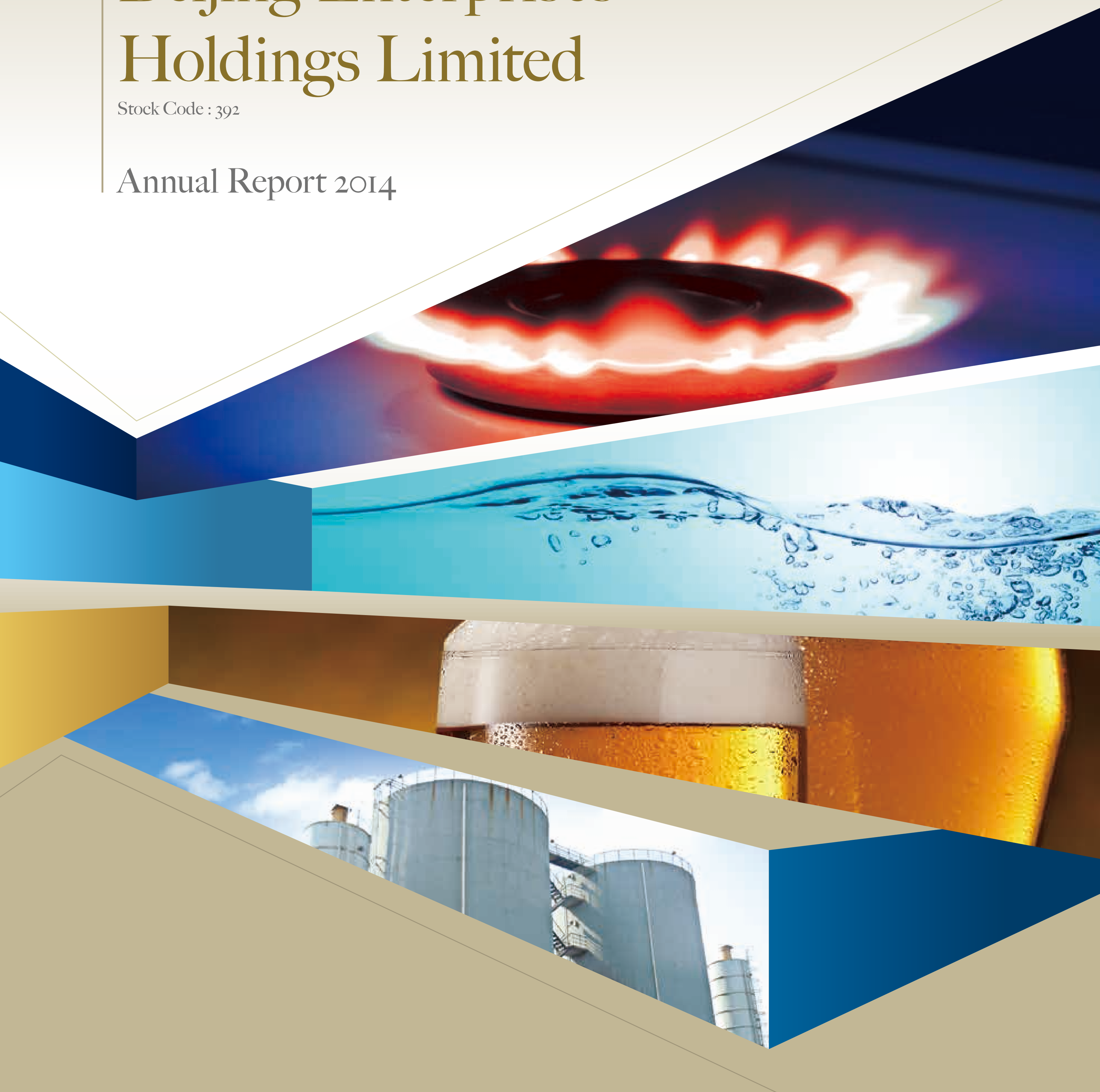
北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

Beijing Enterprises Holdings Limited

Stock Code : 392

Annual Report 2014



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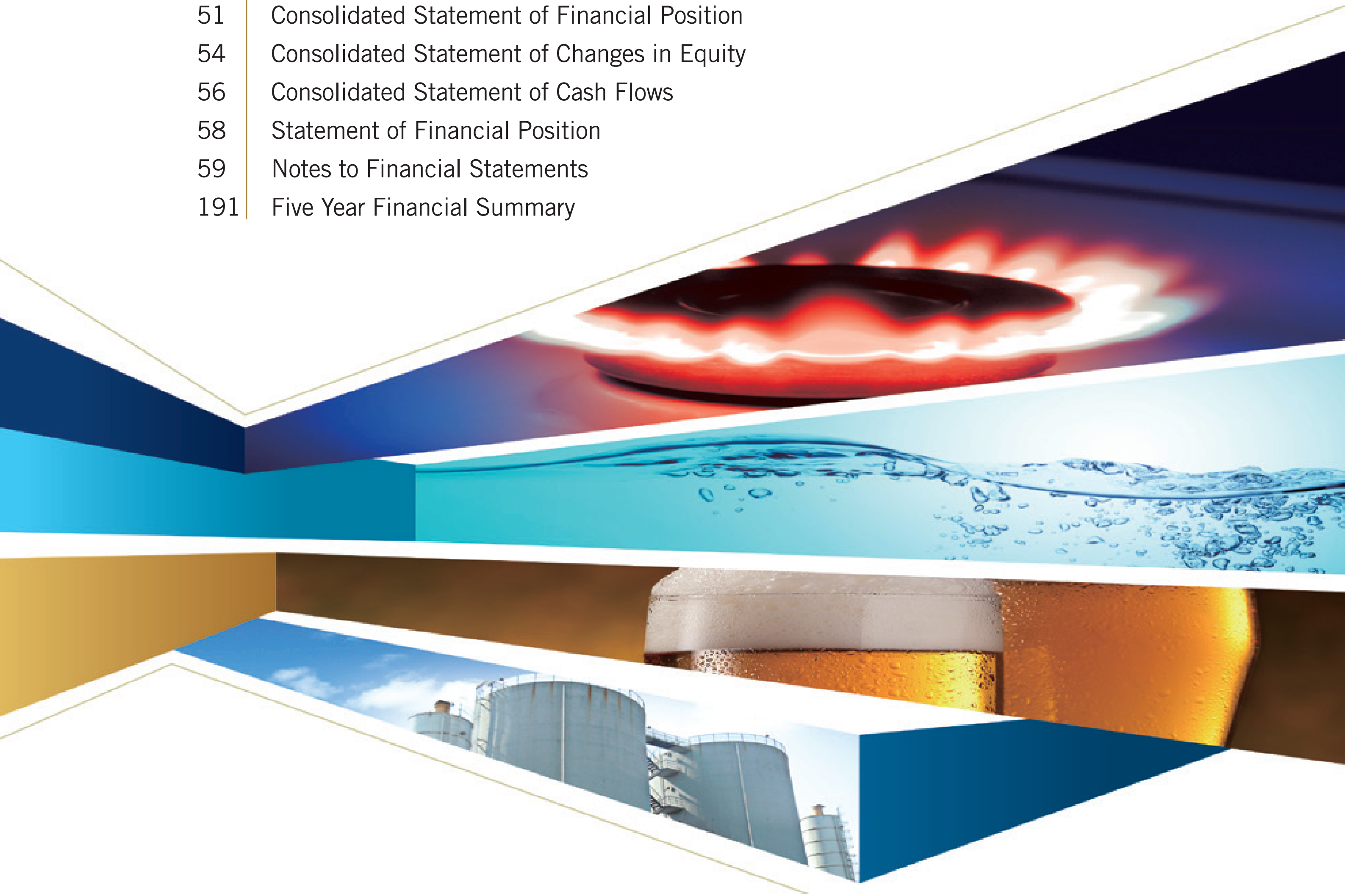

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Wang Dong *(Chairman)*
Mr. Hou Zibo *(Vice Chairman)*
Mr. Zhou Si *(Vice Chairman & Chief Executive Officer)*
Mr. Li Fucheng *(Vice Chairman)*
Mr. Li Yongcheng
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. 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

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

COMPANY SECRETARY
Mr. Tam Chun Fai CPA CFA

STOCK CODE
392

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AUDITORS
Ernst & Young

LEGAL ADVISERS

Hong Kong Law
DLA Piper
Mayer Brown JSM

PRC Law
Haiwen & Partners

US Law
Mayer Brown JSM

PRINCIPAL BANKERS

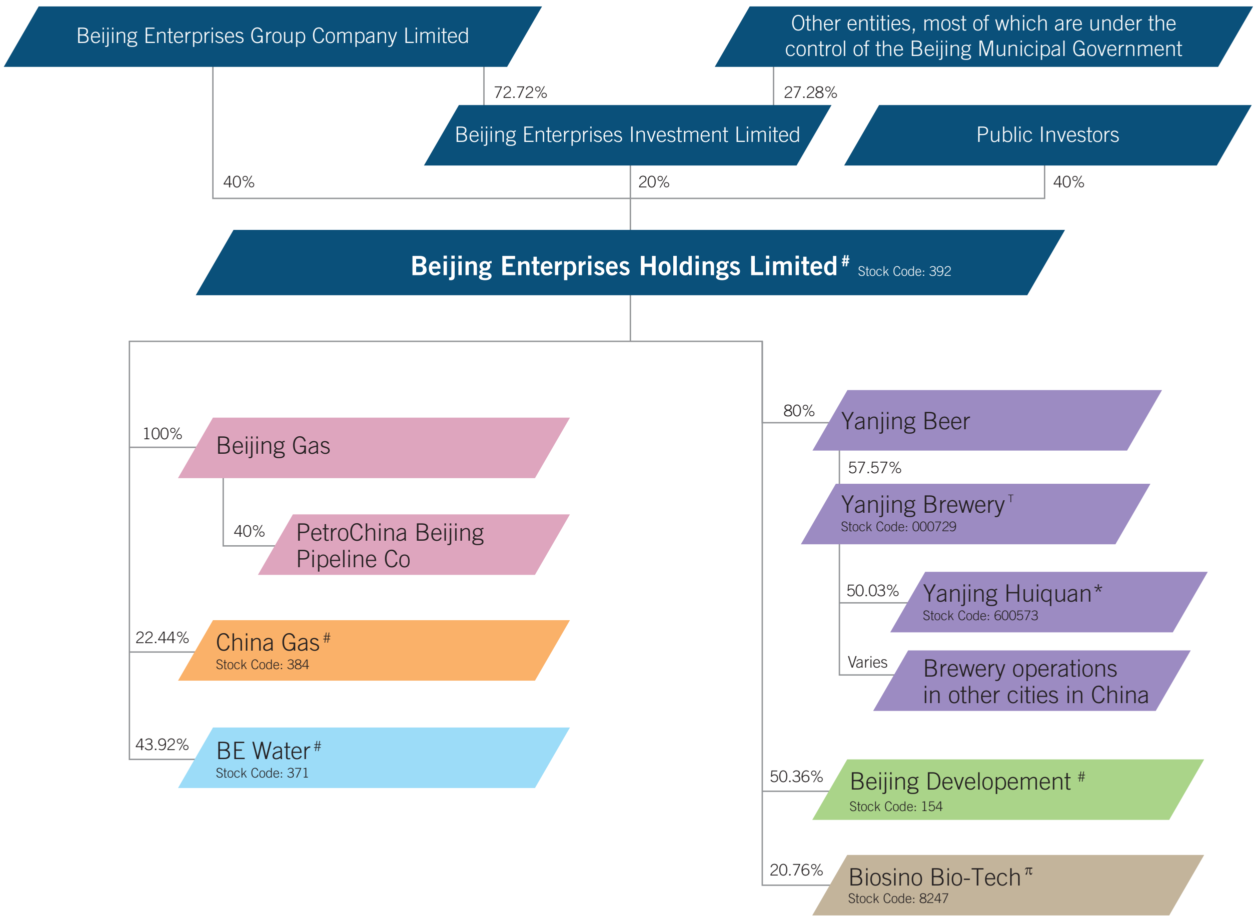
In Hong Kong
Bank of China, Hong Kong Branch
Bank of Communications, Hong Kong Branch
China Construction Bank, Hong Kong Branch
Mizuho Corporate Bank Ltd., Hong Kong Branch

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 2014



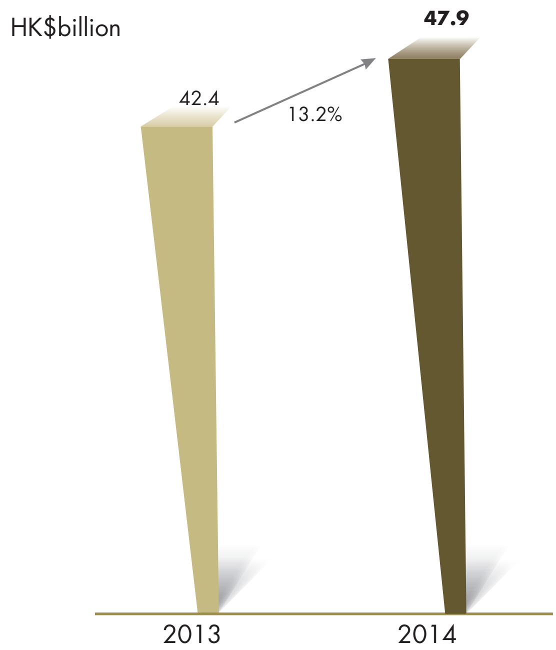
* *Listed on The Shanghai Stock Exchange*
T *Listed on The Shenzhen Stock Exchange*
\# *Listed on The Main Board of The Hong Kong Stock Exchange*
π *Listed on The Growth Enterprise Market of The Hong Kong Stock Exchange*

HIGHLIGHTS

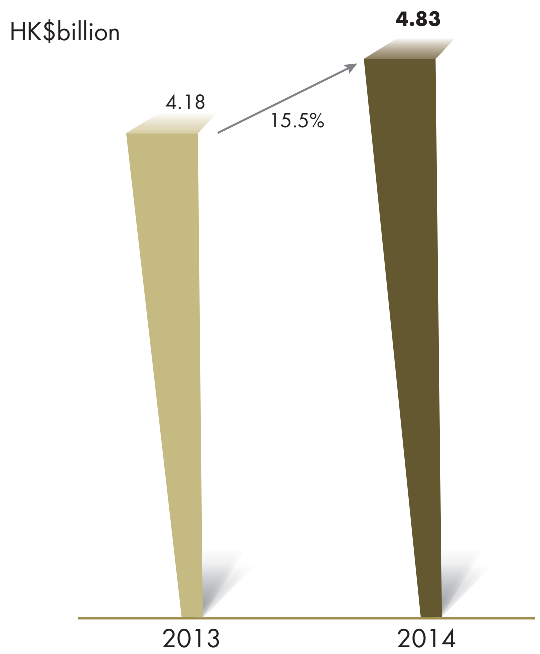
FINANCIAL HIGHLIGHTS (AUDITED)

	2014 *HK$'000*	2013 *HK$'000*	**Change**
Revenue	**47,935,795**	42,360,528	+13.2%
Gross Profit	**8,576,031**	8,337,213	+2.9%
Profit Attributable to Shareholders of the Company	**4,831,678**	4,183,878	+15.5%
Basic Earnings Per Share *(HK dollar)*	**3.78**	3.61	+4.7%
Annual Dividend *(HK cent)*	**90**	85	+5.9%

Revenue



Profit attributable to shareholders of the Company



CHAIRMAN'S STATEMENT

In 2014, the global economic conditions were complicated, among which, the recovery of the developed economies such as Europe and the US was increasingly enhanced, while the emerging economies, represented by China, were entering into gear-shifting stage of growth deceleration. Beijing Enterprises Holdings Limited (the "Company or the "Group") actively reacted to the domestic and foreign dynamics and endeavored to promote the deepened enterprise reform and innovation, and sustained our healthy development.

According to the financial statements prepared under the Hong Kong Financial Reporting Standards, the Company achieved an operating revenue amounted to HK$47.94 billion in 2014, representing a year-on-year increase of 13.2%. Profit attributable to shareholders of the Company amounted to HK$4.83 billion, representing a year-on-year increase of 15.5%. The board of directors proposed a final dividend of HK62 cents per share.

With the implementation and facilitation of a series of proactive policies such as those on urbanization upgrading and restructuring in China, ecological civilization construction, carbon emission reduction, the respective public utility industries such as gas, water and environmental protection that benefit people's livelihood continued their flourishing market demand, and continued to expand to their sub-segment businesses sectors such as industrial sewage and hazardous waste disposal, catering waste treatment and soil remediation, bringing tremendous development opportunities. In consumer market, the overall economic growth momentum of domestic consumption was significant, with regional disparity between urban and rural areas narrowing down, bringing the beer industry huge opportunities to develop the mid-to high-end markets. Highlights of our future efforts are as follows:

Gas Business: Firstly, we will continue to promote Beijing Gas to emphasize on the implementation of Clean Air Action Plan, actively facilitate the development of clean natural gas energy to support the government to achieve the goal of non-coal utilization in the six metro areas of Beijing by the end of 2015. Secondly, by leveraging on the resource advantages of Beijing Gas, we will seize the opportunities from the national strategy of integrating Beijing, Tianjin and Hebei together, actively develop the markets surrounding Beijing; actively pursue international cooperation, and expand overseas investments. Thirdly, we will expand its industrial chain, strengthen the market competiveness of the cooling-heating-power supply, and establish its dominant position in distributive energy development. We will strive to become a dominator in the full industrial chain for vehicle gas in Beijing, accelerate and improve facilities construction, and optimize stations layout. In 2015, we will basically complete the improved gas filling stations network layout, for which we will newly develop 10 natural gas filling stations and 3,000 natural gas vehicles of different categories during the year. Fourthly, we will continue to actively promote the business and resource integration of Beijing Gas and China Gas Holdings Limited (Stock Code: 384, "China Gas"), concentrate on the advantages in developing the gas-fuel market outside Beijing; enhance the deep strategic cooperation between both parties, carry out the cooperation in gas-fuel sector by various means, and jointly develop the gas-fuel value-added services.

