86 to RMB15.37 and from RMB15.37 to RMB7.58, respectively, further details of which are set out in the announcements of Yanjing Brewery published in the website of the Shenzhen Stock Exchange on 24 March 2012 and 31 May 2012, respectively.

Based on the terms of the Yanjing Brewery Convertible Bonds, the conversion option of the Yanjing Brewery Convertible Bonds is classified as a derivative financial instrument (a financial liability at fair value through profit or loss) in these financial statements. The derivative component of the Yanjing Brewery Convertible Bonds is stated in the consolidated statement of financial position at fair value with any changes in fair value recognised in profit or loss.

The fair values of the derivative component of the Yanjing Brewery Convertible Bonds as at 31 December 2012 and the date of issue were determined by reference to valuations performed by CB Richard Ellis Limited, independent professionally qualified valuer, using the Binomial Option Pricing Model. In the opinion of the directors, since the fair value movement of the Yanjing Brewery Convertible Bonds and the related financial impact to the Group's financial statements is expected to be insignificant during the year ended 31 December 2013, no external valuation was performed on the fair value of the Yanjing Brewery Convertible Bonds as at 31 December 2013.

40. DEFINED BENEFIT PLANS

Certain employees of Beijing Gas, an indirectly-held wholly-owned subsidiary of the Company, can enjoy retirement benefits after retirement such as supplemental medical reimbursement, allowance and beneficiary benefits pursuant to certain of its defined benefit plans. The plans are exposed to interest rate risk and the risk of changes in the life expectancy for the employees.

(a) Net benefit expense (recognised in administrative expenses)

	Supplemental post-retirement medical reimbursement plan HK$'000	Supplemental post-retirement allowance and beneficiary benefit plans HK$'000	Internal retirement benefit plan HK$'000	Total HK$'000
Year ended 31 December 2013				
Current service cost	**21,500**	**3,777**	**-**	**25,277**
Past service cost	**835**	**6,041**	**735**	**7,611**
Interest cost	**17,409**	**5,890**	**337**	**23,636**
Net benefit expense	**39,744**	**15,708**	**1,072**	**56,524**
Year ended 31 December 2012 (Restated)				
Current service cost	12,114	3,516	–	15,630
Past service cost	51,664	748	–	52,412
Interest cost	10,056	5,198	442	15,696
Net benefit expense	73,834	9,462	442	83,738

40. DEFINED BENEFIT PLANS (Continued)

(b) Present value of the defined benefit obligations

	Supplemental post-retirement medical reimbursement plan HK$'000	Supplemental post-retirement allowance and beneficiary benefit plans HK$'000	Internal retirement benefit plan HK$'000	Total HK$'000
At 1 January 2012:				
As previously reported	377,656	130,690	17,206	525,552
Effect of adoption of HKAS 19 (2011) *(note 2.2)*	(152,794)	(10,799)	(5,022)	(168,615)
As restated	224,862	119,891	12,184	356,937
Net benefit expenses recognised in profit or loss, as restated	73,834	9,462	442	83,738
Benefits paid	(1,942)	(2,769)	(4,106)	(8,817)
Actuarial losses on obligations, recognised in other comprehensive income, as restated	81,327	2,547	233	84,107
At 31 December 2012, as restated	378,081	129,131	8,753	515,965
Portion classified as current liabilities included in other payables and accruals *(note 45)*				(8,817)
Non-current portion				507,148

40. DEFINED BENEFIT PLANS (Continued)

(b) Present value of the defined benefit obligations (Continued)

	Supplemental post-retirement medical reimbursement plan HK$'000	Supplemental post-retirement allowance and beneficiary benefit plans HK$'000	Internal retirement benefit plan HK$'000	Total HK$'000
At 1 January 2013:				
As previously reported	**403,727**	**137,382**	**12,175**	**553,284**
Effect of adoption of HKAS 19 (2011) *(note 2.2)*	**(25,646)**	**(8,251)**	**(3,422)**	**(37,319)**
As restated	**378,081**	**129,131**	**8,753**	**515,965**
Net benefit expenses recognised in profit or loss	**39,744**	**15,708**	**1,072**	**56,524**
Benefits paid	**(2,682)**	**(3,650)**	**(3,591)**	**(9,923)**
Actuarial losses/(gains) on obligations, recognised in other comprehensive income	**(14,028)**	**(23,282)**	**478**	**(36,832)**
Exchange realignment	**10,735**	**8,925**	**311**	**19,971**
At 31 December 2013	**411,850**	**126,832**	**7,023**	**545,705**
Portion classified as current liabilities included in other payables and accruals *(note 45)*				**(10,050)**
Non-current portion				**535,655**

40. DEFINED BENEFIT PLANS (Continued)

(c) Principal assumptions

The most recent actuarial valuation of the present value of the defined benefit obligations were carried out at 31 December 2013 by Towers Watson, using the projected unit credit method. The material actuarial assumptions used in determining the defined benefit obligations for the Group's plans are as follows:

	2013	2012
Discount rate	**5.25%**	4.50%
Healthcare cost inflation rate	**8.00%**	8.00%

A quantitative sensitivity analysis for significant assumptions as at 31 December 2013 is shown below:

	Increase in rate %	**Increase/ (decrease) in net defined benefit obligations HK$'000**	**Decrease in rate %**	**Increase/ (decrease) in net defined benefit obligations HK$'000**
Discount rate	**0.25**	**(24,006)**	**0.25**	**26,041**
Healthcare cost inflation rate	**1.00**	**96,142**	**1.00**	**(70,331)**

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

At 31 December 2013, the expected contribution to be made within the next 12 months out of the defined benefit obligations is HK$10,050,000 (2012: HK$8,817,000).

41. PROVISION FOR MAJOR OVERHAULS

Pursuant to the service concession arrangements on the Group's expressway and toll road operations, the Group has contractual obligations to maintain the infrastructures it operates to a specified level of serviceability and/or to restore the infrastructures to a specified condition before they are handed over to the grantor at the end of the service concession periods. These contractual obligations to maintain or restore the infrastructures, except for any upgrade element, are recognised and measured in accordance with HKAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period. The future expenditure on these maintenance and restoration costs are collectively referred to as "major overhauls". The estimation basis is reviewed on an ongoing basis and revised where appropriate.

The movements in provision for major overhauls of the expressway and the toll road during the year are as follows:

		Group	
		2013	2012
	Notes	**HK$'000**	HK$'000
At 1 January		**29,414**	196,157
Additional provision	*7*	**–**	42,933
Increase in discounted amounts arising from the passage of time	*8*	**–**	5,004
Disposal of a subsidiary	*47*	**–**	(214,680)
Exchange realignment		**1,130**	–
At 31 December		**30,544**	29,414

42. OTHER NON-CURRENT LIABILITIES

	Group	
	2013	2012
	HK$'000	HK$'000
Other liabilities – non-current portion *(note 45)*	**34,614**	128,585
Deferred income *(note)*	**327,245**	115,475
	361,859	244,060

Note: Deferred income of the Group mainly represented subsidies received from third parties and government authorities in respect of certain projects for the construction of the Group's gas pipelines in Beijing for the delivery of natural gas. The subsidies are interest-free and not required to be repaid, and are recognised in profit or loss on the straight-line basis over the expected useful life of the relevant assets.

43. DEFERRED TAX

Net deferred tax assets and liabilities recognised in the consolidated statement of financial position are as follows:

	Group		
	31 December 2013 HK$'000	31 December 2012 HK$'000 (Restated)	1 January 2012 HK$'000 (Restated)
Deferred tax assets	**601,056**	552,926	552,566
Deferred tax liabilities	**(233,462)**	(375,979)	(371,353)
	367,594	176,947	181,213

The components of deferred tax assets and liabilities and their movements during the year are as follows:

Group

		Attributable to											
	Notes	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Depreciation allowances in excess of related depreciation HK$'000	Other temporary differences related to property, plant and equipment HK$'000	Transfer of assets from customers HK$'000	Fair value adjustments on available-for-sale investments HK$'000	Impairment Provision and accrued expenses HK$'000	Provision for bonus and defined benefit plans HK$'000	Provision for major overhauls HK$'000	Temporary differences related to service concession arrangements HK$'000	Losses available for offsetting future taxable profits HK$'000 *(note (a))*	Withholding tax HK$'000 *(note (b))*	Net deferred tax assets/ (liabilities) HK$'000
At 1 January 2012:													
As previously reported		70,914	(1,799)	30,881	(51,990)	–	237,644	125,077	96,348	(190,330)	15,831	(109,208)	223,368
Effect of adoption of HKAS 19 (2011)	*2.2*	–	–	–	–	–	–	(42,155)	–	–	–	–	(42,155)
As restated		70,914	(1,799)	30,881	(51,990)	–	237,644	82,922	96,348	(190,330)	15,831	(109,208)	181,213
Acquisition of subsidiaries	*46*	(7,131)	–	–	–	–	(5,466)	–	–	–	–	–	(12,597)
Deferred tax credited/(charged) to profit or loss during the year, as restated	*11*	–	(52)	–	–	–	55,686	16,702	2,742	10,100	1,969	12,730	99,877
Deferred tax credited/(charged) to other comprehensive income during the year, as restated		–	–	–	–	(22,333)	–	21,027	–	–	–	–	(1,306)
Disposal of subsidiaries	*47*	–	–	–	–	–	–	–	(90,240)	–	–	–	(90,240)
At 31 December 2012, as restated		63,783	(1,851)	30,881	(51,990)	(22,333)	287,864	120,651	8,850	(180,230)	17,800	(96,478)	176,947

43. DEFERRED TAX (Continued)

Group (Continued)

		Attributable to											
	Notes	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Depreciation allowances in excess of related depreciation HK$'000	Other temporary differences related to property, plant and equipment HK$'000	Transfer of assets from customers HK$'000	Fair value adjustments on available-for-sale investments HK$'000	Impairment Provision and accrued expenses HK$'000	Provision for bonus and defined benefit plans HK$'000	Provision for major overhauls HK$'000	Temporary differences related to service concession arrangements HK$'000	Losses available for offsetting future taxable profits HK$'000 (note (a))	Withholding tax HK$'000 (note (b))	Net deferred tax assets/ (liabilities) HK$'000
At 1 January 2013:													
As previously reported		63,783	(1,851)	30,881	(51,990)	(22,333)	287,864	129,981	8,850	(180,230)	17,800	(96,478)	186,277
Effect of adoption of HKAS 19 (2011)	2.2	-	-	-	-	-	-	(9,330)	-	-	-	-	(9,330)
As restated		63,783	(1,851)	30,881	(51,990)	(22,333)	287,864	120,651	8,850	(180,230)	17,800	(96,478)	176,947
Deferred tax credited/(charged) to profit or loss during the year	11	-	(52)	-	(22,328)	-	13,934	20,917	-	-	-	(25,547)	(13,076)
Deferred tax credited/(charged) to other comprehensive income during the year		-	-	-	-	20,941	-	(9,208)	-	-	-	-	11,733
Derecognised upon the transfer of receivables under a service concession arrangement		-	-	-	-	-	-	-	-	183,727	-	-	183,727
Disposal of subsidiaries	47	-	-	-	-	-	(1,908)	-	-	-	-	-	(1,908)
Exchange realignment		2,996	(71)	1,188	(7,433)	-	10,694	5,828	283	(3,497)	183	-	10,171
At 31 December 2013		66,779	(1,974)	32,069	(81,751)	(1,392)	310,584	138,188	9,133	-	17,983	(122,025)	367,594

Notes:

(a) At 31 December 2013, deferred tax assets have not been recognised in respect of unused tax losses of HK$3,186,957,000 (2012: HK$2,428,684,000) as they have been arisen in the Company and certain subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilised. Out of this amount, tax losses of HK$3,165,585,000 (2012: HK$2,408,976,000) will expire in one to five years.