CHAIRMAN'S STATEMENT

Beer Business: Yanjing Beer will catch up with the transformation of consumption, increase sales of mid-to high-end products, and expand the influence and contribution of Yanjing brand, and thus further increase its market share. At the same time, it will optimize the capacity utilization rate, strengthen economies of scale, increase the supporting efforts on advantageous markets, emerging and growing markets; accelerate transformation pace, and eliminate obsolete production capacity.

Sewage and Water Treatment Operations: The Company will continue to expand its industry leading edge, establish comprehensive operation service ability, and focus on those regions and city clusters with a larger incremental scale potential like Beijing, Tianjin and Hebei, those in Yangtze River Delta and Pearl River Delta. At the same time, by leveraging on its existing overseas projects, it will further expand overseas markets including South-east Asian regions and European regions, conduct a target-oriented research on entry strategy, timing and model for market expansion.

Solid Waste Treatment Business: The Company will continue its innovative market development model and mechanism, rapidly expand its treatment capacity of solid waste and establish the solid waste industrial platform of Beijing Enterprises Holdings Environment Technology Co. Ltd. ("BEHET"). BEHET will strive to achieve market innovation, endeavor to expand market scale of solid waste business and continue to strengthen its comprehensive environmental services ability through strategic merger and acquisition as well as strategic cooperation. By leveraging on the successful transformation from science and technology information business in 2014, Beijing Development (Hong Kong) Limited (Stock Code: 154, "Beijing Development") will complete its business reorganization as soon as possible, and secure the financing channels to obtain funding support for development. It will ensure the safe operation of projects under construction and operation, steadily expand the benefits of scalable operation; fully upgrade the internal management, strengthen its core competiveness, rapidly expand market influence, and establish the brand advantage of BEHET to become the industry's benchmarked enterprise.

Today, Beijing Enterprises has already become the industry leader and equipped with the strengths and foundation to become the industry benchmark. Looking forward, a series of mid-to-long term policies, industry and environment benefits will bring the Company valuable opportunities to continue its high-end development. The Company will prudently assess the situation and further enhance each of its business segment's leading-edge in the industry based on the professional operations of its core business sectors in gas, water and solid waste, and be dedicated to become a leading service provider of clean energies and utilities in China.

Wang Dong
Chairman

Hong Kong
31 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

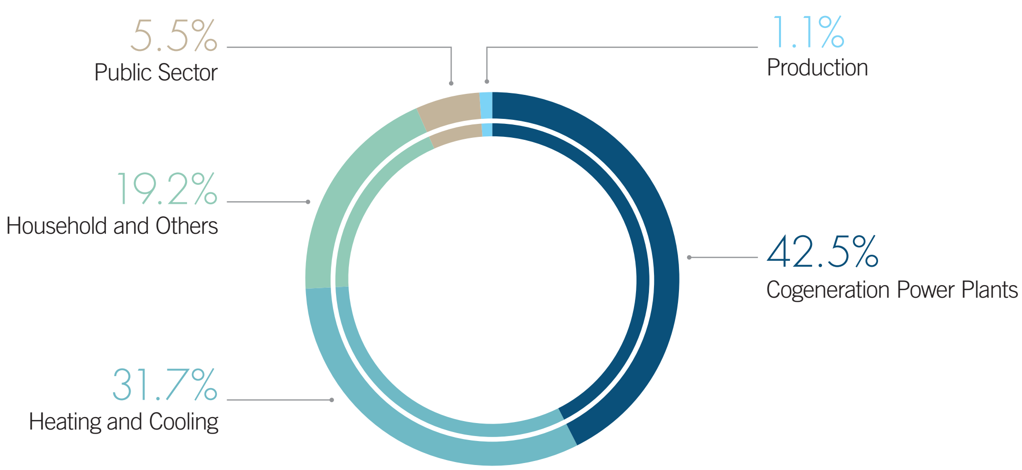
I. BUSINESS REVIEW

Natural Gas Distribution Business

Beijing Gas Group Company Limited ("Beijing Gas") recorded a gas sales volume of 9.96 billion cubic metres in 2014, representing a year-on-year growth of 14.2%. Revenue amounted to HK$32.44 billion, representing a year-on-year growth of 28.9%.

In 2014, there were approximately 206,000 new subscribers, of which 202,000 were household subscribers and 4,537 were public-sector subscribers. At the end of 2014, the total number of natural gas subscribers has reached 5,210,000 and pipelines in operation in Beijing increased to 16,931 kilometers in length. During the year, heating boilers with a total capacity of 5,902 t/h steam were developed, with a loading of 509.6 t/h steam in summer. Capital expenditure for basic pipelines and gateway stations infrastructure in Beijing amounted to HK$1.49 billion.

The sales volume of Beijing Gas in 2014 was approximately 9.96 billion cubic metres, analysed as follows:



During the second half of 2014, the sales volume growth increased significantly, which was mainly due to the official commencement of the two Cogeneration Power Plants in Jingxi and Gaojing of Northwest Thermal Gas Power Center in the fourth quarter and the trial production of Gaoantun turbine of Northeast Thermal Gas Power Center. This created a substantial increase in gas demand from power generation. Due to the continuous increase of household subscribers, the relevant gas sales volume rose steadily. Sales volume of vehicle gas recorded a substantial growth last year amounted to 217 million cubic metres.

I. BUSINESS REVIEW *(Continued)*

Natural Gas Distribution Business *(Continued)*

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 and enhanced the coverage of the suburban market in Capital City. During the year, Beijing Gas ensured the construction of its key projects. The constructions of the ancillary gas-fueled pipelines and facilities for Northwest and Northeast Thermal Gas Power Plants were completed and commenced gas supply. The Xisha Tunmen Station of No. 3 Shaanxi-Beijing Pipeline was completed and started operation. Beijing Gas successfully improved the gas supply facilities system in Beijing, advanced gas supply pipelines network, and enhanced the gas supply capability.

During the year, the vehicle gas market continued to develop rapidly, Beijing Gas and Sinopec Beiran（中石化北燃）jointly developed 20 LNG stations and 7,536 natural gas vehicles. As at the end of 2014, Beijing Gas had completed the construction of 78 LNG stations for gas vehicles and Beijing had developed a total of 17,000 natural gas vehicles. The large-scaled application of gas-fueled vehicles will effectively reduce carbon dioxide emission, which is of great importance to improve air pollution of the Capital City.

Beijing Gas also made significant breakthrough in the business expansion in the distributed energy market. The National Development and Reform Commission issued "The Implementing Rules of the Demonstration Projects of Natural Gas Distributed Energy"（天然氣分佈式能源示範項目實施細則）on 23 October 2014, which has effectively boosted the confidence for industry development. During the year, Beijing Gas completed the construction of two projects, started construction of two projects and developed two new natural gas cooling-heating-power supply projects.

China Gas

In the first half of the 2015 financial year, China Gas Holdings Limited ("China Gas") achieved a sales volume of 4.19 billion cubic metres in pipeline gas, representing a year-on-year increase of 17.8%, and achieved revenue of HK$15.588 billion, representing a year-on-year increase of 49%. Profit attributable to the Company amounted to approximately HK$622 million in 2014.

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 29.96 billion cubic metres in 2014, representing a year-on-year increase of 18.9%. Profit after taxation attributable to the Company was HK$2.33 billion, representing a year-on-year increase of 5.3%. The capital expenditure of PetroChina Beijing Pipeline Co. amounted to HK$1.975 billion in 2014.

I. BUSINESS REVIEW *(Continued)*

Beer Business

In 2014, the 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 5.32 million kilolitres, representing a year-on-year decrease of 6.87%. Revenue amounted to HK$15.15 billion. Profit after taxation amounted to HK$951 million, representing a year-on-year growth of 1.9%. Profit attributable to shareholders of the Company amounted to approximately HK$388 million, representing a year-on-year increase of 8.3%. The capital expenditure of Yanjing Beer amounted to HK$1.034 billion in 2014.

In 2014, the sales volume of Yanjing Beer failed to meet the planned target at the beginning of the year, which, on the one hand, was mainly due to the impact from external macroeconomic conditions. Under the new normal state of macro economy, the performance of China's catering industry, especially the mid-to-high end catering sectors, dropped significantly, which in turn had struck the beer industry. On the other hand, competition in the Company's advantageous competitive market grew more intense. The competition among conglomerate groups further intensified, which brought more difficulties to local enterprises in further expanding their market shares. Thirdly, it was mainly due to the adjustment on product mix to cut down low-end products and the decrease in consumption of some regional markets.

In response to these market obstacles and issues, Yanjing Beer actively took corresponding measures: for markets with increasing difficulties in sales, Yanjing Beer adhered to the guidance of "Continuously consolidating its distribution networks, enabling distributors to maintain stable and sustainable profits, ensuring the dominant position in certain advantageous markets such as Beijing, Guangxi, Yunnan, Xinjiang and Inner Mongolia, in order to protect the interests of our shareholders". The Company actively took adjustment measures in its product mix, market structure and brand structure to improve its unit price effectively. It continued to deepen the appropriate distribution strategies based on its major customer agency system, enhanced its control of terminal market, strengthened evaluation of secondary distributors and store distributors, to further mobilize the distributor's initiatives to sell Yanjing Beer. We strived to develop the consumption potential in communities and retail terminal. Such measures has delivered preliminary results. Despite sales volume decreased, our gross profit margin had improved substantially with profit after taxation sustained a growth trend, which was attributable to our effective adjustments in product mix, market structure and brand structure.

I. BUSINESS REVIEW *(Continued)*

Sewage and Water Treatment Operations

The sewage treatment and water supply businesses of Beijing Enterprises Water Group Limited ("BE Water") (stock code: 371) continued to grow rapidly in 2014. Its revenue increased by 39% to HK$8.93 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 65% to HK$1.79 billion, of which net profit of HK$790 million was attributable to the Company. As at the end of 2014, BE Water already participated in 326 water plants which were or will be in operation, including 250 sewage treatment plants, 69 water distribution plants, 6 reclaimed water plants and 1 seawater desalination plant. Its total designed capacity reached 20.15 million tons/day, increased by 21% year-on-year. Its operation capacity was 11.45 million tons/day, and the capacity under development was 8.7 million tons/day. The projects developed by BE Water are located in different regions in the PRC and BE Water has further consolidated its position as the largest comprehensive leading water treatment company in the PRC.

Solid Waste Treatment Business

With the national policy on environmental protection, the Company continued to endeavor in developing the investment of solid waste project, construction build up and production and operation. Up to the end of 2014, the new contracted capacity of household waste incineration power generation projects reached 3,500 tons/day and total treatment capacity attained 17,025 tons/day, among the top 10 in the PRC. The new contracted capacity of hazardous waste disposal projects reached 26,000 tons/year and total treatment capacity attained 98,000 tons/year. The total operation capacity of waste incineration power generation projects reached 5,125 tons/day and total operation capacity of hazardous waste disposal projects attained 83,000 tons/year. The Company achieved quick expansion of its business scale in solid waste treatment.

The Company had completed the initial "Grand Cross" market layout, of which, the regional markets such as Beijing and Northeast region possess relatively distinctive advantages with regional advantages and brand influence gradually expanded. The Company made breakthroughs in the emerging business sectors with its service coverage extended to the emerging segments in soil remediation and catering waste treatment. Its solid waste service sector was further expanded, covering the municipal solid waste and industrial solid waste sectors horizontally, and the industry chain of waste transportation, resource recycling comprehensive treatment, hazardless treatment and disposal. The Company's capability in comprehensive environmental services increased rapidly.

I. BUSINESS REVIEW *(Continued)*

Material Capital Operation and Implementation of Strategic Business Layout

Firstly, on 26 November 2014, the Company and China Gas entered into an agreement to sell the interests in 12 gas projects outside Beijing to China Gas at the consideration of RMB1.633 billion. This transaction enabled Beijing Gas to further focusing on the management and operation of its pipeline gas business in Beijing Districts. As China Gas is currently managing and operating certain gas projects in the adjacent regions, such disposal would create synergy for the gas project portfolios of China Gas through economies of scale, and would benefit the Group indirectly through the attributable shareholding interest in China Gas of approximately 24.68% upon its completion. As at 31 December 2014, the transaction was not yet completed.

Secondly, in December 2014, the Company and infrastructure investors entered into agreements to acquire a basket of household waste incineration power generation projects, medical waste disposal projects and sewage treatment projects. These projects include two household waste incineration power generation projects in Beijing Gaoantun and Zhangjiagang. The Gaoantun Project has a total designed capacity of 1,600 tons/day and was put into commercial operation in 2011. The Zhangjiagang Project has a total designed capacity of 900 tons/day, with an operation term of 25 years and was formally put into production in 2006. Upon the completion of the acquisition of these projects at the end of December 2014, the total designed treatment capacity of solid waste treatment projects invested and operated by the Group will reach 17,000 tons/day and the Group will become a major environmental protection business operator in the PRC.

II. PROSPECTS

Natural Gas Distribution Business

The construction of the four major Thermal Power Centres in Beijing has reached significant achievements. In the fourth quarter of 2014, the Jingxi and Gaojing two Cogeneration Power Plants of Northwest Thermal Power Center officially started operation and the Gaoantun Power Plant of Northeast Thermal Power Center also completed trial operation. As at the end of 2014, there were ten cogeneration power plants in operation in Beijing, with a total installed capacity of 5,500 MW. In the first quarter of 2015, the coal-fired generation units of Jingxi and Guohua were closed down officially. The Group will improve the utilization rate of current cogeneration power plants to maintain the power supply security in Beijing. Within 2015, the Guohua cogeneration power plant of Northeast Thermal Power Center will also start operation. Together with the newly-added installed capacity of 1,700 MW of the Gaoantun power plant, the demand for natural gas power generation will further increase. The last set of coal-fired generation unit in Beijing, owned by Huaneng Group（華能集團）, will abort its production in 2016 and will be replaced by a gas-fired generation unit with the same 845 MW capacity. By that time, there will be thirteen cogeneration power plants in operation in Beijing with total installed capacity of 8,000 MW. Its annual consumption of natural gas will be nearly 8 billion cubic metres, and will become the pillar of the natural gas distribution business in Beijing.

II. PROSPECTS *(Continued)*

Natural Gas Distribution Business *(Continued)*

According to the "Beijing Clean Air Action Plan 2013-2017", 6 metro areas and outer suburban districts in Beijing will continue the clean energy transformation of coal-fire boiler, which will further increase the demand for natural gas heating. Furthermore, under the vigorous promotion by the municipal government, Beijing Gas will continue to invest in the infrastructures related to vehicle gas, and the sales growth of which will be higher than the growth of other subscriber sectors, thereby it will become a new growth momentum of gas distribution business in Beijing.

Natural Gas Transmission Business

No. 3 Shaanxi-Beijing Pipeline has been accomplished, and at present, the Shanxi-Beijing Pipeline system can effectively deliver over 3.5 billion cubic metres of natural gas to Beijing and its neighboring districts per month during peak seasons, ensuring the gas supply security in Beijing and its neighboring districts and satisfying the growth demand of gas consumption in these districts.

China Gas

China Gas is an important platform of the Group to develop its natural gas business nationwide. Currently, of the 24 domestic provinces and municipalities, it has secured a total of 243 city pipeline gas-fueled projects with pipeline gas fuel concession rights, and owns 13 long-haul transmission pipeline projects for natural gas, 434 CNG/LNG stations for vehicles, 1 natural gas exploration project, 2 coalbed gas exploration projects and 98 liquefied gas distribution projects. China Gas endeavors to explore the industrial and commercial gas market that has huge potential, and further improves the development and management of client value-added businesses; fully takes the advantage of its existing liquefied petroleum gas terminals, warehouses and fleet. In coping with market conditions, it enlarges the purchase volume from international and domestic gas sources, and gradually improves the mid-stream assets utilization of liquefied petroleum gas. By leveraging on its unique advantage of upstream and downstream integration, it will realize the rational allocation between gas purchase, gas reservation and market coverage and maximize the overall benefit of its supply chain to further improve the sustained growth in profit for its liquefied petroleum gas business.

Sewage and Water Treatment Operations

BE Water continued to grow rapidly. Currently, it has 326 various water plants both domestically and abroad, with planned water treatment capacity of nearly 20.15 million tons, and has become a convincing leader in the industry. BE Water will focus on optimizing its existing projects, fully develops the new business in water industrial chain, and continues to maintain a speedy development momentum.

II. PROSPECTS *(Continued)*

Beer Business

Facing various challenges such as sluggish growth in the beer industry, fierce monopolized competition and increasing costs in environment treatment, Yanjing Beer will focus on the economic benefits. On one hand, it has implemented adjustments in product mix, brand mix and market structure to increase its market competitiveness. On the other hand, it enhances internal management and improves resources deployment efficiency, for which the optimal results of profit structure are emerging gradually, thus offsetting the rising costs and market pressure and achieves a stable growth in its economic indicators. The position of the advantageous markets in Beijing, Guangxi, Inner Mongolia will be further consolidated, with the greater southwest market strategies basically accomplished. The growing markets like Xinjiang and Sichuan will continue to maintain their rapid development, and some enterprises represented by Fujian Huiquan Beer（福建惠泉啤酒）have realized substantial growth through the adjustment on product mix and market structure. Currently, the proportion of its products with price over RMB2,500/kiloliter has reached 37.6%, of which 17% is for Yanjing brand beer. The proportion of sales volume of "1+3" brand was 90%, of which 68% is for Yanjing's main brands. The brand value of "Yanjing" is RMB66.076 billion, a growth of 31.4% over last year. Yanjing will develop actively its e-commerce network and sports marketing channels, increase its investments in online advertising, enhance its cooperation with new social media, build an all-round brand promotion network, and continuously improve the Yanjing brand image. It will further strengthen its foundation management standard, intensify the management and control at group level, internal control process, quality control and informatization construction, and thereby continuously improving its corporate inherent comprehensive competitiveness.

III. FINANCIAL REVIEW

Revenue

The revenue of the Group in 2014 was approximately HK$47.94 billion, increased by 13.2% when compared with the revenue of HK$42.36 billion in 2013. This was mainly driven by the stable growth of Beijing Gas's revenue. Yanjing Beer's revenue decreased due to a drop in sales volume, but still accounted for 31.6% of total net revenue. Other business contributed an aggregate of not more than 1% of the total revenue.

Cost of Sales

Cost of sales increased by 15.7% to HK$39.36 billion. Cost of sales of gas distribution business included purchase cost of natural gas as well as depreciation of piped line network. Cost of sales of brewery business included raw materials, wage expenses and absorption of certain direct overhead.

Gross Profit Margin

Overall gross profit margin was 17.9%. The decrease in overall gross profit margin was mainly attributable to the increase in cost of sales of natural gas as a result of an increase in gateway stations gas price. The gross profit margin of beer sales improved by 3.3 percentage points, which was benefited from larger decrease in raw material prices and better cost control.

III. FINANCIAL REVIEW *(Continued)*

Gain on Deemed Disposal of Partial Interest in an Associate

For the purpose of acquiring certain water treatment business and assets from Standard Water Limited, BE Water placed new shares in 2014 at a price higher than its net asset value per share, and the Group received a gain on deemed disposal of partial interest in an associate of HK$379 million.

Other Income

Other income was mainly comprised of government grants amounted to HK$247 million, transfer of pipeline networks amounted to HK$110 million and bank interest income amounted to HK$164 million and so on.

Selling and Distribution Expenses

Selling and distribution expenses of the Group in 2014 decreased by 0.6% to HK$2.6 billion which was mainly due to tightening cost control and reducing unnecessary selling expenses.

Administration Expenses

Administration expenses of the Group in 2014 were HK$3.41 billion, increased by 1.9% comparing to last year. The increase in administration expenses was well below than its increase in sales mainly due to tightening cost control.

Other Operating Expenses, net

Increased by approximately HK$285 million, which was mainly due to the impairment made for certain assets.

Finance Costs

Finance costs of the Group in 2014 was HK$1.17 billion, increased by 3.4% comparing to 2013, which was mainly due to the additional HK$3 billion five year syndicated loans in April 2014.

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., the 22.4% share of the profit attributable to shareholders of China Gas and the 43.92% share of the profit attributable to shareholders 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..

In 2014, the Group shared 40% of PetroChina Beijing Pipeline Co.'s profits after taxation, amounting to HK$2.33 billion, and in the same year, the Group shared 22.4% of China Gas's profits after taxation, amounting to HK$622 million. The Group's share of net profits of BE Water amounted to HK$790 million in 2014.

III. FINANCIAL REVIEW *(Continued)*

Tax

After deducting the share of profits and losses of associates, the effective income tax rate is 26.2%, higher than that of 21.3% in last year. It was because non-taxable gain from deemed disposal of interest in an associate during the year was lower than last year and the non-deductible other operating expenses were higher than last year.

Profit Attributable to Shareholders of the Company

The profit attributable to the shareholders of the Company for the year ended 31 December 2014 was HK$4.83 billion (2013: HK$4.18 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$320 million. In 2014, Beijing Gas incurred a capital expenditure of approximately HK$1.49 billion in natural gas distribution business. The capital expenditure of Yanjing Beer was approximately HK$1.03 billion.

Goodwill

The increased balance amount of HK$1.17 billion was mainly come from two household waste power generation projects in Taian and Changde acquired by Beijing Development and a basket of household waste power generation projects in Jinzhou acquired by the Company.

Operating Concessions

The increased balance amount of HK$1.42 billion was mainly due to the investment of the Changde waste power generation project by Beijing Development, the commencement of operations of the Group's Wuhan Bo Rui, Shuyang and Harbin projects during the year and the acquisition of waste power generation projects of GSE Investment Corporation（金州環境投資股份有限公司）during the year.

Other intangible assets

The increased balance was mainly due to the patents purchased by Beijing Gas during the year.

Interests in associates

The increased balances attributed to the share of net profits in 2014 of PetroChina Beijing Pipeline Co., China Gas and BE Water and share of gain on deemed disposal of interests in BE Water.

IV. FINANCIAL POSITION OF THE GROUP *(Continued)*

Non-current assets *(Continued)*

Available-for-sale Investments

The decrease in the balance by HK$230 million was mainly attributable to the reduction of shareholding in Beijing Jingneng Clean Energy Co., Limited by the Group.

Amounts due from contract customers

The balance decreased by HK$630 million was mainly due to certain household waste power generation projects that were previously under construction has begun to operate in current year. Certain of the balances have been transfered to operating concessions and receivables under service concession arrangements.

Receivables under service concession arrangements

The increased balance was mainly represented by new operating concession projects, including Gaoantun Waste Power Generation Project, Shuyang and Harbin Shuangqi Household Waste Power Generation Projects.

Current assets

Receivables under service concession arrangements

The decreased balance was mainly due to the settlement of water fees receivable by Beijing No. 9 Water Plant.

Trade and bills receivables

The increase in the balance by HK$930 million was mainly due to the new subscribers of Beijing Gas included the three Cogeneration Power Plants that led to a significant increase in consumption volume in the fourth quarter, but the settlement was still outstanding as at the end of the year. In the first quarter of 2015, Beijing Gas has already received HK$1.7 billion of account receivables.

Prepayments, deposits and other receivables

The increase in the balance by HK$1.84 billion was mainly attributable to the significant increase in prepayment of gas purchasing of approximately HK$2.39 billion by Beijing Gas.

Other taxes recoverable

It mainly represented the prepayment of input VAT of approximately HK$2.06 billion by Beijing Gas.

Assets classified as held for sale

The balance represented the acquisition costs of water projects from GSE Investment Corporation（金州環境投資股份有限公司）as at the end of 2014. The Group plans to sell these water projects during 2015.

IV. FINANCIAL POSITION OF THE GROUP *(Continued)*

Current assets *(Continued)*

Cash and Bank Borrowings

As at 31 December 2014, cash and bank deposits held by the Group amounted to HK$11.27 billion. As at balance sheet date, if the receipts in advance for the replenishment of IC Card value of Beijing Gas which approximate to HK$4.99 billion are to be excluded, the Group had net current assets of HK$3.12 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$37.22 billion as at 31 December 2014, which mainly comprised three guaranteed senior notes of US$1.8 billion in total, five year syndicated loans amounting to HK$6 billion and bridge loan amounting to US$540 million with the remaining working capital loans of HK$13.11 billion denominated in Renminbi and Hong Kong dollars. Around 40.1% 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$25.95 billion as at 31 December 2014.

Non-current liabilities

Bank and other borrowings

There was an increase of HK$12.11 billion in long and short term balance in total, including a new five year syndicated loans amounting to HK$3 billion, short term loans of US$540 million and Hong Kong dollar floating loans of HK$3.4 billion.

Current liabilities

Receipts in advance

The increase in the balance by HK$150 million 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 decrease in the balance by HK$1.36 billion was mainly attributable to the significant decrease in capital expenditure of gas distribution business.

Other taxes payable

The balance decreased by HK$560 million was mainly due to the balance of urban construction tax and other additional tax of last year paid by Beijing Gas during the year.

Liability component of convertible bonds

The decrease in the balance was because the convertible bonds due in 2014 had been fully converted into shares.

IV. FINANCIAL POSITION OF THE GROUP *(Continued)*

Current liabilities *(Continued)*

Liquidity and Capital Resources

The downstream natural gas distribution business and brewery business has been constantly contributing to the operating cash flow of the Group and significantly increased its liquidity. As at the end of 2014, the issued capital of the Company amounted to 1,284,350,268 shares and the shareholders' equity grew to HK$57.18 billion. Total equity was HK$68.05 billion. 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 35% (2013: 27%).

Given the primarily cash nature business of natural 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 49, 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 49, 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 58, is the Vice Chairman and CEO of the Company. Mr. Zhou is also Vice Chairman of Beijing Enterprises Group Company Limited, 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.

LI Fucheng, aged 60, 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.

DIRECTORS AND SENIOR MANAGEMENT

LI Yongcheng, aged 53, 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 once assumed various positions of deputy general manager, vice chairman and general manager with Beijing Gas Group Co., Ltd. He is currently Vice Chairman and Executive Deputy General Manager of Beijing Enterprises Group Company Limited, and is also Chairman and Executive Director of Beijing Enterprises Water Group Limited (stock code: 371). Mr. Li possesses extensive experience and professional expertise in public utilities industry, and also has plenty of experience in enterprise operations and capital operations. Mr. Li was Vice President of the Company from August 2007 to March 2011, and subsequently re-joined the Company as Executive Director in March 2014.

E Meng, aged 56, 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. He is a PRC senior accountant with the qualifications of PRC certified accountant, asset appraiser, certified real estate appraiser and tax appraiser. From 1988 to 1997, he 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 50, is the Executive Director and Vice President of the Company. Mr. Jiang 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). Mr. Jiang 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 Limited, a public company listed on Nasdaq. Mr. Jiang 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. Mr. Jiang has extensive experience in economics, finance and corporate management. Mr. Jiang joined the Group in February 2005.

DIRECTORS AND SENIOR MANAGEMENT

TAM Chun Fai, aged 52, 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. He 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.

NON-EXECUTIVE DIRECTOR

GUO Pujin, aged 61, 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 Trade and Economics University. Mr. Guo was previously the Chief Executive Officer of Da Xing District of Beijing and is currently 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 63, 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 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), Non-executive Director of China Water Affairs Group Limited (stock code: 855), and Independent Director of China Merchants Securities Co., Ltd. (a company listed on the Shanghai Stock Exchange with stock code: 600999). He has extensive experience in finance and management. Mr. Wu joined the Group in July 2004.

DIRECTORS AND SENIOR MANAGEMENT

LAM Hoi Ham, *Justice of Peace*, aged 76, 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 previously served 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 and currently serves as its Senior Consultant. He is now 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 48, 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 75. 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.

DIRECTORS AND SENIOR MANAGEMENT

SHI Hanmin, aged 65, 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.

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 to 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.M., J.P.*, aged 76. 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 51, 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 managing director 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.

DIRECTORS AND SENIOR MANAGEMENT

ZHI Xiaoye, aged 47, is Vice President of the Company. Mr. Zhi also serves as General Manager of Beijing Gas Group Company Limited. Mr. Zhi graduated from Beijing University of Technology with a mater degree in Management Science and Engineering, possesses the title of senior engineer, and had worked at Tokyo Gas in Japan as Researcher, at Beijing Gas Group Company Limited as transmission branch Manager, at Beijing Dingxin New Technology Company Limited（北京市鼎新新技術有限公司）as Chairman and at Beijing Gas Group Company Limited as Executive Deputy General Manager. Mr. Zhi has plenty of experience in pipe gas business and corporate management. Mr. Zhi was appointed as Vice President of the Company in July 2014.

KE Jian, aged 46, 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, Vice Chairman and CEO 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 47, 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 and member of the remuneration committee 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 2014.

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 20 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 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 49 to 190.

An interim dividend of HK28 cents per ordinary share was paid on 28 October 2014. The directors of the Company recommend the payment of a final dividend of HK62 cents per share for the year end 31 December 2014 to shareholders on the register of members of the Company on 22 June 2015. 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 at the forthcoming annual general meeting, the final dividend will be paid on or around 8 July 2015.

ANNUAL GENERAL MEETING

The 2015 annual general meeting will be held on Thursday, 11 June 2015. The notice of the 2015 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 2015 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 2015 annual general meeting:

Latest time to lodge transfer documents for registration . . . . .4:30 pm on Thursday, 4 June 2015

Closure of register of members . . . . Friday, 5 June 2015 to Thursday, 11 June 2015 (both dates inclusive)

(ii) For determining entitlement to the final dividend:

Latest time to lodge transfer documents for registration . . . . 4:30 pm on Tuesday, 16 June 2015

Closure of register of members . . . . Wednesday, 17 June 2015 to Monday, 22 June 2015 (both dates inclusive)

Record date . . . . .Monday, 22 June 2015

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2015 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 2014, the Group had approximately 49,500 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 2013 is set out on pages 191 to 192. 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 14 and 15 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 32, 33 and 37 to the financial statements, respectively.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, the Company bought back a total of 1,051,500 ordinary shares of the Company on the Stock Exchange and these shares were subsequently cancelled by the Company. Details of the buy-backs of such ordinary shares are as follows:

Date	Number of Shares bought back	Price per Share Highest *HK$*	Price per Share Lowest *HK$*	Total price paid *HK$*
28 January 2014	300,000	64.35	63.50	19,263,000
29 January 2014	301,500	66.67	66.50	20,172,000
30 January 2014	450,000	65.82	65.82	29,726,000

The buy-back of the Company's shares during the year was effected by the directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the provisions of part 6 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) amounted to HK$1,127,104,000 (2013: HK$775,301,000).

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.

REPORT OF THE DIRECTORS

BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION

During the year under review and up to the date of this report, the Board changes of the Company are as follows:

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.

On 28 April 2014:

– Executive Director and Vice Chairman Mr. Zhang Honghai resigned.

On 9 October 2014：

– Executive Director Mr. Liu Kai resigned.

On 31 December 2014：

– Independent Non-executive Director Mr. Robert A. Theleen resigned.

Subsequent to the date of issuing 2014 interim report, changes in directors' information 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 as follows:

	Appointment (effective date)	**Resignation (effective date)**
Mr. Li Yongcheng Beijing Enterprises Water Group Limited *note* – Executive Director and Chairman	29 October 2014	

Note: This company is listed on the Stock Exchange of Hong Kong Limited (stock code: 371).

BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION *(Continued)*

In accordance with articles 96 and 105(A) of the Company's articles of association and the recommendation of the board of directors, Mr. Wang Dong, Mr. Jiang Xinhao, Mr. Wu Jiesi, Mr. Lam Hoi Ham, Mr. Sze Chi Ching and Mr. Shi Hanmin 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 19 to 24 of the annual report.

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 36 to 46 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, 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 2014, 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	0.016%
Li Fucheng	12,000	0.001%
E Meng	30,000	0.002%
Jiang Xinhao	20,000	0.002%
Tam Chun Fai	2,000	0.000%

(B) LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

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

(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
Li Fucheng	Beijing Yanjing Brewery Company Limited@	82,506	0.003%
E Meng	Beijing Development@	601,000	0.040%
Tam Chun Fai	Beijing Development@	50,000	0.003%

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

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

(D) LONG POSITIONS IN UNDERLYING SHARES OF ASSOCIATED CORPORATIONS

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

	Number of share options directly beneficially owned					
Director	*Note (a)*	*Note (b)*	*Note (c)*	*Note (d)*	*Note (e)*	**Total**
Zhou Si	7,000,000	5,000,000	12,000,000			24,000,000
E Meng	5,000,000	3,600,000				8,600,000
Jiang Xinhao	5,000,000	3,300,000	6,000,000	4,000,000	2,000,000	20,300,000

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 2014**	**Granted during the period**	**Exercised during the period**	**At 31 December 2014**
E Meng	*(f)*	6,770,000	–	–	6,770,000

Long positions in share options in China Gas Holdings Limited@:

		Number of share options directly beneficially owned			
Director	*Note*	**At 1 January 2014**	**Granted during the period**	**Exercised during the period**	**At 31 December 2014**
Zhou Si	*(g)*	–	4,000,000	–	4,000,000

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 31 March 2014 at an exercise price of HK$0.940 per share. These share options may be exercised at any time commencing on 31 March 2014, and if not otherwise exercised, will lapse on 30 March 2024.

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)*

Notes: (Continued)

(e) These share options were granted on 28 August 2014 at an exercise price of HK$0.750 per share. These share options may be exercised at any time commencing on 28 August 2014, and if not otherwise exercised, will lapse on 27 August 2024.

(f) 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.

(g) These share options were granted on 16 April 2014 at an exercise price of HK$12.40 per share. These share options may be exercised at any time commencing on 16 April 2017, and if not otherwise exercised, will lapse on 15 April 2019.

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

Save as disclosed above, as at 31 December 2014, 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 date of grant. No option may be granted more than 10 years after the date of approval of the Scheme.