(b) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%, depending on the jurisdiction of the respective investment enterprises. The Group is therefore liable to withholding taxes on dividends declared by those subsidiaries, joint ventures and associates established in Mainland China in respect of earnings generated from 1 January 2008.

Deferred tax has not been fully recognised for withholding taxes that would be payable on certain portions of the unremitted earnings that are subject to withholding taxes of certain of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute these unremitted earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investments in subsidiaries, joint ventures and associates in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$9,732,390,000 (2012: HK$6,943,379,000) as at 31 December 2013.

43. DEFERRED TAX (Continued)

Notes: (Continued)

(c) There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders. In addition, in the opinion of the directors, there are no income tax consequences regarding the Group's convertible bonds and hence, no deferred tax liabilities have been provided in respect of the convertible bonds.

44. TRADE AND BILLS PAYABLES

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

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**1,920,092**	2,546,259
One to two years	**437,011**	48,430
Two to three years	**9,378**	7,485
Over three years	**16,744**	14,317
	2,383,225	2,616,491

Included in the Group's trade and bills payables as at 31 December 2013 are amounts of HK$41,028,000 (2012: HK$14,177,000) and HK$19,629,000 (2012: HK$71,021,000) due to related companies and an associate, respectively, arising from transactions carried out in the ordinary course of business of the Group. The balances are unsecured, interest-free and are repayable within credit periods similar to those offered by the related companies and the associate to their major customers.

Certain of the Group's bills payable as at 31 December 2013 are secured by a pledge over certain of the Group's bank balances with an aggregate amount of HK$32,383,000 (2012: HK$31,370,000) (note 31(b)).

45. OTHER PAYABLES AND ACCRUALS

		Group		Company	
		2013	2012	**2013**	2012
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Accruals		**123,736**	132,475	**48,487**	50,748
Defined benefit plans – current portion	*40(b)*	**10,050**	8,817	**–**	–
Other liabilities		**7,740,581**	6,674,714	**9,385**	18,126
Due to a holding company	*30*	**900,000**	–	**900,000**	–
Due to related parties	*30*	**274,965**	264,421	**8,526**	8,523
		9,049,332	7,080,427	**966,398**	77,397
Portion classified as current liabilities		**(9,014,718)**	(6,951,842)	**(966,398)**	(77,397)
Non-current portion	*42*	**34,614**	128,585	**–**	–

The Group's other liabilities as at 31 December 2013 included, inter alia, the following:

(i) an amount of HK$30,721,000 (2012: HK$29,583,000) payable to the BMCDR in respect of a government surcharge collected on its behalf by the Group, further details of which are set out in note 31(a) to the financial statements; and

(ii) construction project costs of HK$115,433,000 (2012: HK$114,358,000) payable to certain fellow subsidiaries of the Group. The balances with the fellow subsidiaries are unsecured, interest-free, and have no fixed terms of repayment.

46. BUSINESS COMBINATIONS

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the year as at their respective dates of acquisition were as follows:

	Notes	**2013** **HK$'000** *(note (a))*	2012 HK$'000 *(note (b))*
Net assets acquired:			
Property, plant and equipment	*15*	**981,586**	258,694
Investment properties	*16*	**45,812**	41,604
Prepaid land premiums	*17*	**32,835**	22,298
Other intangible assets	*20*	**9,265**	–
Investments in joint ventures		**12,352**	–
Investments in associates		**102,038**	725
Inventories		**8,895**	5,399
Amounts due from contract customers		**909**	–
Trade and bills receivables		**88,618**	93,869
Prepayments, deposits and other receivables		**260,578**	32,111
Income tax recoverable		**3,053**	–
Pledged bank balances and time deposit		**5,779**	–
Cash and cash equivalents		**904,016**	40,923
Trade and bills payables		**(150,312)**	(103,755)
Other payables and accruals		**(353,589)**	(75,960)
Income tax payables		**–**	(2,488)
Bank and other borrowings		**(273,418)**	–
Other non-current liabilities		**(161,146)**	–
Deferred tax liabilities	*43*	**–**	(12,597)
		1,517,271	300,823
Non-controlling interests		**(539,999)**	(15,144)
		977,272	285,679
Goodwill on acquisition	*18*	**83,184**	95,765
		1,060,456	381,444
Satisfied by:			
Cash		**732,685**	381,444
Reclassification from interest in an associate to interest in a subsidiary		**327,771**	–
		1,060,456	381,444
Revenue for the year since acquisition		**219,245**	188,907
Profit/(loss) for the year since acquisition		**(31,628)**	36,873

46. BUSINESS COMBINATIONS (Continued)

The Group has elected to measure the non-controlling interests in the subsidiaries acquired at the non-controlling interests' proportionate share of the identifiable net assets of the subsidiaries acquired.

The fair values (and their respective gross contractual amounts) of the trade receivables and deposits and other receivables as at their respective dates of acquisition amounted to HK$88,618,000 (2012: HK$93,869,000) and HK$100,197,000 (2012: HK$21,090,000), respectively.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2013	2012
	HK$'000	HK$'000
	(note (a))	*(note (b))*
Cash and cash equivalents acquired	**904,016**	40,923
Cash consideration	**(732,685)**	(381,444)
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	**171,331**	(340,521)

Had the above business combinations taken place at the beginning of the year, the Group's profit for the year would have been HK$4,754,660,000 (2012: HK$3,605,458,000, as restated) and the Group's revenue (comprising turnover and other income and gains, net) would have been HK$43,309,229,000 (2012: HK$36,581,950,000).