SHARE OPTION SCHEME *(Continued)*

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 fully exercised by April 2011. Since then and until 31 December 2014, 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 2014, 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	7.79%
Beijing Enterprises Investments Limited ("BEIL")	163,730,288	100,050,000 (a)	263,780,288	20.54%
Beijing Enterprises Group (BVI) Company Limited ("BE Group BVI")	515,200,000	263,780,288 (b)	778,980,288	60.65%
Beijing Enterprises Group Company Limited ("Beijing Enterprises Group")	–	778,980,288 (c)	778,980,288	60.65%

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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Short Positions:

Name	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Others	Total	
Shine Power International Limited ("Shine Power")	40,000,000	–	40,000,000	3.11%
BE Group BVI	–	40,000,000*	40,000,000	3.11%
Beijing Enterprises Group	–	40,000,000*	40,000,000	3.11%

* The interests disclosed include the shares owned by Shine Power. Shine Power is a direct wholly-owned subsidiary of BE Group BVI, and is also an indirect wholly-owned subsidiary of Beijing Enterprises Group. Accordingly, each of BE Group BVI and Beijing Enterprises Group is deemed to be interested in the shares owned by Shine Power.

Save as disclosed above, as at 31 December 2014, 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 50 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.56 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 55 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:

The Company obtained two five-year HK$3 billion syndicated loan facilities, one in 2010 and the other in 2014. 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:

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 2015

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 2014, 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 three 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 have deviated 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 2014.

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).

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 attendance of board meetings and general meetings is set out below:

Name		Attendance^				
		Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Executive Directors						
Wang Dong	*(Chairman)*	2/3			1/1	1/1
Hou Zibo[1]	*(Vice Chairman)*	3/3				
Zhou Si	*(Vice Chairman & CEO)*	3/3		1/1		1/1
Li Fucheng	*(Vice Chairman)*	3/3				
Li Yongcheng[2]		2/2				
E Meng	*(Executive Vice President)*	2/3	2/2			
Jiang Xinhao	*(Vice President)*	3/3				
Tam Chun Fai	*(Chief Financial Officer & Company Secretary)*	3/3	2/2			1/1
Zhang Honghai[3]		1/2				
Liu Kai[4]		3/3				
Lei Zhengang[5]		0/1				
Non-executive Director						
Guo Pujin		1/3				0/1
Independent Non-executive Directors						
Wu Jiesi		3/3	2/2	1/1		1/1
Lam Hoi Ham		3/3	2/2	1/1	1/1	1/1
Fu Tingmei		3/3	2/2		1/1	1/1
Sze Chi Ching		2/3				1/1
Shi Hanmin		2/3				0/1
Yu Sun Say[6]		2/2				1/1
Robert A. Theleen[7]		2/3				0/1

BOARD OF DIRECTORS *(Continued)*

Directors' Training

It has been the board's policy that every newly appointed director is given a comprehensive, formal and tailored-made 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 financial 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 organised 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[1]	✓
Zhou Si	✓
Li Fucheng	✓
Li Yongcheng[2]	✓
E Meng	✓
Jiang Xinhao	✓
Tam Chun Fai	✓
Zhang Honghai[3]	N/A
Liu Kai[4]	N/A
Lei Zhengang[5]	N/A

BOARD OF DIRECTORS *(Continued)*

Directors' Training *(Continued)*

Name	Attend Seminars/ Read Training Materials
Non-executive Director	
Guo Pujin	✓
Independent Non-executive Directors	
Wu Jiesi	✓
Lam Hoi Ham	✓
Fu Tingmei	✓
Sze Chi Ching	✓
Shi Hanmin	✓
Yu Sun Say[6]	✓
Robert A. Theleen[7]	N/A

Chairman and Chief Executive Officer

Mr. Wang Dong is the chairman of the board of the Company, and Mr. Zhou Si is the chief executive officer. 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.

BOARD OF DIRECTORS *(Continued)*

Non-executive Directors *(Continued)*

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 2015
Lam Hoi Ham	3 years from 1 April 2015
Fu Tingmei	3 years from 1 April 2015
Sze Chi Ching	3 years from 28 March 2013
Shi Hanmin	3 years from 28 March 2013
Yu Sun Say[6]	3 years from 31 March 2014
Robert A. Theleen[7]	3 years from 1 April 2012

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.

Notes:

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

1. Executive Director Mr. Hou Zibo was re-designated as Executive Director and Vice Chairman with effect from 31 March 2014.

2. Executive Director Mr. Lei Zhengang resigned with effect from 31 March 2014.

3. Mr. Li Yongcheng was appointed as Executive Director with effect from 31 March 2014.

4. Dr. Yu Sun Say was was appointed as Independent Non-executive Director with effect from 31 March 2014.

5. Executive Director and Vice Chairman Mr. Zhang Honghai resigned with effect from 28 April 2014.

6. Executive Director Mr. Liu Kai resigned with effect from 9 October 2014.

7. Independent Non-executive Director Mr. Robert A. Theleen resigned with effect from 31 December 2014.

BOARD OF DIRECTORS *(Continued)*

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.

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 remuneration policy of the Company is to provide an equitable and competitive remuneration package so as to attract and retain the best employees to serve corporate needs. The remuneration package for each employee is structured to include: basic 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 package 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 Dr. Yu Sun Say, who possesses extensive experience in finance and management, were appointed as independent non-executive director 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 2014, 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$3.71 million, which included fees for an agreed-upon procedures engagement in connection with the Group's interim financial report and tax compliance services etc.

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 2014 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 2014, 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.

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.

SHAREHOLDERS' RIGHTS *(Continued)*

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 2014, 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
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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 49 to 190, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 80 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), 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 2014, 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 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	5	**47,935,795**	42,360,528
Cost of sales		**(39,359,764)**	(34,023,315)
Gross profit		**8,576,031**	8,337,213
Gain on disposal of interests in subsidiaries	45	**–**	25,935
Gain on deemed disposal of partial interests in an associate	22(a)	**378,843**	581,428
Other income and gains, net	5	**862,480**	908,099
Selling and distribution expenses		**(2,595,985)**	(2,611,439)
Administrative expenses		**(3,407,908)**	(3,345,808)
Other operating expenses, net		**(482,408)**	(197,707)
PROFIT FROM OPERATING ACTIVITIES	6	**3,331,053**	3,697,721
Finance costs	7	**(1,172,491)**	(1,133,744)
Share of profits and losses of:			
Joint ventures	21(b)	**4,827**	(5,847)
Associates	22(b)	**3,807,092**	2,742,612
PROFIT BEFORE TAX		**5,970,481**	5,300,742
Income tax	10	**(564,834)**	(545,287)
PROFIT FOR THE YEAR		**5,405,647**	4,755,455
ATTRIBUTABLE TO:			
Shareholders of the Company	11	**4,831,678**	4,183,878
Non-controlling interests		**573,969**	571,577
		5,405,647	4,755,455
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	13		
Basic		**HK$3.78**	HK$3.61
Diluted		**HK$3.77**	HK$3.54

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014 **HK$'000**	2013 HK$'000
PROFIT FOR THE YEAR	**5,405,647**	4,755,455
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**(106,292)**	550,728
Reclassification adjustments for gain on disposal included in the consolidated statement of profit or loss	**(61,268)**	(106,200)
Income tax effect	**(16,892)**	20,941
	(184,452)	465,469
Exchange differences:		
Translation of foreign operations	**(1,367,217)**	1,860,766
Reclassification adjustments for gain on disposal of interests in subsidiaries included in the consolidated statement of profit or loss	**–**	(15,081)
	(1,367,217)	1,845,685
Share of other comprehensive income/(loss) of associates	**(101,289)**	119,749
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**(1,652,958)**	2,430,903
Items not to be reclassified to profit or loss in subsequent periods:		
Defined benefit plans:		
Actuarial (losses)/gains	**(108,273)**	36,832
Income tax effect	**27,069**	(9,208)
	(81,204)	27,624
Share of other comprehensive income/(loss) of associates	**(15,890)**	13,072
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	**(97,094)**	40,696
OTHER COMPREHENSIVE INCOME/(LOSS)FOR THE YEAR, NET OF INCOME TAX	**(1,750,052)**	2,471,599
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,655,595**	7,227,054
ATTRIBUTABLE TO:		
Shareholders of the Company	**3,336,953**	6,347,464
Non-controlling interests	**318,642**	879,590
	3,655,595	7,227,054

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets:			
Property, plant and equipment	14	**39,320,530**	38,996,767
Investment properties	15	**703,749**	719,968
Prepaid land premiums	16	**1,959,240**	1,785,609
Goodwill	17	**8,832,689**	7,659,735
Operating concessions	18	**2,021,350**	606,292
Other intangible assets	19	**236,978**	64,120
Investments in joint ventures	21	**230,722**	217,350
Investments in associates	22	**33,275,203**	29,184,338
Available-for-sale investments	23	**1,084,098**	1,315,859
Amounts due from contract customers	25	**316,733**	947,102
Receivables under service concession arrangements	18	**992,597**	–
Prepayments, deposits and other receivables	27	**1,165,546**	1,316,771
Deferred tax assets	41	**678,460**	601,056
Total non-current assets		**90,817,895**	83,414,967
Current assets:			
Prepaid land premiums	16	**44,860**	53,509
Inventories	24	**5,393,368**	5,661,492
Amounts due from contract customers	25	**39,895**	28,599
Receivables under service concession arrangements	18	**140,425**	701,582
Trade and bills receivables	26	**5,320,835**	4,393,374
Prepayments, deposits and other receivables	27	**6,131,039**	4,290,561
Other taxes recoverable		**2,232,099**	219,169
Restricted cash and pledged deposits	29	**58,735**	63,104
Cash and cash equivalents	30	**11,207,706**	10,795,467
		30,568,962	26,206,857
Assets of a disposal group classified as held for sale	31	**2,677,061**	–
Total current assets		**33,246,023**	26,206,857
TOTAL ASSETS		**124,063,918**	109,621,824

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital: nominal value	*32*	–	127,019
Other statutory capital reserves		–	29,607,529
Share capital and other statutory capital reserves		**30,401,883**	29,734,548
Other reserves	*34(a)(i)*	**25,978,176**	23,522,995
Proposed final dividend	*12*	**796,297**	763,695
		57,176,356	54,021,238
Non-controlling interests		**10,874,635**	10,046,841
TOTAL EQUITY		**68,050,991**	64,068,079
Non-current liabilities:			
Bank and other borrowings	*35*	**5,559,874**	4,519,636
Guaranteed senior notes	*36*	**13,879,298**	13,866,081
Liability component of convertible bonds	*37*	–	93,501
Derivative component of convertible bonds	*37*	–	8,851
Defined benefit plans	*38*	**672,659**	535,655
Provision for major overhauls	*39*	**30,544**	30,544
Other non-current liabilities	*40*	**433,447**	361,859
Deferred tax liabilities	*41*	**319,441**	233,462
Total non-current liabilities		**20,895,263**	19,649,589

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Current liabilities:			
Trade and bills payables	*42*	**2,238,403**	2,383,225
Amounts due to contract customers	*25*	**377,784**	325,794
Receipts in advance		**5,843,713**	5,690,597
Other payables and accruals	*43*	**7,656,455**	9,014,718
Income tax payables		**342,499**	378,319
Other taxes payables		**266,372**	821,418
Liability component of convertible bonds	*37*	**84,556**	673,054
Derivative component of convertible bonds	*37*	**7,639**	–
Bank and other borrowings	*35*	**17,691,435**	6,617,031
		34,508,856	25,904,156
Liabilities directly associated with the assets of a disposal group classified as held for sale	*31*	**608,808**	–
Total current liabilities		**35,117,664**	25,904,156
TOTAL LIABILITIES		**56,012,927**	45,553,745
TOTAL EQUITY AND LIABILITIES		**124,063,918**	109,621,824

Wang Dong
Director

Zhou Si
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Notes	Attributable to shareholders of the Company													
		Share capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000 (note 34(a)(ii))	Capital reserve HK$'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$'000 (note 34(a)(iii))	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013		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	45	–	–	–	–	–	–	–	(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 associates		–	–	–	–	–	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	32(a)	3,452	1,496,785	–	–	–	–	–	–	–	–	–	1,500,237	–	1,500,237
Issue of shares	32(b)	9,810	7,372,215	–	–	–	–	–	–	–	–	–	7,382,025	–	7,382,025
Acquisition of subsidiaries	44	–	–	–	–	–	–	–	–	–	–	–	–	539,999	539,999
Disposal of subsidiaries	45	–	–	–	(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		–	–	–	–	–	–	–	–	–	–	(572,286)	(572,286)	–	(572,286)
Interim 2013 dividend	12	–	–	–	–	–	–	–	–	–	(291,658)	–	(291,658)	–	(291,658)
Proposed final 2013 dividend	12	–	–	–	–	–	–	–	–	–	(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

Included in other statutory capital reserves in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

		Attributable to shareholders of the Company													
	Notes	Share capital *HK$'000*	Share premium account *HK$'000*	Capital redemption reserve *HK$'000* *(note 34(a)(ii))*	Capital reserve *HK$'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$'000* *(note 34(a)(iii))*	Retained profits *HK$'000*	Proposed final dividend *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2014		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
Profit for the year		–	–	–	–	–	–	–	–	–	4,831,678	–	4,831,678	573,969	5,405,647
Other comprehensive income/(loss) for the year:															
Available-for-sale investments:															
Changes in fair value		–	–	–	–	(105,839)	–	–	–	–	–	–	(105,839)	(453)	(106,292)
Reclassification adjustments for gain on disposal included in the consolidated statement of profit or loss		–	–	–	–	(61,268)	–	–	–	–	–	–	(61,268)	–	(61,268)
Income tax effect		–	–	–	–	(16,892)	–	–	–	–	–	–	(16,892)	–	(16,892)
Exchange differences:															
Translation of foreign operations		–	–	–	–	–	–	–	(1,112,343)	–	–	–	(1,112,343)	(254,874)	(1,367,217)
Defined benefit plans:															
Actuarial losses		–	–	–	–	–	–	(108,273)	–	–	–	–	(108,273)	–	(108,273)
Income tax effect		–	–	–	–	–	–	27,069	–	–	–	–	27,069	–	27,069
Share of other comprehensive income of associates		–	–	–	–	–	–	(15,890)	(101,289)	–	–	–	(117,179)	–	(117,179)
Total comprehensive income for the year		–	–	–	–	(183,999)	–	(97,094)	(1,213,632)	–	4,831,678	–	3,336,953	318,642	3,655,595
Capital contribution from non-controlling equity holders		–	–	–	–	–	–	–	–	–	–	–	–	44,907	44,907
Conversion of convertible bonds to ordinary shares	*32(a)*	667,335	–	–	–	–	–	–	–	–	–	–	667,335	–	667,335
Shares repurchased	*32(c)*	(105)	–	105	–	–	–	–	–	–	(69,162)	–	(69,162)	–	(69,162)
Transition to non-par value regime	*32(d)*	29,607,634	(29,607,291)	(343)	–	–	–	–	–	–	–	–	–	–	–
Acquisition of subsidiaries	*44*	–	–	–	–	–	–	–	–	–	–	–	–	196,098	196,098
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	(21,758)	(21,758)
Deemed disposal of partial interest in a subsidiary		–	–	–	229,926	–	–	–	(3,213)	–	–	–	226,713	602,448	829,161
Share of reserves of associates		–	–	–	114,188	–	2,404	–	–	–	–	–	116,592	–	116,592
Final 2013 dividend	*12*	–	–	–	–	–	–	–	–	–	–	(763,695)	(763,695)	–	(763,695)
Interim 2014 dividend	*12*	–	–	–	–	–	–	–	–	–	(359,618)	–	(359,618)	–	(359,618)
Proposed final 2014 dividend	*12*	–	–	–	–	–	–	–	–	–	(796,297)	796,297	–	–	–
Dividends paid to non-controlling equity holders		–	–	–	–	–	–	–	–	–	–	–	–	(312,543)	(312,543)
Transfer to reserves		–	–	–	495	–	–	–	–	1,666,431	(1,666,926)	–	–	–	–
At 31 December 2014		30,401,883	–	–	877,088*	195,646*	43,843*	16,552*	5,236,494*	6,302,438*	13,306,115*	796,297	57,176,356	10,874,635	68,050,991