Notes:

(a) Business combinations during the year ended 31 December 2013 mainly included the following transactions:

(i) In February 2013, 177,000,000 of ordinary shares were issued by Beijing Development to the Group for a cash consideration of HK$200,010,000. The equity interest in Beijing Development held by the Group increased from 42.87% to 54.71% upon the completion of the transaction and Beijing Development became a subsidiary of the Group;

(ii) In April 2013, the Group acquired an 80% equity interest in 北京北燃新奧京昌燃氣有限公司 ("Beijing Jingchang") from an independent third party for a cash consideration of RMB13,462,000 (equivalent to HK$17,040,000). Beijing Jingchang is principally engaged in the provision of natural gas transmission service in Beijing;

(iii) In May 2013, the Group acquired the entire equity interest in 北京安華恒泰投資有限公司 ("Auhua Hengtai") from an independent third party for a cash consideration of RMB42,150,000 (equivalent to HK$53,350,000). Auhua Hengtai is directly interested in a 30% equity interest in 合肥中石油昆侖燃氣有限公司, which is principally engaged in pipeline gas supply in Hefei, Anhui Province, the PRC;

46. BUSINESS COMBINATIONS (Continued)

Notes: (Continued)

(a) (Continued)

(iv) In June 2013, the Group acquired an 80% equity interest in 哈爾濱市雙琦環保資源利用有限公司 ("Harbin Huanbao") from an independent third party for a cash consideration of RMB33,840,000 (equivalent to HK$42,835,000). Harbin Huanbao has entered into a service concession arrangement with the Harbin Government on a BOT basis to operate a waste power plant in Harbin, Heilongjiang Province, the PRC; and

(v) In June 2013, the Group acquired an 80% equity interest in 陝西萬泉咸陽環保電力有限公司 ("Shaanxi Wanquan") from an independent third party for a cash consideration of RMB160,000,000 (equivalent to HK$202,530,000). Xianxi Wanquan has entered into an arrangement under a Build-Own-Operate basis with the Xianyang Government to operate a waste power plant in Xianyang Shaanxi Province, the PRC.

(b) Business combinations during the year ended 31 December 2012 mainly included the following transactions:

(i) In February 2012, the Group acquired a 95% equity interest in 北京京燃燃氣有限公司 ("Beijing Jingran") from an independent third party for a cash consideration of RMB38,760,000 (equivalent to HK$47,852,000). Beijing Jingran is principally engaged in the provision of natural gas transmission service in Beijing;

(ii) In May 2012, Beijing Gas acquired the entire equity interest in 北京綠源達壓縮天然氣有限公司 ("Luyuanda") from 北京北燃實業有限公司 ("Beiran Enterprises", a fellow subsidiary of the Company with a common ultimate holding company) for a cash consideration of RMB235,000,000 (equivalent to HK$285,444,000). Luyuanda is principally engaged in the operation of autogas filling stations (gas-oil mixture) and sale of natural gas in Beijing. In respect of this acquisition, a profit guarantee was given by Beiran Enterprises, pursuant to which the annual net profit of Luyuanda for each of the years ended 31 December 2012 and 2011 shall not be less than RMB17.85 million, with any shortfall, after adjusting by a formula, would be compensated by Beiran Enterprises to Beijing Gas. The guarantee was met by Luyuanda and hence there would not be any adjustment to the consideration given for the acquisition; and

(iii) In May 2012, the Group acquired the entire equity interest in 北京世紀隆昌商貿有限公司 ("Shiji Longchang") from independent third parties for a cash consideration of RMB39,000,000 (equivalent to HK$48,148,000). Shiji Longchang is principally engaged in property investment and material trading in Beijing.

47. DISPOSAL OF SUBSIDIARIES

	Notes	**2013 HK$'000**	2012 HK$'000
Net assets disposed of:			
Property, plant and equipment	*15, 33*	**445,419**	118,925
Operating concessions	*19*	**–**	752,963
Investment in a joint venture		**431,756**	–
Available-for-sale investments		**–**	5,556
Amounts due from contract customers		**21,172**	–
Deferred tax assets	*43*	**1,908**	90,240
Inventories		**271**	1,970
Trade and bills receivables		**37,352**	1,372
Prepayments, deposits and other receivables		**240,384**	3,022
Cash and cash equivalents		**8,372**	493,258
Trade and bills payables		**(47,959)**	–
Other payables and accruals		**(336,017)**	(88,293)
Income tax recoverables/(payables)		**44,188**	(1,647)
Bank and other borrowings		**(324,076)**	(9,573)
Provision for major overhauls	*41*	**–**	(214,680)
		522,770	1,153,113
Non-controlling interests		**(94,926)**	(31,966)
		427,844	1,121,147
Exchange fluctuation reserve realised		**(15,081)**	(353,123)
Reclassification from interests in subsidiaries to available-for-sale investments		**(51,897)**	–
Gain on disposal of interests in subsidiaries, net		**58,896**	601,976
Less: Unrealised portion in respect of disposal transactions with an associate		**(32,961)**	–
Gain on disposal of subsidiaries, net, recognised in profit or loss		**25,935**	601,976
		419,762	1,370,000
Satisfied by:			
Cash		**139,475**	1,370,000
Equity interests of subsidiaries given up, at fair value		**280,287**	–
		419,762	1,370,000

47. DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2013 **HK$'000**	2012 HK$'000
Cash consideration	**139,475**	1,370,000
Cash and cash equivalents disposed of	**(8,372)**	(493,258)
Consideration receivable as at 31 December *(note 30)*	**(139,475)**	(1,100,000)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(8,372)**	(223,258)

Notes:

(a) Disposal of subsidiaries during the year ended 31 December 2013 mainly included the following transactions:

(i) Pursuant to the Master Agreement (as defined in note 33 to the financial statements), the Group transferred its equity interests in BE Water (Weifang), BE Water BVI and BE Water (Hainan) to BE Water in exchange for an aggregate of 170,210,300 ordinary shares of BE Water. The transactions were completed during the year ended 31 December 2013 and details of which are set out in note 33 to the financial statements.

(ii) Pursuant to a share transfer agreement entered into between the Group and 北京京儀集團有限責任公司 ("Beijing Jingyi", a fellow subsidiary of the Company) in September 2013, the Group disposed of an 85% equity interest in 北控綠產（青海）新能源有限公司 in September 2013 to Beijing Jingyi for a cash consideration of RMB110,185,500 (equivalent to HK$139,475,000).

The cash consideration shall be settled by four instalments, with the first and second instalments of RMB33,055,650 (equivalent to HK$41,843,000) each to be settled within five business days and three months, respectively, upon completion of the transaction; and the third and final instalments of RMB22,037,100 (equivalent to HK$27,895,000) each to be settled within six months and one year, respectively, upon completion of the transaction.

Subsequent to the reporting period, in January and February 2014, the first and second instalments with an aggregate amount of RMB66,111,300 (equivalent to HK$84,758,080) had been settled by Beijing Jingyi.

47. DISPOSAL OF SUBSIDIARIES (Continued)

Notes: (Continued)

(b) Disposal of subsidiaries during the year ended 31 December 2012 included the following transaction:

Pursuant to a share transfer agreement dated 15 November 2012 between the Company as the vendor and Shi Hong Investments Limited ("Shi Hong", a fellow subsidiary) as the purchaser, the Company sold the entire equity interest in BE Motorway to Shi Hong for a cash consideration of RMB1.114 billion (equivalent to HK$1.37 billion). BE Motorway is an investment holding company, holding a 96% equity interest in Capital Expressway Company.

The cash consideration is to be settled by six instalments, with the first instalment of RMB219,547,500 (equivalent to HK$270,000,000) to be settled upon completion of the transaction and the remaining five instalments of RMB178,890,500 (equivalent to HK$220,000,000) each to be settled on the date which falls 6 months, 1 year, 1.5 years, 2 years and 2.5 years of the completion date of the transaction, respectively. The first instalment had been settled during the year ended 31 December 2012 and the remaining balance was offset against the consideration payables by the Group to BE Group BVI in respect of the acquisition of the equity interest in China Gas during the year ended 31 December 2013, details of which are set out in notes 23(b)(iii) and 30 to the financial statements.

48. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

MAJOR NON-CASH TRANSACTIONS

Apart from the transactions detailed in notes 6, 23, 39, 46 and 47 to the financial statements, the Group had no major non-cash transactions of investing and financing activities during the years ended 31 December 2013 and 2012.

49. CONTINGENT LIABILITIES

At 31 December 2013, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantee in respect of a banking facility granted to a third party	**151,333**	450,000	**151,333**	450,000
Guarantees given in respect of the Guaranteed Senior Notes *(note 38)*	**–**	–	**13,866,080**	13,844,616
Guarantee given in respect of the Guaranteed Convertible Bonds *(note 39(a))*	**–**	–	**673,270**	2,175,000
	151,333	450,000	**14,690,683**	16,469,616

50. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16) under operating lease arrangements, with leases negotiated for original terms ranging from 1 to 8 years. The terms of the leases generally require the tenants to pay security deposits.

At 31 December 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**2,612**	2,521
In the second to fifth years, inclusive	**110**	232
	2,722	2,753

At 31 December 2013, the Company did not have any non-cancellable operating lease arrangements as lessor (2012: Nil).

(b) As lessee

The Group leases certain of its land, office properties and staff quarters under operating lease arrangements, with leases negotiated with original terms ranging from 2 to 30 years.

At 31 December 2013, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**165,545**	74,732	**14,667**	2,662
In the second to fifth years, inclusive	**181,824**	196,891	**40,787**	40,787
After five years	**636,317**	637,663	**–**	–
	983,686	909,286	**55,454**	43,449

51. CAPITAL COMMITMENTS

At 31 December 2013, the Group had the following capital commitments as at the end of the reporting period:

	Group 2013 HK$'000	Group 2012 HK$'000
Authorised, but not contracted for:		
Acquisition of interests in subsidiaries	**64,359**	2,519
	64,359	2,519
Contracted, but not provided for:		
Buildings	**178,288**	155,989
Plant and machinery	**507,624**	1,132,390
Capital contribution to an associate	**771,205**	1,099,342
	1,457,117	2,387,721
Total capital commitments	**1,521,476**	2,390,240

At 31 December 2013, the Company did not have any significant capital commitments (2012: Nil).

52. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group entered into the following material transactions with related parties during the year:

Name of related party	Nature of transaction	Notes	2013 HK$'000	2012 HK$'000
Non-controlling equity holders of subsidiaries and their associates				
Yanjing Beer Group and its associates	Purchase of bottle labels[γ]	*(i)*	**151,146**	150,842
	Purchase of bottle caps[γ]	*(i)*	**104,000**	99,346
	Canning service fees paid[γ]	*(ii)*	**37,567**	46,336
	Comprehensive support service fees paid[γ]	*(iii)*	**19,677**	19,191
	Land rent expenses[γ]	*(iv)*	**2,341**	2,283
	Trademark licensing fees paid[γ]	*(v)*	**81,424**	73,214
	Less: Refund for advertising subsidies[γ]	*(v)*	**(7,875)**	(8,417)
Fellow subsidiaries				
Beiran Enterprises and its subsidiaries	Sale of gas[#]	*(vi)*	**30,810**	46,149
	Engineering service income[#]	*(vii)*	**61,291**	7,701
	Comprehensive service income[#]	*(vii)*	**8,816**	25,512
	Sale of goods[#]	*(x)*	**180,184**	106,437
	Engineering service expenses[#]	*(vii)*	**67,866**	77,093
	Comprehensive service expenses[#]	*(vii)*	**88,837**	–
	Building rental expenses[#]	*(ix)*	**88,472**	71,725
	Purchase of goods[#]	*(ix)*	**194,558**	24,933
Beijing Jingyi	Construction fee[α]	*(viii)*	**6,733**	395,379
Associate				
PetroChina Beijing Gas	Natural gas transmission fee expenses	*(vi)*	**2,606,389**	4,289,601

γ These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules that are exempted from the reporting, announcement and independent shareholders' approval requirements.