* *These reserve accounts comprise the consolidated other reserves of HK$25,978,176,000 (2013: HK$23,522,995,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**5,970,481**	5,300,742
Adjustments for:			
Gain on disposal of interests in subsidiaries, net	45	**–**	(25,935)
Gain on deemed disposal of partial interest in an associate		**(378,843)**	(581,428)
Interest income	5	**(163,874)**	(177,922)
Transfer of assets from customers	5	**(112,009)**	(127,172)
Gain on disposal of available-for-sale investments carried at fair value	5	**(61,268)**	(106,200)
Gain on transfer of receivables under a service concession arrangement	5	**–**	(47,087)
Depreciation	6	**2,298,691**	2,240,146
Amortisation of operating concessions	6	**20,532**	7,483
Amortisation of computer software	6	**28,241**	6,140
Amortisation of operating right	6	**2,355**	–
Amortisation of patents	6	**851**	–
Loss on disposal of items of property, plant and equipment, net	6	**14,569**	6,270
Impairment of items of property, plant and equipment, net	6	**126,468**	4,004
Impairment of operating concession	6	**190,000**	–
Impairment/(reversal of impairment) of trade and bills receivables, net	6	**39,202**	(6,036)
Impairment of other receivables, net	6	**15,135**	46,285
Finance costs	7	**1,172,491**	1,133,744
Share of profits of joint ventures and associates		**(3,811,919)**	(2,736,765)
Operating profit before working capital changes		**5,351,103**	4,936,269
Increase in prepaid land premiums		**(93,510)**	(56,538)
Decrease in inventories		**118,209**	482,570
Increase in amounts due from contract customers		**(316,115)**	(177,715)
Decrease in receivables under service concession arrangements		**542,730**	664,031
Increase in trade and bills receivables		**(1,064,131)**	(1,816,475)
Increase in prepayments, deposits and other receivables		**(2,623,461)**	(1,398,169)
Increase in other taxes recoverable		**(1,997,391)**	(16,017)
Decrease in trade and bills payables		**(43,156)**	(432,057)
Increase in amounts due to contract customers		**60,974**	139,293
Increase in receipts in advance		**295,474**	2,113,541
Increase/(decrease) in other payables and accruals		**(1,410,622)**	849,033
Increase/(decrease) in other taxes payable		**(534,511)**	564,414
Increase in defined benefit plans		**46,478**	46,601
Increase/(decrease) in other non-current liabilities		**80,634**	(54,106)
Cash generated/(used in) from operations		**(1,587,295)**	5,844,675
Dividends received from joint ventures and associates		**3,066,575**	1,025,857
Mainland China income tax paid		**(625,362)**	(717,275)
Net cash flows from operating activities		**853,918**	6,153,257

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(2,514,375)**	(6,411,305)
Proceeds from disposal of items of property, plant and equipment		**37,348**	30,040
Additions of operating concessions		**(245,477)**	(176,154)
Purchases of other intangible assets		**(92,861)**	(36,044)
Acquisition of subsidiaries	*44*	**(3,712,575)**	171,331
Disposal of subsidiaries	*45*	**135,286**	(8,372)
Acquisition of/increase in investments in joint ventures and associates		**(2,497,650)**	(665,012)
Increase in amounts due from and loans to joint ventures and associates		**(25,335)**	(51,511)
Proceeds from disposal of available-for-sale investments		**106,774**	181,120
Decrease in time deposits with maturity of more than three months when acquired		**508,233**	58,942
Decrease in pledged deposits		**4,369**	3,628
Interest received		**163,874**	177,922
Net cash flows used in investing activities		**(8,132,389)**	(6,725,415)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions from non-controlling equity holders		**32,923**	996,552
Acquisition of non-controlling interest		**(92,240)**	–
Repurchase of shares	*32(c)*	**(69,162)**	–
New loans		**21,354,437**	7,767,307
Repayment of loans		**(10,023,921)**	(7,481,830)
Redemption of convertible bonds		**(11,710)**	–
Interest paid		**(1,189,791)**	(1,165,315)
Dividends paid		**(1,123,313)**	(863,944)
Dividends paid to non-controlling equity holders		**(312,543)**	(332,410)
Net cash flows from/(used in) financing activities		**8,564,680**	(1,079,640)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,286,209**	(1,651,798)
Cash and cash equivalents at beginning of year		**10,132,463**	11,515,682
Effect of foreign exchange rate changes, net		**(195,050)**	268,579
CASH AND CASH EQUIVALENTS AT END OF YEAR		**11,223,622**	10,132,463
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances:			
Placed in banks	*30*	**7,020,259**	7,725,743
Placed in a financial institution	*30*	**3,237,711**	–
Time deposits:			
Placed in banks	*30*	**853,117**	3,132,828
Placed in a financial institution	*30*	**155,354**	–
Less: Restricted cash and pledged deposits	*30*	**(58,735)**	(63,104)
Cash and cash equivalents as stated in the consolidated statement of financial position		**11,207,706**	10,795,467
Less: Time deposits with maturity of more than three months when acquired		**(154,771)**	(663,004)
Add: Cash and bank balances attributable to a disposal group	*31*	**170,687**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**11,223,622**	10,132,463

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets:			
Property, plant and equipment	14	**5,096**	6,879
Investment properties	15	**56,914**	56,914
Investments in subsidiaries	20	**56,212,369**	48,054,713
Investments in associates	22	**106,177**	106,320
Available-for-sale investments	23	**1,256,760**	175,637
Total non-current assets		**57,637,316**	48,400,463
Current assets:			
Trade and bills receivables	26	**1,099**	1,128
Prepayments, deposits and other receivables	27	**1,384,313**	139,071
Cash and cash equivalents	30	**2,875,303**	1,658,686
Total current assets		**4,260,715**	1,798,885
TOTAL ASSETS		**61,898,031**	50,199,348
EQUITY AND LIABILITIES			
Equity:			
Share capital: nominal value	32	**–**	127,019
Other statutory capital reserves		**–**	29,607,529
Share capital and other statutory capital reserve		**30,401,883**	29,734,548
Other reserves	34(b)	**338,815**	19,614
Proposed final dividend	12	**796,297**	763,695
TOTAL EQUITY		**31,536,995**	30,517,857
Non-current liabilities:			
Bank and other borrowings	35	**2,960,250**	2,985,750
Due to subsidiaries	20	**14,785,877**	15,643,971
Total non-current liabilities		**17,746,127**	18,629,721
Current liabilities:			
Other payables and accruals	43	**1,951,563**	966,398
Income tax payable		**85,372**	85,372
Bank and other borrowings	35	**10,577,974**	–
Total current liabilities		**12,614,909**	1,051,770
TOTAL LIABILITIES		**30,361,036**	19,681,491
TOTAL EQUITY AND LIABILITIES		**61,898,031**	50,199,348

Wang Dong
Director

Zhou Si
Director

1. CORPORATE INFORMATION

Beijing Enterprises Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong and the 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 repairs and maintenance services in Beijing, the People's Republic of China (the "PRC")

- the production, distribution and sale of brewery products 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, sewage treatment, water treatment and distribution, and the provision of consultancy services and the licensing of technical know-how that is related to sewage treatment in the PRC and certain overseas countries.

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") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements 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) a disposal group held for sale which is stated at the lower of its carrying amount and fair value 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2014. 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 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 revised standards and new interpretation for the first time for the current year's financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in Annual Improvements 2010-2012 Cycle	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in Annual Improvements 2011-2013 Cycle	*Meaning of Effective HKFRSs*

1 *Effective from 1 July 2014*

Other than as further explained below regarding the impact of amendments to HKFRS 10, HKFRS 12, HKAS 27 (2011), HKAS 32 and HK(IFRIC)-Int 21 and certain amendments included in *Annual Improvements 2010-2012 Cycle and Annual Improvements 2011-2013 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

(a) 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 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 amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(b) 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 have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

(d) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(e) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(f) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED HKFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the consolidation Exceptions*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 1	*Disclosure initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 *Effective for annual periods beginning on or after 1 July 2014*
2 *Effective for annual periods beginning on or after 1 January 2016*
3 *Effective for annual periods beginning on or after 1 January 2017*
4 *Effective for annual periods beginning on or after 1 January 2018*
5 *Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group*

2.3 NEW AND REVISED HKFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(Continued)*

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) will come into operation as from the Company's first financial year commencing after 3 March 2014 in accordance with section 358 of that Ordinance, which will be the year ending 31 December 2015. The Group is in the process of making an assessment of the expected impact of the changes in the period of initial application of Part 9 of the Ordinance. So far it has concluded that the impact is unlikely to be significant and will primarily affect the presentation and disclosure of information in the consolidated financial statements.

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

(a) In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

(b) The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

(c) The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

2.3 NEW AND REVISED HKFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(Continued)*

(d) HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

(e) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(f) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments:* Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

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 that are not classified as held for sale in accordance with HKFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* 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.

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.

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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 of 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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.

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 of 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 part of a disposal group classified as held for sale, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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 the 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

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, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 reverses 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Disposal group held for sale

Disposal group is classified as held for sale if its carrying amount will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the 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.

Disposal group (other than investment properties and financial assets) classified as held for sale is measured at the lower of its carrying amount and fair value 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 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.

Service concession arrangements

Consideration given by the grantor

A financial asset (receivable under an 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 the specified quality of efficiency requirements. The financial asset (receivable under an service concession arrangement) is accounted for in accordance with the policy set out for "Investments and other financial assets" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Service concession arrangements *(Continued)*

Consideration given by the grantor (Continued)

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.

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

The Group has contractual obligations which it must fulfil 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

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 a toll road, sewage and water treatment plants and waste 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.

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 25 to 30 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 assets/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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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 expenses 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.

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement (Continued)

(c) Available-for-sale investments *(Continued)*

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.

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 the profit or loss. Increases in their fair value after impairment are recognised directly in the available-for-sale investment revaluation reserve.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 (2013: share capital and other statutory capital reserve) at the total carrying amount of the liability and equity components of the convertible bonds. 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 (2013: share capital and other statutory capital reserve) at the total carrying amount of the liability and derivative components of the convertible bonds. 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.

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 and sewage treatment 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 a 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 and financial institution, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

(e) 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

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.

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits *(Continued)*

Other retirement benefits (Continued)

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 43.92% equity interest held by the Group as at 31 December 2014) 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 2014 and BE Water was accounted for as an associate in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

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.

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 an asset in the consolidated statement of financial position as at 31 December 2014 was HK$8,832,689,000 (2013: HK$7,659,735,000), details of which are set out in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Impairment of property, plant and equipment and intangible assets (other than goodwill)

The carrying amounts of items of property, plant and equipment and other 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 2014 were HK$39,320,530,000 (2013: HK$38,996,767,000) and HK$2,258,328,000 (2013: HK$670,412,000), respectively, details of which are set out in notes 14, 18 and 19 to the financial statements.

Impairment of available-for-sale investments

The Group follows the guidance of HKAS 39 in determining when an investment is 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 2014 was HK$1,084,098,000 (2013: HK$1,315,859,000), details of which are set out in note 23 to the financial statements.

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 2014 were HK$1,133,022,000 (2013: HK$701,582,000), HK$5,320,835,000 (2013: HK$4,393,374,000) and HK$4,197,980,000 (2013: HK$4,819,293,000), respectively, details of which are set out in notes 18, 26 and 27 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

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 2014 was HK$5,393,368,000 (2013: HK$5,661,492,000), details of which are set out in note 24 to the financial statements.

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 2014 was HK$682,523,000 (2013: HK$545,705,000), details of which are disclosed in note 38 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 2014 was HK$342,499,000 (2013: HK$378,319,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Current tax and deferred tax *(Continued)*

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 2014 were HK$678,460,000 (2013: HK$601,056,000) and HK$319,441,000 (2013: HK$233,462,000), respectively, details of which are set out in note 41 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 repairs and maintenance services;

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

(c) the sewage and water treatment operations segment engages in the construction of sewage and water treatment plants and other infrastructural facilities, the provision of construction services for comprehensive renovation projects, sewage treatment, water treatment and distribution, and the provision of consultancy services and the licensing of technical know-how that is related to sewage treatment in the PRC and certain overseas countries; and

(d) the corporate and others segment comprises the construction of waste treatment 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 2014

	Piped gas operation *HK$'000*	Brewery operation *HK$'000*	Sewage and water treatment operations *HK$'000*	Corporate and others *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Segment revenue	32,438,393	15,150,989	–	346,413	–	47,935,795
Cost of sales	(28,960,858)	(10,130,855)	–	(268,051)	–	(39,359,764)
Gross profit	3,477,535	5,020,134	–	78,362	–	8,576,031
Profit from operating activities	1,964,656	1,358,876	–	7,521	–	3,331,053
Finance costs	(264,383)	(93,188)	–	(814,920)	–	(1,172,491)
Share of profits and losses of:						
Joint ventures	4,860	–	–	(33)	–	4,827
Associates	2,977,116	(849)	789,962	40,863	–	3,807,092
Profit/(loss) before tax	4,682,249	1,264,839	789,962	(766,569)	–	5,970,481
Income tax	(210,689)	(314,208)	–	(39,937)	–	(564,834)
Profit/(loss) for the year	4,471,560	950,631	789,962	(806,506)	–	5,405,647
Segment profit/(loss) attributable to shareholders of the Company	4,454,238	387,515	789,962	(800,037)	–	4,831,678
Segment assets	70,277,913	24,309,263	7,382,087	25,101,214	(3,006,559)	124,063,918
Segment liabilities	18,923,706	8,648,299	–	31,447,481	(3,006,559)	56,012,927
Other segment information:						
Interest income	54,971	28,563	–	80,340	–	163,874
Depreciation	1,180,458	1,086,983	129	31,121	–	2,298,691
Amortisation of operating concessions	–	–	–	20,532	–	20,532
Amortisation of other intangible assets	27,188	–	–	4,259	–	31,447
Impairment/(reversal of impairment) against segment assets, net*	17,338	63,685	–	289,782	–	370,805
Investments in joint ventures	224,755	–	–	5,967	–	230,722
Investments in associates	14,261,901	199,889	7,594,344	11,219,069	–	33,275,203
Capital expenditure**	1,537,200	1,034,409	–	1,089,552	–	3,661,161

4. OPERATING SEGMENT INFORMATION *(Continued)*

Group *(Continued)*

Year ended 31 December 2013

	Piped gas operation *HK$'000* (Restated)	Brewery operation *HK$'000*	Sewage and water treatment operations *HK$'000* (Restated)	Corporate and others *HK$'000* (Restated)	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	64,379,987	24,934,992	6,477,189	16,745,750	(2,916,094)	109,621,824
Segment liabilities	19,445,446	9,424,766	–	19,599,627	(2,916,094)	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/(reversal of impairment) 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

* *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, inventory, 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.*

4. OPERATING SEGMENT INFORMATION *(Continued)*

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 2014 and 2013, 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; and (2) an appropriate proportion of contract revenue of construction contracts and service contracts, net of value-added tax, business tax and government surcharges.

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

	2014	2013
	HK$'000	*HK$'000*
Revenue		
Piped gas operation	**32,438,393**	25,159,146
Brewery operation	**15,150,989**	16,836,952
Corporate and others	**346,413**	364,430
	47,935,795	42,360,528

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

	2014	2013
	HK$'000	*HK$'000*
Other income		
Bank interest income	**163,874**	177,922
Rental income	**18,815**	30,592
Government grants*	**247,578**	123,194
Transfer of assets from customers *(note 14)*	**112,009**	127,172
Others	**250,183**	216,705
	792,459	675,585
Gains, net		
Gain on disposal of available-for-sale investments carried at fair value	**61,268**	106,200
Gain on transfer of receivables under a service concession arrangement@	**–**	47,087
Foreign exchange differences, net	**8,753**	79,227
	70,021	232,514
Other income and gains, net	**862,480**	908,099

* *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 18(b) to the financial statements) to BE Water in 2013, details of which are set out in note 18(b) to the financial statements.*

6. PROFIT FROM OPERATING ACTIVITIES

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

	Notes	2014 HK$'000	2013 HK$'000
Cost of inventories sold		**38,944,146**	33,755,633
Cost of services provided		**395,086**	260,199
Depreciation	*14*	**2,298,691**	2,240,146
Amortisation of prepaid land premiums	*16*	**72,021**	73,948
Amortisation of operating concessions*	*18*	**20,532**	7,483
Amortisation of computer software**	*19*	**28,241**	6,140
Amortisation of operating right*	*19*	**2,355**	–
Amortisation of patents*	*19*	**851**	–
Research and development expenditure		**89,390**	88,742
Loss on disposal of items of property, plant and equipment, net		**14,569**	6,270
Minimum lease payments under operating leases:			
Land and buildings		**235,462**	231,839
Auditors' remuneration		**8,800**	8,800
Employee benefit expense (including directors' remuneration – note 8):			
Salaries, allowances and benefits in kind		**4,561,316**	3,774,552
Net pension scheme contributions		**571,691**	512,401
Net benefit expense of defined benefit plans**	*38*	**52,052**	56,524
		5,185,059	4,343,477
Impairment of items of property, plant and equipment, net***	*14*	**126,468**	4,004
Impairment of operating concession***	*18*	**190,000**	–
Provision/(reversal) of impairment of trade and bills receivables, net	*26(c)*	**39,202**	(6,036)
Impairment of other receivables, net	*27(c)*	**15,135**	46,285
Net rental income on investment properties less direct operating expenses of HK$40,498,000 (2013: HK$15,271,000)		**(24,337)**	(28,618)

* *The amortisation of operating concessions, operating right and patents for the year are 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 and operating concession for the year are included in "Other operating expenses, net" on the face of the consolidated statement of profit or loss.*

7. FINANCE COSTS

	Notes	Group 2014 HK$'000	2013 HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years		**466,168**	414,757
Interest on guaranteed senior notes		**722,578**	722,170
Interest on convertible bonds	*37*	**7,036**	37,889
Imputed interest on convertible bonds	*37*	**4,235**	3,532
Total finance costs		**1,200,017**	1,178,348
Less: Interest included in construction in progress		**(27,526)**	(44,604)
		1,172,491	1,133,744

8. 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 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group 2014 HK$'000	2013 HK$'000
Fees	**3,165**	3,117
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**15,854**	18,054
Pension scheme contributions	**24**	22
	15,878	18,076
	19,043	21,193

8. DIRECTORS' REMUNERATION *(Continued)*

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 2014				
Executive directors:				
Mr. Wang Dong	180	3,893	–	4,073
Mr. Zhou Si	180	3,276	–	3,456
Mr. Zhang Honghai	60	169	–	229
Mr. Li Fucheng	400	–	–	400
Mr. Hou Zibo	173	1,936	–	2,109
Mr. Liu Kai	125	–	–	125
Mr. Lei Zhengang	38	–	–	38
Mr. E Meng	150	2,322	–	2,472
Mr. Jiang Xinhao	150	2,322	–	2,472
Mr. Tam Chun Fai	150	1,936	24	2,110
Mr. Li Yongcheng	113	–	–	113
	1,719	15,854	24	17,597
Non-executive director:				
Mr. Guo Pujin	150	–	–	150
	1,869	15,854	24	17,747
Independent non-executive directors:				
Mr. Wu Jiesi	216	–	–	216
Mr. Robert A. Theleen	216	–	–	216
Mr. Lam Hoi Ham	216	–	–	216
Mr. Fu Tingmei	216	–	–	216
Mr. Sze Chi Ching	216	–	–	216
Mr. Shi Hanmin	54	–	–	54
Dr. Yu Sun Say	162	–	–	162
	1,296	–	–	1,296
Total directors' remuneration	3,165	15,854	24	19,043

8. 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 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
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

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

9. FIVE HIGHEST PAID EMPLOYEES

All of the five highest paid employees of the Group during each of the years ended 31 December 2014 and 2013 are directors of the Company, details of whose remuneration for the years are set out in note 8 to the financial statements.

10. INCOME TAX

	Group	
	2014	2013
	HK$'000	*HK$'000*
Current:		
Mainland China	**596,379**	532,211
Hong Kong	**2,884**	–
Deferred *(Note 41)*	**(34,429)**	13,076
Total tax expense for the year	**564,834**	545,287

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year (2013: 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.

10. 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 – 2014

	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit before tax	541,213		5,429,268		5,970,481	
Tax expense at the statutory tax rate	89,300	16.5	1,357,317	25.0	1,446,617	24.2
Lower tax rate for specific provinces or enacted by local authority	–	–	(529,892)	(9.8)	(529,892)	(8.9)
Profits and losses attributable to joint ventures and associates	(192,853)	(35.6)	(353,317)	(6.5)	(546,170)	(9.1)
Income not subject to tax	(182,993)	(33.8)	(245,146)	(4.5)	(428,139)	(7.2)
Expenses not deductible for tax	110,342	20.4	34,679	0.6	145,021	2.4
Withholding tax on the distributable profits of the Group's PRC subsidiaries	–	–	33,111	0.6	33,111	0.6
Tax losses not recognised as deferred tax assets	179,088	33.1	283,989	5.2	463,077	7.8
Tax losses utilised from previous periods	–	–	(18,791)	(0.3)	(18,791)	(0.3)
Tax expense at the Group's effective tax rate	2,884	0.5	561,950	10.4	564,834	9.5

10. INCOME TAX *(Continued)*

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. 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 2014 includes a loss of HK$249,942,000 (2013: profit of HK$149,480,000) which has been dealt with in the financial statements of the Company.

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

(Continued)

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:

	Note	2014 HK$'000	2013 HK$'000
Amount of consolidated profit/(loss) for the year attributable to shareholders of the Company dealt with in the financial statements of the Company		**(249,942)**	149,480
Dividends from subsidiaries		**1,794,220**	615,390
Company's profit for the year	*34(b)*	**1,544,278**	764,870

12. DIVIDENDS

	2014 HK$'000	2013 HK$'000
Interim – HK$0.28 (2013: HK$0.25) per ordinary share	**359,618**	291,658
Proposed final – HK$0.62 (2013: HK$0.60) per ordinary share	**796,297**	763,695
	1,155,915	1,055,353

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

13. 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:

	2014	2013
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to shareholders of the Company, used in the basic earnings per share calculation	**4,831,678**	4,183,878
Interest expense for the year relating to the liability component of the dilutive convertible bonds of the Group	**6,118**	35,932
Profit for the year attributable to shareholders of the Company, used in the diluted earnings per share calculation	**4,837,796**	4,219,810

	2014	2013
Number of ordinary shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**1,279,452,041**	1,160,128,990
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	**5,438,257**	30,935,982
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**1,284,890,298**	1,191,064,972

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Notes	Land and buildings HK$'000 (notes (a) and (b))	Leasehold improve-ments HK$'000	Gas pipelines HK$'000 (note (c))	Gas metres and other plant and machinery HK$'000 (notes (b) and (c))	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2014									
At 1 January 2014:									
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
Net carrying amount:									
At 1 January 2014		9,513,693	10,179	13,399,302	7,981,269	358,301	428,150	7,305,873	38,996,767
Acquisition of subsidiaries	44	173,105	71,535	7,829	604,904	154,043	5,363	139,304	1,156,083
Additions		105,563	10,330	4,734	285,811	85,719	57,293	1,992,451	2,541,901
Transfer of assets from customers	5	–	–	67,677	44,332	–	–	–	112,009
Transfer from construction in progress		910,620	–	1,774,553	980,760	19,851	3,107	(3,688,891)	–
Depreciation provided during the year	6	(354,582)	(7,355)	(748,890)	(1,032,055)	(86,998)	(68,811)	–	(2,298,691)
Impairment during the year recognised in profit or loss	6	–	–	(26,468)	(100,000)	–	–	–	(126,468)
Transfer to assets of a disposal group classified as held for sale	31	(6,980)	–	(7,166)	(15,071)	(188)	(1,850)	(2,239)	(33,494)
Disposals		(29,388)	–	(3,354)	(7,938)	(5,989)	(4,905)	(343)	(51,917)
Reclassification		–	–	(325)	1,720	(1,395)	–	–	–
Exchange realignment		(238,793)	(190)	(334,982)	(199,517)	(8,924)	(10,607)	(182,647)	(975,660)
At 31 December 2014		10,073,238	84,499	14,132,910	8,544,215	514,420	407,740	5,563,508	39,320,530
At 31 December 2014:									
Cost		12,620,072	104,965	17,962,726	18,082,715	1,131,266	865,789	5,711,228	56,478,761
Accumulated depreciation and impairment		(2,546,834)	(20,466)	(3,829,816)	(9,538,500)	(616,846)	(458,049)	(147,720)	(17,158,231)
Net carrying amount		10,073,238	84,499	14,132,910	8,544,215	514,420	407,740	5,563,508	39,320,530

14. 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$'000* *(note (c))*	Gas metres and other plant and machinery *HK$'000* *(notes (b) and (c))*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'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	44	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	6	(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	6	–	–	–	–	(4,004)	–	–	(4,004)
Transfer of assets from a 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

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2014			
At 1 January 2014:			
Cost	9,989	4,192	14,181
Accumulated depreciation	(4,662)	(2,640)	(7,302)
Net carrying amount	5,327	1,552	6,879
Net carrying amount:			
At 1 January 2014	5,327	1,552	6,879
Addition	–	800	800
Depreciation provided during the year	(1,998)	(585)	(2,583)
At 31 December 2014	3,329	1,767	5,096
At 31 December 2014:			
Cost	9,989	4,992	14,981
Accumulated depreciation	(6,660)	(3,225)	(9,885)
Net carrying amount	3,329	1,767	5,096

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company *(Continued)*

	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

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes:

(a) Land and buildings of the Group included above as at 31 December 2014 and 2013 are held under the following lease terms:

Group

	2014			2013		
	Hong Kong	**Elsewhere**	**Total**	Hong Kong	Elsewhere	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Cost:						
Long term leases	**23,313**	**–**	**23,313**	23,313	–	23,313
Medium term leases	**–**	**12,596,759**	**12,596,759**	–	11,693,252	11,693,252
	23,313	**12,596,759**	**12,620,072**	23,313	11,693,252	11,716,565

(b) At 31 December 2014, plant and machinery of the Group situated in Mainland China with a net carrying amount of HK$81,250,000 (2013: HK$27,203,000) were pledged to secure bank loans granted to the Group *(note 35(c)(ii))*.

(c) During the year ended 31 December 2014, included in property, plant and equipment of the Group amounting to HK$126,468,000 (2013: HK$4,004,000) were individually determined to be impaired with an aggregate carrying amount before impairment of HK$331,844,000 (2013: HK$4,495,000) *(note 6)*.

15. INVESTMENT PROPERTIES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Carrying amount at 1 January	**719,968**	665,144	**56,914**	56,914
Acquisition of a subsidiary *(note 44)*	**–**	45,812	**–**	–
Exchange realignment	**(16,219)**	9,012	**–**	–
Carrying amount at 31 December	**703,749**	719,968	**56,914**	56,914

15. 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 48(a) to the financial statements.

(b) The investment properties of the Group as at 31 December 2014 and 2013 are held under the following lease terms:

Group

	2014			2013		
	Hong Kong	**Elsewhere**	**Total**	Hong Kong	Elsewhere	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Long term leases	**21,550**	**–**	**21,550**	21,550	–	21,550
Medium term leases	**–**	**682,199**	**682,199**	–	698,418	698,418
	21,550	**682,199**	**703,749**	21,550	698,418	719,968

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

(c) At 31 December 2014, 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 depreciated replacement cost 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 2014 as the fair value movement of the Group's investment properties was insignificant during the year (2013: Nil).

(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 values 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.

16. PREPAID LAND PREMIUMS

	Notes	Group 2014 HK$'000	2013 HK$'000
Carrying amount at 1 January		**1,839,118**	1,683,837
Acquisition of subsidiaries	*44*	**107,417**	32,835
Additions		**184,464**	130,486
Transfer to assets of a disposal group held for sale	*31*	**(8,884)**	–
Amortisation provided during the year	*6*	**(72,021)**	(73,948)
Exchange realignment		**(45,994)**	65,908
Carrying amount at 31 December		**2,004,100**	1,839,118
Portion classified as current assets		**(44,860)**	(53,509)
Non-current portion		**1,959,240**	1,785,609

All leasehold lands of the Group as at 31 December 2014 are situated in Mainland China and held under medium term leases.

17. GOODWILL

	Notes	Group 2014 HK$'000	2013 HK$'000
Cost and net carrying amount:			
At 1 January		**7,659,735**	7,549,326
Acquisition of subsidiaries	*44*	**2,309,011**	83,184
Transfer to assets of a disposal group held for sale	*31*	**(1,117,078)**	–
Exchange realignment		**(18,979)**	27,225
At 31 December		**8,832,689**	7,659,735

17. 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	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Piped gas operation	*(i)*	**7,028,360**	7,029,625
Brewery operation	*(ii)*	**505,185**	518,138
Waste treatment operation	*(iii)*	**1,226,840**	43,224
Others		**72,304**	68,748
		8,832,689	7,659,735

(i) The recoverable amount of the piped gas operation has been determined by reference to a business valuation performed by Crowe Horwath (HK) Consulting & Valuation 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 11.5% (2013: 10.63%), which is determined by reference to the average rates for a similar industry and the business risk of the relevant business unit. A growth rate of 3% (2013: 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 2014.

(iii) Goodwill attributable to the waste treatment operation mainly arose from the Group's investment in GSWM (as set out in note 31 to the financial statements), which was acquired by the Group in December 2014 and details of which are set out in note 44(a)(iv). Up to the date of approval of these financial statements, the Group had not completed the fair value measurement of the identifiable net assets acquired and the initial accounting for the acquisition was incomplete. The goodwill of HK$996,089,000 on acquisition recognised by the Group represented the provisional amount estimated by the directors of the Company. The recoverable amount of the GSWM's operation was determined by reference to a business valuation prepared by an external financial adviser in December 2014 prior to the acquisition of the investment.

17. GOODWILL *(Continued)*

Impairment testing of goodwill (Continued)

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 2014 (2013: Nil).

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 the 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 reflects 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 alternative gas supply network in these urban districts in Beijing are too huge for other operators to enter into these regions. Therefore, in the opinion of the directors, the Group's piped gas operation can generate income perpetually.

18. 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 toll road operation, 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 15 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 authorities 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.

18. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

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

Operating concessions

	Notes	Group 2014 HK$'000 (note (a))	2013 HK$'000 (note (a))
At 1 January:			
Cost		**2,023,997**	1,777,107
Accumulated amortisation		**(1,417,705)**	(1,357,869)
Net carrying amount		**606,292**	419,238
Net carrying amount:			
At 1 January		**606,292**	419,238
Acquisition of subsidiaries	*44*	**852,957**	–
Additions		**1,026,399**	176,154
Amortisation provided during the year	*6*	**(20,532)**	(7,483)
Transfer to assets of a disposal group held for sale	*31*	**(249,635)**	–
Impairment		**(190,000)**	–
Exchange realignment		**(4,131)**	18,383
At 31 December		**2,021,350**	606,292
At 31 December:			
Cost		**3,434,158**	2,023,997
Accumulated amortisation and impairment		**(1,412,808)**	(1,417,705)
Net carrying amount		**2,021,350**	606,292

18. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

Receivables under service concession arrangements

	Group	
	2014	2013
	HK$'000	*HK$'000*
Receivables under service concession arrangements attributable to:		
Sewage and water treatment operation *(note (b))*	**–**	701,582
Waste treatment operation *(notes (a)(i))*	**1,133,022**	–
	1,133,022	701,582
Portion classified as current assets	**(140,425)**	(701,582)
Non-current portion	**992,597**	–

Notes:

(a) The operating concessions of the Group are mainly attributable to waste treatment operation and toll road operation and details of the service concession arrangements are as follows:

(i) At 31December 2014, the Group had 8 service concession arrangements on waste treatment with certain governmental authorities in Mainland China.

At 31 December 2014, certain waste treatment operation rights of the Group (comprising operating concessions and receivables under service concession arrangements) with an aggregate net carrying amount of HK$1,119,826,000 (2013: Nil) were pledged to secure certain bank loans granted to the Group *(note 35(c)(i))*.

(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 for 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 commenced on 12 April 2002.

18. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

Notes: (Continued)

(a) *(Continued)*

(ii) *(Continued)*

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

The Group has been negotiating with the 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 2014 (2013: Nil).

(b) Details of the Group's sewage and water treatment operation 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 commenced 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, commenced 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 reduced to RMB190 million for each of the remaining years in the concession period.

Pursuant to a master agreement entered into between the Group and BE water and two of its subsidiaries in September 2012, the Group agreed to pay any amount so received as a water purification fee under the Concession Agreement to BE Water, after deducting all state and local taxes in Mainland China and operating costs in respect of the operation of the No.9 Water Plant commenced from 1 January 2013 to 31 December 2018 (the "Future Income").

The amount of HK$701,582,000 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. The amount was fully settled during the year.

18. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

Notes: (Continued)

(c) In respect of the Group's receivables under service concession arrangements, aged analysis 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	
	2014	2013
	HK$'000	*HK$'000*
Billed:		
Within one year	**14,375**	–
One to two years	**–**	358,585
Two to three years	**–**	342,997
	14,375	701,582
Unbilled	**1,118,647**	–
	1,133,022	701,582
Portion classified as current assets	**(140,425)**	(701,582)
Non-current portion	**992,597**	–

18. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

Notes: (Continued)

(c) *(Continued)*

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
Less than one year past due	**14,375**	–
One to two years past due	**–**	358,585
Two to three years past due	**–**	342,997
	14,375	701,582

The above receivables as at 31 December 2013 were due from Beijing Water as grantor in respect of the No.9 Water Plant under a service concession arrangement. The amounts were fully repaid during the year.

19. OTHER INTANGIBLE ASSETS

Group

	Patents *HK$'000*	Operating right *HK$'000*	Computer software *HK$'000*	Total *HK$'000*
Year ended 31 December 2014				
At 1 January 2014:				
Cost	–	–	127,540	127,540
Accumulated amortisation	–	–	(63,420)	(63,420)
Net carrying amount	–	–	64,120	64,120
Net carrying amount:				
At 1 January 2014	–	–	64,120	64,120
Acquisition of a subsidiary *(note 44)*	21,834	84,575	8,081	114,490
Additions	33,272	–	59,589	92,861
Transfer to assets of a disposal group classified as held for sale *(note 31)*	–	–	(1,547)	(1,547)
Amortisation provided during the year	(851)	(2,355)	(28,241)	(31,447)
Exchange alignment	10	30	(1,539)	(1,499)
At 31 December 2014	54,265	82,250	100,463	236,978
At 31 December 2014:				
Cost	55,116	84,605	192,124	331,845
Accumulated amortisation	(851)	(2,355)	(91,661)	(94,867)
Net carrying amount	54,265	82,250	100,463	236,978

19. OTHER INTANGIBLE ASSETS *(Continued)*

Group *(Continued)*

	Patents *HK$'000*	Operating right *HK$'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 44)*	–	–	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

20. INTERESTS IN SUBSIDIARIES

		Company	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Investments in subsidiaries, included in non-current assets:			
Unlisted shares or investments, at cost		**20,129,953**	20,129,953
Due from subsidiaries	*(a)*	**36,386,752**	28,229,096
Impairment of unlisted shares or investments	*(b)*	**(89,789)**	(89,789)
Impairment of amounts due from subsidiaries	*(c)*	**(214,547)**	(214,547)
		56,212,369	48,054,713
Due to subsidiaries, included in non-current liabilities	*(a)*	**(14,785,877)**	(15,643,971)
Interests in subsidiaries		**41,426,492**	32,410,742

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) (2013: 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 2014 and 2013.

20. 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		Principal activities
			Company	Group	
北京市燃氣集團有限責任公司 ("Beijing Gas")	PRC/Mainland China	RMB5,883,767,802	–	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 ("Yanjing Brewery")*	PRC/Mainland China	RMB2,808,451,958	–	46.06†	Production and sale of beer
Fujian Yanjing Huiquan Brewery Co., Ltd. ("Yanjing Huiquan")#	PRC/Mainland China	RMB250,000,000	–	23.04†	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	–	42.56†	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	–	34.90†	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	–	33.50†	Production and sale of beer
燕京啤酒(赤峰)有限責任公司	PRC/Mainland China	RMB367,110,200	–	41.91†	Production and sale of beer
燕京啤酒(新疆)有限責任公司	PRC/Mainland China	RMB683,650,000	–	46.06†	Production and sale of beer
燕京啤酒(衡陽)有限公司	PRC/Mainland China	RMB525,660,000	–	45.07†	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	–	46.06†	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	–	85.05	Production and sale of beer

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes: (Continued)

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

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	Percentage of attributable equity interest held by Group	Principal activities
燕京啤酒(四川)有限公司	PRC/Mainland China	RMB480,000,000	–	46.06†	Production and sale of beer
燕京啤酒(晉中)有限公司	PRC/Mainland China	RMB250,000,000	–	46.06†	Production and sale of beer
廣東燕京啤酒有限公司	PRC/Mainland China	RMB809,880,000	–	59.54	Production and sale of beer
新疆燕京農產品開發有限公司	PRC/Mainland China	RMB230,000,000	–	46.06†	Production and sale of raw materials
北京高安屯垃圾焚燒有限公司	PRC/Mainland China	RMB274,000,000	–	92.86	Waste treatment operation
張家港金洲再生能源有限公司	PRC/Mainland China	RMB282,000,000	–	92.86	Waste treatment operation
Beijing Development (Hong Kong) LimitedΩ	Hong Kong	HK$219,647,000	0.99	50.36	Solid waste treatment business

† *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 Hong Kong 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.

Further details of the acquisition of subsidiaries during the year are disclosed in note 44(a) to the financial statements.

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes: (Continued)

(e) Material non-wholly-owned subsidiaries disclosure

Details of Yanjing Investment (an 80% indirectly-owned subsidiary which holds 57.57% equity interests in Yanjing Brewery) and its subsidiaries (collectively the "Yanjing Investment Group") that have material non-controlling interests are set out below:

	2014	2013
	HK$'000	*HK$'000*
Profit for the year allocated to non-controlling interests	**562,398**	575,141
Dividends paid to non-controlling interests of the Yanjing Investment Group	**292,269**	299,457
Accumulated balances of non-controlling interests at the reporting dates	**9,234,570**	9,223,926

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

	2014	2013
	HK$'000	*HK$'000*
Revenue	**15,150,989**	16,836,952
Total expenses	**(14,200,358)**	(15,903,825)
Profit for the year	**950,631**	933,127
Total comprehensive income for the year	**951,770**	870,325
Current assets	**8,268,771**	8,494,418
Non-current assets	**16,040,492**	16,440,574
Current liabilities	**(8,393,851)**	(9,300,971)
Non-current liabilities	**(254,448)**	(123,795)
Net cash flows from operating activities	**2,729,945**	3,551,872
Net cash flows used in investing activities	**(2,307,095)**	(1,882,285)
Net cash flows used in financing activities	**(145,506)**	(1,849,070)
Net increase/(decrease) in cash and cash equivalents	**277,344**	(179,483)

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

21. INTERESTS IN JOINT VENTURES

		Group	
	Notes	**2014** **HK$'000**	2013 HK$'000
Investments in joint ventures, included in non-current assets:			
Share of net assets	(b)	**230,722**	217,350
Due from joint ventures, included in current assets	27	**77,829**	53,559
Interests in joint ventures		**308,551**	270,909

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	Voting power	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 the other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

21. 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:

	2014	2013
	HK$'000	*HK$'000*
Share of the joint ventures' assets and liabilities		
Non-current assets	**325,214**	286,563
Current assets	**138,800**	144,398
Non-current liabilities	**(104,650)**	(53,895)
Current liabilities	**(128,642)**	(159,716)
Net assets	**230,722**	217,350
Share of the joint ventures' results		
Profit/(loss) for the year and total comprehensive income/(loss) for the year	**4,827**	(5,847)
Aggregate carrying amount of the Group's investments in the joint ventures	**230,722**	217,350

22. INTERESTS IN ASSOCIATES

		Group		Company	
		2014	2013	**2014**	2013
	Notes	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000*
Investments in associates, included in non-current assets:					
Unlisted shares, at cost		**–**	–	**106,128**	106,128
Share of net assets	*(b)*	**23,704,276**	21,462,766	**–**	–
Investment deposits		**1,970,080**	975,467	**–**	–
Due from/(to) associates	*(c)*	**(680)**	(1,745)	**49**	192
Goodwill on acquisition	*(d)*	**7,601,527**	6,747,850	**–**	–
		33,275,203	29,184,338	**106,177**	106,320
Dividend receivable from an associate, included in current assets	*27*	**–**	695,538	**–**	–
Interests in associates		**33,275,203**	29,879,876	**106,177**	106,320

22. INTERESTS IN ASSOCIATES *(Continued)*

Notes:

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

Company name	Place of incorporation/ registration and business	Nominal value of paid-up capital/ registered capital	Percentage of Ownership interest attributable to the Group	Percentage of Voting power	Percentage of Profit sharing	Principal activities
中石油北京天然氣管道有限公司 ("PetroChina Beijing Gas")	PRC/Mainland China	RMB11,281,840,000	40	40	40	Provision of natural gas transmission services
Beijing Enterprises Water Group Limited[π]	Bermuda/Hong Kong	HK$8,707,425,196	43.92	43.92	43.92	Sewage treatment, reclaimed water treatment, water distribution and construction services
China Gas Holdings Limited[Ω] ("China Gas")	Bermuda/Hong Kong	HK$50,210,486	22.44	22.44	22.44	Distribution and sale of piped natural gas, sale of liquefied petroleum gas; and gas connection

π *Shares of BE Water are listed on the Main Board of the Hong Kong Stock Exchange. The market value of the shares of BE Water held by the Group as at 31 December 2014, based on its then published price quotation, amounted to approximately HK$20,230,906,000.*

In February 2014, the Group's equity interest in BE Water was diluted from 45.33% to 44.18% upon the issue of 219,634,000 ordinary shares by BE Water to certain investors and a gain on deemed disposal of HK$326,909,000 was recognised by the Group as a result of the transaction. In September 2014, the Group's equity interest in BE water was further diluted from 44.18% to 43.92% upon the issue of 33,224,000 ordinary shares by BE Water and a gain on deemed disposal of HK$51,934,000 was recognised by the Group as a result of the transaction.

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.

Ω *Shares of China Gas are listed on the Main Board of the Hong Kong Stock Exchange. The market value of the shares of China Gas held by the Group as at 31 December 2014, based on its then published price quotation, amounted to approximately HK$13,724,913,000.*

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.

22. INTERESTS IN ASSOCIATES *(Continued)*

Notes: (Continued)

(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, sewage treatment, water treatment and distribution, and the provision of consultancy services and the licensing of technical know-how that is related to sewage treatment in the PRC and certain overseas countries; and

(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 has since become an associate of the Group.

22. 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 and has been adjusted to reflect the fair value of identifiable assets and liabilities at the completion dates of acquisitions by the Group, and reconciled to the carrying amount in the consolidated financial statements:

	PetroChina Beijing Gas		BE Water		China Gas*	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
						(Restated)#
Current assets	**2,343,250**	1,354,717	**15,078,059**	15,212,240	**14,216,956**	14,272,979
Non-current assets	**36,084,446**	37,450,025	**36,562,779**	28,974,430	**38,741,539**	34,759,480
Current liabilities	**(9,134,416)**	(7,546,881)	**(11,418,826)**	(11,650,828)	**(11,227,146)**	(12,454,425)
Non-current liabilities	**(6,470,080)**	(10,078,031)	**(21,133,274)**	(16,611,400)	**(18,582,621)**	(15,679,207)
Net assets	**22,823,200**	21,179,830	**19,088,738**	15,924,442	**23,148,728**	20,898,827
Less: Non-controlling interests	**(11,089)**	(9,724)	**(3,304,290)**	(2,626,811)	**(3,810,011)**	(3,324,187)
Net assets attributable to shareholders of the associates	**22,812,111**	21,170,106	**15,784,448**	13,297,631	**19,338,717**	17,574,640
Net assets, excluding goodwill of the associate	**22,812,111**	21,170,106	**13,259,747**	10,784,769	**16,545,544**	14,483,582
Reconciliation to the Group's interest in the associates						
Proportion of the Group's ownership	**40%**	40%	**43.92%**	45.33%	**22.44%**	21.13%
Group's share of net assets of the associates, excluding goodwill recognised by the Group	**9,124,845**	8,468,042	**6,932,268**	6,027,816	**3,746,561**	3,060,381
Goodwill on acquisition recognised by the Group	**–**	–	**424,091**	424,091	**7,175,373**	6,321,644#
Other reconciling items	**–**	–	**(55,787)**	(56,233)	**–**	–
Carrying amount of the investments	**9,124,845**	8,468,042	**7,300,572**	6,395,674	**10,921,934**	9,382,025

22. INTERESTS IN ASSOCIATES *(Continued)*

Notes: (Continued)

(b) Material associates disclosures *(Continued)*

	PetroChina Beijing Gas		BE Water		China Gas*	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
						(Restated)#
Other disclosures						
Revenues	**12,378,933**	11,704,490	**8,943,921**	6,406,455	**–**	–
Profit for the year	**5,912,068**	5,541,439	**2,073,321**	1,145,398	**2,972,731**	–
Other comprehensive income	**–**	–	**(114,381)**	342,111	**–**	–
Total comprehensive income for the year	**5,912,068**	5,541,439	**1,958,940**	1,487,509	**2,972,731**	–
Share of the associates' profit for the year	**2,364,827**	2,215,582	**789,962**	514,454	**579,500**	–
Dividend received by the Group	**1,997,010**	695,538	**206,184**	172,096	**134,296**	–

The goodwill on acquisition of the equity interests of China Gas Group as disclosed in the financial statements for the year ended 31 December 2013 represented the then provisional amount estimated by the directors of the Company as 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 related accounting was completed during the year ended 31 December 2014 and the share of net assets as at the acquisition date had been decreased by HK$148,819,000 and the goodwill arising from the acquisition had been increased by the same amount. The comparative information for the year ended 31 December 2013 has been revised accordingly.

* *The financial statements of China Gas used in applying the equity method for the year ended 31 December 2014 are as of 30 September 2014 or for twelve months ended 30 September 2014 that is different from that of the Company because the statutory financial year-end date of this associate is thirty-first of March. The financial statements for the twelve months ended 30 September 2014 are the most updated financial statements of China Gas available for equity accounting by the Group.*

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

	2014	2013
	HK$'000	*HK$'000*
Share of the associates' profit and total comprehensive income for the year	**72,803**	12,576
The Group's share of net assets of the associates, excluding goodwill recognised by the Group	**3,956,389**	3,962,760
Goodwill on acquisition recognised by the Group	**2,063**	2,115

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

22. INTERESTS IN ASSOCIATES *(Continued)*

Notes: (Continued)

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Cost and net carrying amount:		
At 1 January	**6,747,850**	367,060
Acquisition of an associate or additional interests in the associate	**853,729**	6,436,334
Reclassification from an investment in an associate to an investment in a subsidiary	**–**	(55,622)
Exchange realignment	**(52)**	78
At 31 December	**7,601,527**	6,747,850

23. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity investments, at fair value	**734,252**	961,852	**1,124,186**	43,063
Unlisted equity investments, at cost	**361,204**	365,365	**132,574**	132,574
Impairment	**(11,358)**	(11,358)	**–**	–
	1,084,098	1,315,859	**1,256,760**	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.

24. INVENTORIES

	Group 2014 HK$'000	2013 HK$'000
Raw materials	**4,460,535**	4,642,402
Work in progress	**446,871**	441,741
Finished goods	**485,962**	577,349
	5,393,368	5,661,492

25. AMOUNTS DUE FROM/TO CONTRACT CUSTOMERS

	Group 2014 HK$'000	2013 HK$'000
Amounts due from contract customers:		
Non-current portion	**316,733**	947,102
Current portion	**39,895**	28,599
	356,628	975,701
Amounts due to contract customers	**(377,784)**	(325,794)
	(21,156)	649,907
Contract costs incurred plus recognised profits less recognised losses to date	**773,393**	1,393,823
Less: Progress billings received and receivable	**(794,549)**	(743,916)
	(21,156)	649,907

26. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade and bills receivables	**5,578,369**	4,618,375	**1,099**	1,128
Impairment *(note (c))*	**(257,534)**	(225,001)	**–**	–
	5,320,835	4,393,374	**1,099**	1,128

Notes:

(a) Included in the Group's trade and bills receivables as at 31 December 2014 was an aggregate amount of HK$53,710,000 (2013: HK$73,324,000) 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 analysis 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	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Billed:				
Within one year	**2,589,316**	2,260,699	**–**	–
One to two years	**37,472**	66,176	**–**	1,128
Two to three years	**20,697**	34,955	**1,099**	–
Over three years	**26,772**	28,804	**–**	–
	2,674,257	2,390,634	**1,099**	1,128
Unbilled	**2,646,578**	2,002,740	**–**	–
	5,320,835	4,393,374	**1,099**	1,128

26. TRADE AND BILLS RECEIVABLES *(Continued)*

Notes: (Continued)

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
At 1 January	**225,001**	228,455
Provision/(reversal) of impairment during the year recognised in the statement of profit or loss, net *(note 6)*	**39,202**	(6,036)
Amount written off as uncollectible	**(1,045)**	(6,048)
Exchange realignment	**(5,624)**	8,630
At 31 December	**257,534**	225,001

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$372,193,000 (2013: HK$285,210,000). 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	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Neither past due nor impaired	**2,421,326**	2,077,769	**–**	–
Less than one year past due	**71,013**	178,860	**–**	–
More than one year past due	**67,259**	73,796	**1,099**	1,128
	2,559,598	2,330,425	**1,099**	1,128

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 were pledged to secure a bank loan granted to the Group *(note 35(c)(iii))*. The loan was repaid during the year and the related security was released.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
		2014	2013	**2014**	2013
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments		**3,098,605**	788,039	**4,166**	566
Deposits and other debtors	*(a)*	**2,469,086**	3,569,085	**14,880**	11,633
Dividend receivable from an associate	*(b), 22*	**–**	695,538	**–**	–
Due from holding companies	*28*	**1,512,194**	303,646	**1,318,595**	110,047
Due from fellow subsidiaries	*28*	**150,899**	227,778	**12,439**	12,439
Due from joint ventures	*21, 28*	**77,829**	53,559	**–**	–
Due from related parties	*28*	**102,793**	82,672	**34,233**	4,386
		7,411,406	5,720,317	**1,384,313**	139,071
Impairment	*(c)*	**(114,821)**	(112,985)	**–**	–
		7,296,585	5,607,332	**1,384,313**	139,071
Portion classified as current assets		**(6,131,039)**	(4,290,561)	**(1,384,313)**	(139,071)
Non-current portion		**1,165,546**	1,316,771	**–**	–

Notes:

(a) The Group's deposits and other debtors as at 31 December 2014 include, inter alia, the following:

(i) certain deposits of HK$278,959,000 (2013: HK$222,295,000) in total paid for the construction or purchase of buildings, pipelines, equipment and machinery. The deposits were classified as non-current assets; and

(ii) an amount of RMB1,100 million (equivalent to approximately HK$1,375 million) (2013: RMB1,100 million (equivalent to approximately HK$1,410 million)) advanced to two local government authorities for an investment in a wastage treatment plant project in Haidian district in Beijing, the PRC. The amount are unsecured, bears interest at 8.5% per annum and RMB500 million (equivalent to approximately HK$625 million) and RMB600 million (equivalent to approximately HK$750 million) of which are repayable in June 2015 and April 2016, respectively.

(b) The balance represented dividend declared to the Group by PetroChina Beijing Gas, an associate of the Group, in respect of its financial year ended 2013. The amount was fully settled during the year.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At 1 January	**112,985**	75,556	**–**	–
Impairment during the year recognised in profit or loss, net *(note 6)*	**15,135**	46,285	**–**	–
Amount written off as uncollectible	**(3,680)**	(16,711)	**–**	–
Acquisition of a subsidiary	**–**	6,804	**–**	–
Disposal of subsidiaries	**–**	(1,303)	**–**	–
Transfer to assets of disposal groups classified as held for sale	**(7,354)**	–	**–**	–
Exchange realignment	**(2,265)**	2,354	**–**	–
At 31 December	**114,821**	112,985	**–**	–

The above provision for impairment of other debtors of the Group represented provision for individually impaired other debtors with an aggregate carrying amount of HK$183,872,000 (2013: HK$182,036,000).

28. 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 an amount of RMB40,000,000 (equivalent to HK$50,000,000) (2013: RMB40,000,000 (equivalent to HK$51,280,000)) due from a joint venture, which is unsecured, bears interest at 6% per annum and is fully repayable in two equal instalments on 5 March 2015 and 29 June 2015. Interest income of RMB2,400,000 (equivalent to HK$3,000,000) (2013: RMB1,577,000 (equivalent to HK$1,996,000)) was recognised in profit or loss in respect of the loan.