\# These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules that are exempted from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements.

α This related party transaction, together with the disposal of equity interests in certain subsidiaries to BE Water and Beijing Jingyi (as further detailed in note 47 to the financial statement), also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

52. RELATED PARTY DISCLOSURES (Continued)

(a) (Continued)

Notes:

(i) The purchase prices for bottle labels and bottle caps were determined by reference to the agreed prices for the preceding year and an annual adjustment determined by reference to the price index in Beijing in the preceding year.

(ii) The canning service fees were charged at a rate equal to the costs of the canning services incurred by Yanjing Beer Group plus a mutually-agreed profit margin.

(iii) The comprehensive support service fees paid included the following:

– fees for security and canteen services which were determined based on the annual cost of labour, depreciation and maintenance for the preceding year and an annual adjustment by reference to the price index in Beijing; and

– rental expenses, related to the premises occupied and used by Yanjing Brewery as its office, canteen and staff dormitories, which were determined by reference to the prevailing market rentals at the time when the relevant agreements were entered into.

(iv) The land rent expenses were charged at a mutually-agreed amount of RMB1,849,000 (2012: RMB1,849,000) per annum.

(v) The trademark licensing fees paid were for the use of the "Yanjing" trademark and were determined based on 1% of the annual sales of beer and mineral water products made by Yanjing Brewery and at a rate of RMB0.008 per bottle of beer sold by the subsidiaries of Yanjing Brewery. Yanjing Brewery Group would refund 20% of the trademark licensing fees received from Yanjing Brewery for the use by Yanjing Brewery to develop and promote the "Yanjing" trademark.

(vi) The selling price of gas and the gas transmission fee were prescribed by the PRC government.

(vii) The service fees were determined by reference to the then prevailing market rates and set at prices not higher than the guidance prices set by the PRC government.

(viii) The construction contract fee was mutually agreed between two parties.

(ix) The purchase prices of goods and the building rentals were determined by reference to the then prevailing market rates.

(x) The selling prices of goods were determined on a cost-plus basis.

52. RELATED PARTY DISCLOSURES (Continued)

(b) Outstanding balances with related parties

(i) Details of the Group's balances with related parties included in trade and bills receivables, deposits and other debtors, and trade and bills payables and other payables and accruals are disclosed in notes 28(a), 29(a), 44 and 45 to the financial statements, respectively.

(ii) Details of the balances with joint ventures, associates, holding companies, fellow subsidiaries and related parties are disclosed in notes 22, 23 and 30 to the financial statements, respectively.

(iii) Details of the guarantees given by related parties in respect of the Group's bank and other borrowings are disclosed in note 37(c) to the financial statements.

(c) Transactions with other state-owned entities in Mainland China

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively "Other SOEs"). During the year, the Group has transactions with Other SOEs including, but not limited to, the sale of piped natural gas, provision of sewage treatment services, bank deposits and borrowings, and utilities consumptions. The directors consider that the transactions with the Other SOEs are activities in the ordinary course of the Group's businesses, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the Other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are Other SOEs. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(d) Compensation of key management personnel of the Group

	2013	2012
	HK$'000	HK$'000
Short term employee benefits	**22,985**	22,884
Pension scheme contributions	**22**	21
Total compensation paid to key management personnel	**23,007**	22,905

Further details of directors' emoluments are included in note 9 to the financial statements.

53. FINANCIAL INSTRUMENTS BY CATEGORY

Other than certain equity investments and the conversion option of the Yanjing Brewery Convertible Bonds being classified as available-for-sale investments and a financial liability at fair value through profit or loss, respectively, as disclosed in notes 24 and 39 to the financial statements, all financial assets and liabilities of the Group and the Company as at 31 December 2013 and 2012 were loans and receivables, and financial liabilities stated at amortised cost, respectively.

54. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities which are due to be received or settled within one year are reasonable approximation of their respective fair values, and accordingly, no disclosure of the fair values of these financial instruments is made.

As disclosed in note 24 to the financial statements, listed equity investments of the Group and the Company are stated at fair value based on their quoted market prices (as categorised within Level 1 of the fair value hierarchy); whilst the unlisted equity investments of the Group and the Company are stated at cost less any accumulated impairment losses because fair values of which cannot be reasonably assessed and therefore, no disclosure of the fair values of these financial instruments is made.

As disclosed in note 39(b) to the financial statements, the conversion option of the Yanjing Brewery Convertible Bonds is classified as a derivative financial instrument (a financial liability at fair value through profit or loss). In the opinion of the directors, since the financial impact of the fair value of the financial instrument is insignificant to the Group, no disclosure in respect of the valuation assumptions and their related effects on this financial instrument is made.

For other non-current financial assets and liabilities, in the opinion of the directors, since their carrying amounts are not significantly different from their respective fair values, no disclosure of the fair values of these financial statements is made.

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other loans, the Guaranteed Senior Notes, convertible bonds and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as amounts due from/to contract customers, trade and bills receivables, deposits and other receivables, trade and bills payables, other payables and accruals and amounts due from/to holding companies, fellow subsidiaries, an associate, joint ventures, and related parties.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and fair value risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

INTEREST RATE RISK

Interest rate risk is the risk that the value and the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long term debt obligations.

Bank loans, the Guaranteed Senior Notes, convertible bonds, cash and short term deposits are stated at amortised cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to profit or loss as earned/incurred.

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

INTEREST RATE RISK (Continued)

The following tables set out the carrying amounts, by maturity, of the Group's financial instruments as at the end of the reporting period that are exposed to interest rate risk:

At 31 December 2013

	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 3 years HK$'000	More than 3 years but less than 4 years HK$'000	More than 4 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Effective interest rate %
Floating rate:								
Restricted cash and pledged deposits	63,104	-	-	-	-	-	63,104	0.35
Cash and cash equivalents	7,662,639	-	-	-	-	-	7,662,639	0.35
Bank and other borrowings	(4,626,732)	(3,511,809)	(110,623)	(123,444)	(275,326)	(272,053)	(8,919,987)	4.35
Fixed rate:								
Cash and cash equivalents	3,132,828	-	-	-	-	-	3,132,828	3.14
Bank and other borrowings	(1,985,171)	(30,042)	(30,004)	(901)	(901)	(5,650)	(2,052,669)	5.56
Convertible bonds	(673,055)	(93,500)	-	-	-	-	(766,555)	1.02
Guaranteed Senior Notes	-	-	-	-	-	(13,866,081)	(13,866,081)	5.36

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

INTEREST RATE RISK (Continued)

At 31 December 2012

	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 3 years HK$'000	More than 3 years but less than 4 years HK$'000	More than 4 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Effective interest rate %
Floating rate:								
Restricted cash and pledged deposits	60,953	–	–	–	–	–	60,953	0.35
Cash and cash equivalents	5,413,915	–	–	–	–	–	5,413,915	0.35
Bank and other borrowings	(5,545,157)	(312,935)	(3,097,092)	(127,750)	(117,873)	(366,860)	(9,567,667)	4.62
Fixed rate:								
Cash and cash equivalents	6,823,049	–	–	–	–	–	6,823,049	3.12
Bank and other borrowings	(696,409)	(28,917)	(28,880)	(856)	(856)	(6,483)	(762,401)	5.16
Convertible bonds	–	(2,165,206)	(94,107)	–	–	–	(2,259,313)	0.97
Guaranteed Senior Notes	–	–	–	–	–	(13,853,502)	(13,853,502)	5.08

At 31 December 2013, it was estimated that a general decrease/increase of 100 basis points in interest rate of average balances of bank and other loans and bank balances during the year, with all other variables held constant, would increase/decrease the Group's profit before tax by approximately HK$8,573,000 (2012: HK$22,698,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the beginning of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point decrease or increase represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis was performed on the same basis for 2012.

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. As a result of its significant investment operations in Mainland China, the Group's statement of financial position can be affected significantly by movements in the RMB/HK$ exchange rate.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB/HK$ exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in profit before tax HK$'000	**Increase/ (decrease) in equity** HK$'000
2013		
If Hong Kong dollar weakens against RMB by 5%	**320,526**	**2,757,905**
If Hong Kong dollar strengthens against RMB by 5%	**(320,526)**	**(2,757,905)**
2012		
If Hong Kong dollar weakens against RMB by 5%	235,626	2,669,556
If Hong Kong dollar strengthens against RMB by 5%	(235,626)	(2,669,556)

The Group has minimal transactional currency exposure which arises from sales or purchases by an operating unit in currencies other than the unit's functional currency.

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

CREDIT RISK

The Group engages in certain cash income businesses, such as the expressway and toll road operations, and the Group has a very high debtor turnover rate and low credit risk in respect of these operations.

Despite the above, the Group is still exposed to credit risk arising from its piped gas operation, brewery operation and sewage and water treatment operations. Credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on individual customer's past history of making payments when they fall due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Various companies have different credit policies, depending on markets and businesses in which they operate. Aged analyses of trade and bills receivables are prepared and closely monitored in order to minimise any credit risk associated with the receivables. Normally, the Group does not obtain collateral from customers. In respect of the amounts due from contract customers for contract work arising from the Group's sewage and water treatment operations, the Group transacts mainly with municipal government in different provinces in the PRC which do not have significant credit risk.

At the end of the reporting period, concentrations of credit risk are managed by counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from receivables under service concession arrangements and trade and bills receivables are set out in notes 19 and 28 to the financial statements, respectively.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amounts due from joint ventures and associates, deposits and other receivables and amounts due from holding companies, fellow subsidiaries and related parties, arises from default of the counterparty, with a maximum exposure to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of a financial guarantee, further details of which are disclosed in note 49 to the financial statements.

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

LIQUIDITY RISK

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of bank loans, other loans, the Guaranteed Senior Notes and convertible bonds. In addition, banking facilities have been put in place for contingency purposes.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of short term loans to cover expected cash demands, subject to approval by management of the Group. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The maturity profile of the Group's financial liabilities (other than receipts in advance and defined benefit plans) as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

At 31 December 2013

	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 3 years HK$'000	More than 3 years but less than 4 years HK$'000	More than 4 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Bank loans	-	6,867,893	3,117,883	92,655	94,339	197,244	186,948	10,556,962
Other loans	-	104,872	380,415	72,841	70,625	76,053	109,091	813,897
Guaranteed Senior Notes	-	707,638	707,638	707,638	707,638	707,638	19,264,013	22,802,203
Convertible bonds	-	681,943	97,820	-	-	-	-	779,763
Trade and bills payables	-	2,383,225	-	-	-	-	-	2,383,225
Accruals and other liabilities	-	7,839,753	34,614	-	-	-	-	7,874,367
Due to a holding company	900,000	-	-	-	-	-	-	900,000
Due to related parties	274,965	-	-	-	-	-	-	274,965
	1,174,965	18,585,324	4,338,370	873,134	872,602	980,935	19,560,052	46,385,382

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

LIQUIDITY RISK (Continued)