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 26(a), 42 and 43 to the financial statements, respectively.

29. RESTRICTED CASH AND PLEDGED DEPOSITS

		Company	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Restricted cash	*(a)*	**29,926**	30,721
Pledged deposits	*(b)*	**28,809**	32,383
Restricted cash and pledged deposits		**58,735**	63,104

Notes:

(a) Restricted cash of the Group mainly represented the proceeds of a government surcharge of HK$29,926,000 (2013: HK$30,721,000) 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 43(i))*.

(b) Bank balances of HK$28,809,000 (2013: HK$32,383,000) as at 31 December 2014 were pledged to secure certain trade finance facilities *(note 42)* granted to the Group.

30. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances:				
Placed in banks	**7,020,259**	7,725,743	**146,999**	31,128
Placed in a financial institution *(note 50(a)(x))*	**3,237,711**	–	**2,728,247**	–
Time deposits:				
Placed in banks	**853,117**	3,132,828	**57**	1,627,558
Placed in a financial institution *(note 50(a)(x))*	**155,354**	–	**–**	–
	11,266,441	10,858,571	**2,875,303**	1,658,686
Less: Restricted cash and pledged deposits *(note 29)*	**(58,735)**	(63,104)	**–**	–
Cash and cash equivalents	**11,207,706**	10,795,467	**2,875,303**	1,658,686

Notes:

(a) At 31 December 2014, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$6.6 billion (2013: HK$7.5 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.

31. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As further detailed in note 44(a)(iv), the Group acquired a 92.68% equity interest in GSEI from independent third parties. The transaction was completed on 19 December 2014.

GSEI held certain sewage and water treatment projects in the PRC through a wholly-owned subsidiary, Golden State Water Group Corporation ("GSWG") and certain solid waste treatment projects through another wholly-owned subsidiary, namely Golden State Waste Management Corporation ("GSWM").

In the opinion of the directors, the Group intends to retain only the solid waste treatment projects held by GSEI. At the date of completion of the transaction, the Group had committed a plan to dispose of the sewage and water treatment projects held by GSWG and has since been identifying potential buyers. Having considered that the equity interest in GSWG is available for immediate sale in its present condition and the sale is expected to complete within one year, GSWG and its subsidiaries (together, the "GSWG Group") were classified as a disposal group held for sale as at 31 December 2014. The goodwill arose from the acquisition of GSEI attributable to the GSWG Group was also included in assets of a disposal group held for sale as at 31 December 2014.

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

		2014
		HK$'000
Assets		
Property, plant and equipment	*14*	**33,494**
Prepaid land premium	*16*	**8,884**
Goodwill	*17*	**1,117,078#**
Operating concession	*18*	**249,635**
Other intangible asset	*19*	**1,547**
Investment in associates		**748,039**
Interest in a joint venture		**92,644**
Available-for-sale investment		**3,000**
Amount due from contract customers		**398**
Inventories		**24,356**
Trade receivables		**103,004**
Prepayments, deposits and other receivables		**124,295**
Cash and bank balances		**170,687**
Assets of a disposal group classified as held for sale		**2,677,061**

31. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(Continued)*

	2014 *HK$'000*
Liabilities	
Bank and other borrowings	(280,680)
Amounts due to contract customers	(839)
Trade payables	(115,444)
Other payables and accruals	(211,581)
Income tax payable	(264)
Liabilities directly associated with the assets of a disposal group classified as held for sale	(608,808)
Net assets directly associated with a disposal group held for sale	2,068,253

\# *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 GSEI and the initial accounting for the acquisition was incomplete. The goodwill of HK$1,114,303,000 on acquisition recognised by the Group represented the provision amount estimated by the directors of the Company.*

32. SHARE CAPITAL

Shares

	2014 HK$'000	2013 HK$'000
Authorised: *(note (i))*		
2,000,000,000 ordinary shares of HK$0.10 each *(note (ii))*	–	200,000
Issued and fully paid:		
1,284,350,268 (2013: 1,270,193,509) ordinary shares	**30,401,883**	127,019

Notes:

(i) Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.

(ii) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members of the Company as a result of this transition.

32. SHARE CAPITAL *(Continued)*

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Total HK$'000
At 1 January 2013,		1,137,571,000	113,757	20,738,291	238	20,852,286
Conversion of convertible bonds into 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 and 1 January 2014		1,270,193,509	127,019	29,607,291	238	29,734,548
Conversion of convertible bonds into ordinary shares	*(a)*	15,208,259	667,335	–	–	667,335
Shares repurchased	*(c)*	(1,051,500)	(105)	–	105	–
Transition to no-par value regime on 3 March 2014	*(d)*	–	29,607,634	(29,607,291)	(343)	–
At 31 December 2014		1,284,350,268	30,401,883	–	–	30,401,883

Notes:

(a) During the year ended 31 December 2014, Guaranteed Convertible Bonds *(as defined in note 37(a) to the financial statements)* with an aggregate principal amount of HK$661,560,000 (2013: HK$1,501,730,000) were converted into 15,208,259 ordinary shares (2013: 34,522,509 ordinary shares) of the Company by certain bondholders. Details of the transaction are set out in note 37(a) to the financial statements.

(b) As detailed in note 22(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.

(c) In January 2014, the Company repurchased a total of 1,051,500 ordinary shares of the Company on the Stock Exchange at a weighted average cost of HK$65.77 per share (the highest and lowest purchase prices per ordinary share were HK$66.30 and HK$63.68, respectively) and the total consideration paid amounted to approximately HK$69,162,000. These shares were subsequently cancelled by the Company during the year and the issued capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares of HK$69,057,000 has been charged to the retained profits of the Company. Pursuant to Section 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32), an amount of HK$105,000 equivalent to the then par value of the shares cancelled was transferred from retained profits of the Company to the then capital redemption reserve.

(d) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account and capital redemption reserve have become part of the Company's share capital.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 33 to the financial statements.

33. 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.

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 Hong Kong 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 2014 and 2013 and there was no share option outstanding under the Scheme as at these dates.

34. 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 represented the par value of ordinary shares of the Company which had been repurchased and cancelled in prior years. The reserve has become part of the Company's share capital since 3 March 2014 *(note 32(d))*.

(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 2014 were distributable in the form of cash dividends.

(b) Company

	Notes	**Share premium account** *HK$'000* *(note 32(d))*	**Capital redemption reserve** *HK$'000* *(note 32(d))*	**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 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	*11*	–	–	–	–	–	764,870	764,870
Conversion of convertible bonds to ordinary shares	*32(a)*	1,496,785	–	–	–	–	–	1,496,785
Issue of shares	*32(b)*	7,372,215	–	–	–	–	–	7,372,215
Interim 2013 dividend	*12*	–	–	–	–	–	(291,658)	(291,658)
Proposed final 2013 dividend	*12*	–	–	–	–	–	(763,695)	(763,695)
At 31 December 2013 and 1 January 2014		29,607,291#	238#	13,220	(22,773)	17,561	11,606	29,627,143
Profit for the year and total comprehensive income for the year	*11*	–	–	–	–	–	1,544,278	1,544,278
Interim 2014 dividend	*12*	–	–	–	–	–	(359,618)	(359,618)
Proposed final 2014 dividend	*12*	–	–	–	–	–	(796,297)	(796,297)
Shares repurchased	*32(c)*	(105)	105	–	–	–	(69,162)	(69,162)
Transition to non-par value regime	*32(d)*	(29,607,186)	(343)	–	–	–	–	(29,607,529)
At 31 December 2014		–	–	13,220	(22,773)	17,561	330,807	338,815

Included in other statutory capital reserves in the Company's statement of financial position as at 31 December 2013.

35. BANK AND OTHER BORROWINGS

	Group 2014 HK$'000	Group 2013 HK$'000	Company 2014 HK$'000	Company 2013 HK$'000
Bank loans:				
Secured	**1,648,348**	1,377,622	**–**	–
Unsecured	**17,064,646**	8,911,251	**10,138,224**	2,985,750
	18,712,994	10,288,873	**10,138,224**	2,985,750
Other loans:				
Secured	**4,466**	–	**–**	–
Unsecured	**4,533,849**	847,794	**3,400,000**	–
	4,538,315	847,794	**3,400,000**	–
Total bank and other borrowings	**23,251,309**	11,136,667	**13,538,224**	2,985,750
Analysed into:				
Bank loans repayable:				
Within one year	**13,420,862**	6,488,221	**7,177,974**	–
In the second year	**428,306**	3,091,397	**–**	2,985,750
In the third to fifth years, inclusive	**3,965,568**	355,403	**2,960,250**	–
Beyond five years	**898,258**	353,852	**–**	–
	18,712,994	10,288,873	**10,138,224**	2,985,750
Other loans repayable:				
Within one year	**4,270,573**	128,810	**3,400,000**	–
In the second year	**14,274**	450,454	**–**	–
In the third to fifth years, inclusive	**195,874**	185,796	**–**	–
Beyond five years	**57,594**	82,734	**–**	–
	4,538,315	847,794	**3,400,000**	–
Total bank and other borrowings	**23,251,309**	11,136,667	**13,538,224**	2,985,750
Portion classified as current liabilities	**(17,691,435)**	(6,617,031)	**(10,577,974)**	–
Non-current portion	**5,559,874**	4,519,636	**2,960,250**	2,985,750

35. 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	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**10,636,928**	2,985,750	**9,355,000**	2,985,750
RMB	**7,663,810**	7,905,075	**–**	–
US$	**4,943,995**	237,325	**4,183,224**	–
Euro	**6,576**	8,517	**–**	–
	23,251,309	11,136,667	**13,538,224**	2,985,750

(b) Included in the Group's bank and other borrowings as at 31 December 2014 are:

(i) amortised cost of an interest-free loan of HK$148,622,000 (2013: HK$148,622,000) granted by a non-controlling equity holder of a subsidiary;

(ii) an aggregate amount of RMB4,000 million (equivalent to HK$5,000 million) (2013: RMB250 million (equivalent to HK$321 million)) due to an associate, which bears interest at rates ranging from HIBOR plus 1.05% to 5.32% per annum. Interest expenses of RMB11,802,000 (equivalent to HK$14,753,000) (2013: RMB259,000 (equivalent to HK$328,000)) were recognised in profit or loss during the year in respect of the loans; and

(iii) certain bank and other loans, with an aggregate carrying amount of HK$296,736,000 (2013: HK$397,443,000), that principally came from proceeds of 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$9,392,000 (2013: HK$10,130,000), these loans bear interest at rates ranging from 2% to 6.3% per annum.

(c) The Group's secured bank loans as at 31 December 2014 were secured by:

(i) mortgages over certain waste treatment operation concession rights (comprising property, plant and equipment, operating concessions and receivables under service concession arrangements) for a then aggregate net carrying amount of HK$1,119,826,000 (2013: Nil) as at 31 December 2014, which are under the management of the Group pursuant to the relevant service concession agreements entered into with the grantors *(note 18)*;

(ii) a mortgage over plant and machinery of the Group with a net carrying amount of HK$81,250,000 (2013: HK$27,203,000) as at 31 December 2013 *(note 14(b))*; and

(iii) a pledge over certain of the Group's trade receivables amounted to HK$628,205,000 *(note 26(d))* in 2013. The loan was repaid during the year and the related security was released.

35. BANK AND OTHER BORROWINGS *(Continued)*

Notes: (Continued)

(d) At 31 December 2014, the bank loans of the Group included a five-year HK$3 billion syndicated loan and a five year HK$3 billion syndicated loan facility obtained by the Company in 2010 and 2014, which bear interest at HIBOR+0.85% and HKIBOR+1.7% respectively, and are fully payable on 2 August 2015 and 28 May 2019, respectively.

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.

36. 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 2014, the Guaranteed Senior Notes are repayable beyond five years and are carried in the consolidated statement of financial position at their amortised cost.

37. 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

37. 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

Principal amount outstanding	*Note*	**Guaranteed Convertible Bonds** *HK$'000* *(note (a))*	**Yanjing Brewery Convertible Bonds** *HK$'000* *(note (b))*	**Total** *HK$'000*
At 1 January 2013		2,175,000	102,935	2,277,935
Conversion to ordinary shares of the Company	*32(a)*	(1,501,730)	–	(1,501,730)
Conversion to ordinary shares of Yanjing Brewery		–	(10,128)	(10,128)
Redemption of convertible bonds		–	3,829	3,829
At 31 December 2013 and 1 January 2014		673,270	96,636	769,906
Conversion to ordinary shares of the Company	*32(a)*	(661,560)	–	(661,560)
Conversion to ordinary shares of Yanjing Brewery		–	(10,828)	(10,828)
Redemption of convertible bonds		(11,710)	–	(11,710)
Exchange realignment		–	(2,414)	(2,414)
At 31 December 2014		–	83,394	83,394

37. CONVERTIBLE BONDS *(Continued)*

Group *(Continued)*

Liability component	*Notes*	**Guaranteed Convertible Bonds** *HK$'000* *(note (a))*	**Yanjing Brewery Convertible Bonds** *HK$'000* *(note (b))*	**Total** *HK$'000*
At 1 January 2013		2,165,206	94,107	2,259,313
Interest expense	*7*	35,932	1,957	37,889
Imputed interest expense	*7*	–	3,532	3,532
Interest paid		(27,847)	(541)	(28,388)
Conversion to ordinary shares of the Company	*32*	(1,500,237)	–	(1,500,237)
Conversion to ordinary shares of Yanjing Brewery		–	(9,120)	(9,120)
Redemption of convertible bonds		–	3,566	3,566
At 31 December 2013 and 1 January 2014		673,054	93,501*	766,555
Interest expense	*7*	6,118	918	7,036
Imputed interest expense	*7*	–	4,235	4,235
Interest paid		(127)	(918)	(1,045)
Conversion to ordinary shares of the Company	*32*	(667,335)	–	(667,335)
Conversion to ordinary shares of Yanjing Brewery		–	(10,843)	(10,843)
Redemption of convertible bonds		(11,710)	–	(11,710)
Exchange realignment		–	(2,337)	(2,337)
At 31 December 2014		–	84,556	84,556

37. CONVERTIBLE BONDS *(Continued)*

Group *(Continued)*

Derivative component	*Notes*	**Guaranteed Convertible Bonds** *HK$'000* *(note (a))*	**Yanjing Brewery Convertible Bonds** *HK$'000* *(note (b))*	**Total** *HK$'000*
At 1 January 2013		–	9,428	9,428
Conversion to ordinary shares of Yanjing Brewery		–	(929)	(929)
Exchange realignment		–	352	352
At 31 December 2013 and 1 January 2014		–	8,851*	8,851
Conversion to ordinary shares of Yanjing Brewery		–	(991)	(991)
Exchange realignment		–	(221)	(221)
At 31 December 2014		–	7,639	7,639

* *The carrying amount of HK$93,501,000 and HK$8,851,000 of the liability component and the derivative component of the Yanjing Brewery Convertible Bonds were classified as non-current liabilities as at 31 December 2013.*

37. CONVERTIBLE BONDS *(Continued)*

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 were guaranteed by the Company, bore interest at the rate of 2.25% per annum and were 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. All of the principal amount of the convertible bonds were converted or redeemed during the year. Further details of the Guaranteed Convertible Bonds were set out in the Company's announcement dated 27 April 2009.

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 was not significant to the Group and, accordingly, the whole amount of the Guaranteed Convertible Bonds, net of transaction costs, was accounted for as a financial liability of the Group.

During the year ended 31 December 2014, certain of the Guaranteed Convertible Bonds with an aggregate principal amount of HK$661,560,000 (2013: HK$1,501,730,000) were converted into 15,208,259 (2013: 34,522,509) ordinary shares of the Company by certain bondholders and the remaining principal amount of HK$11,710,000 was redeemed.

(b) On 15 October 2010, Yanjing Brewery, a subsidiary held indirectly 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 interest 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$84,556,000 was classified as a current liability as at 31 December 2014. Further details of the Yanjing Brewery Convertible Bonds were set out in the Company's announcement published in the Chinese website of the Hong Kong 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 were 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 adjusted from RMB21.86 to RMB15.37 and from RMB15.37 to RMB7.58, respectively, further details of which were 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 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 prior years. In the opinion of the directors, since the fair value movement of the Yanjing Brewery Convertible Bonds and the related financial impact on the Group's financial statements are expected to be insignificant during the years ended 31 December 2014 and 2013, no external valuation was performed on the fair value of the Yanjing Brewery Convertible Bonds as at 31 December 2014 and 2013.

38. 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 2014				
Current service cost	**20,673**	**3,178**	**–**	**23,851**
Past service cost	**400**	**61**	**36**	**497**
Interest cost	**21,019**	**6,396**	**289**	**27,704**
Net benefit expense	**42,092**	**9,635**	**325**	**52,052**
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

38. 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 2013	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 43)*				(10,050)
Non-current portion				535,655
At 1 January 2014	411,850	126,832	7,023	545,705
Net benefit expenses recognised in profit or loss	42,091	9,635	326	52,052
Benefits paid	(3,961)	(3,816)	(2,088)	(9,865)
Actuarial losses/(gains) on obligations, recognised in other comprehensive income	100,928	7,990	(645)	108,273
Exchange realignment	(10,296)	(3,171)	(175)	(13,642)
At 31 December 2014	540,612	137,470	4,441	682,523
Portion classified as current liabilities included in other payables and accruals *(note 43)*				(9,864)
Non-current portion				672,659

38. 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 2014 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:

	2014	2013
Discount