At 31 December 2012

	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 3 years HK$'000	More than 3 years but less than 4 years HK$'000	More than 4 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Bank loans	–	6,439,283	302,685	3,082,200	110,471	87,569	872,995	10,895,203
Other loans	–	114,652	103,170	102,146	75,395	76,801	171,634	643,798
Guaranteed Senior Notes	–	707,620	707,620	707,620	707,620	707,620	21,111,099	24,649,199
Convertible bonds	–	49,496	2,200,155	61,154	–	–	–	2,310,805
Trade and bills payables	–	2,616,491	–	–	–	–	–	2,616,491
Accruals and other liabilities	–	6,707,782	244,060	–	–	–	–	6,951,842
Due to related parties	264,421	–	–	–	–	–	–	264,421
	264,421	16,635,324	3,557,690	3,953,120	893,486	871,990	22,155,728	48,331,759

FAIR VALUE RISK

The Group's financial instruments that are carried in the financial statements at other than fair values are disclosed in note 54 to the financial statements. In the opinion of the directors, the Group's exposure to fair value risk in respect of its financial instruments is minimal.

CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

Depending on the market conditions and funding arrangements, if at any time, repurchase of the Company's shares will lead to an enhancement of the net asset value per share and/or earnings per share of the Group, the directors will authorise such transactions.

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

CAPITAL MANAGEMENT (Continued)

The Group monitors capital using a gearing ratio, which is interest-bearing bank borrowings and the Guaranteed Senior Notes divided by the sum of total equity, interest-bearing bank borrowings and the Guaranteed Senior Notes. The gearing ratios as at the end of the reporting periods are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
		(Restated)
Guaranteed Senior Notes	**13,866,081**	13,853,502
Interest-bearing bank borrowings	**10,273,481**	9,926,734
Total Guarantee Senior Notes and interest-bearing bank borrowings	**24,139,562**	23,780,236
Total equity	**64,068,079**	47,667,675
Total equity and interest-bearing bank borrowings and Guarantee Senior Notes	**88,207,641**	71,447,911
Gearing ratio	**27%**	33%

56. OTHER FINANCIAL INFORMATION

The net current assets and total assets less current liabilities of the Group as at 31 December 2013 amounted to HK$302,701,000 (2012: HK$6,964,771,000) and HK$83,717,668,000 (2012: HK$69,171,306,000, as restated), respectively.

57. EVENTS AFTER THE REPORTING PERIOD

On 24 February 2014, Beijing Development entered into a sale and purchase agreement with KCS Green Energy International (Group) Investments Company Limited, an independent third party, for the acquisition of all the issued shares of KCS Changde Investments Company Limited and KCS Taian Investments Company Limited and the related shareholders' loan at an aggregate consideration of RMB520,000,000 (equivalent to HK$666,430,000). The consideration will be satisfied: (a) as to RMB86,790,000 (equivalent to HK$111,230,000) in cash, and (b) as to RMB433,210,000 (equivalent to HK$555,200,000) by the issue of Beijing Development's ordinary shares at the issue price of HK$1.60 per share.

The Group's equity interest in Beijing Development will be reduced from 54.68% to 50.64% after the acquisition and will not result in a change of control of Beijing Development. As at the date of approval of these financial statements, the acquisition has not been completed.

Further details of the acquisition are set out in Beijing Development's announcement dated 24 February 2014.

58. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, comparative amounts have been reclassified and restated to conform to the current year's presentation and accounting treatment, and a third consolidated statement of financial position as at 1 January 2012 has been presented.

59. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2014.

FIVE YEAR FINANCIAL SUMMARY

31 December 2013

A summary of the results and of the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the audited financial statements and the annual report of the Company for the year ended 31 December 2012, as restated, is set out below:

RESULTS

	Year ended 31 December				
	2009 HK$'000 (Restated)	2010 HK$'000 (Restated)	2011 HK$'000 (Restated)	2012 HK$'000 (Restated)	**2013** **HK$'000**
Revenue	24,208,430	27,612,778	30,471,759	35,569,649	**42,360,528**
Operating profit	2,519,000	2,421,430	2,564,276	2,105,580	**2,563,977**
Share of profits and losses of:					
Joint ventures	1,092,074	1,168,658	1,300,189	(343)	**(5,847)**
Associates	(7,920)	196,449	373,392	2,049,495	**2,742,612**
Profit before tax	3,603,154	3,786,537	4,237,857	4,154,732	**5,300,742**
Income tax	(558,439)	(682,843)	(580,745)	(557,155)	**(545,287)**
Profit for the year	3,044,715	3,103,694	3,657,112	3,597,577	**4,755,455**
ATTRIBUTABLE TO:					
Shareholders of the Company	2,397,209	2,633,256	2,767,745	3,234,992	**4,183,878**
Non-controlling interests	647,506	470,438	889,367	362,585	**571,577**
	3,044,715	3,103,694	3,657,112	3,597,577	**4,755,455**

ASSETS, LIABILITIES AND TOTAL EQUITY

	31 December				
	2009 HK$'000 (Restated)	2010 HK$'000 (Restated)	2011 HK$'000 (Restated)	2012 HK$'000 (Restated)	**2013** **HK$'000**
Total assets	59,068,742	66,980,147	77,313,278	89,498,621	**109,621,824**
Total liabilities	(19,942,035)	(25,897,945)	(31,990,089)	(41,830,946)	**(45,553,745)**
NET ASSETS	39,126,707	41,082,202	45,323,189	47,667,675	**64,068,079**
Equity attributable to shareholders of the Company	31,414,788	34,413,850	37,736,127	39,637,454	**54,021,238**
Non-controlling interests	7,711,919	6,668,352	7,587,062	8,030,221	**10,046,841**
TOTAL EQUITY	39,126,707	41,082,202	45,323,189	47,667,675	**64,068,079**

北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED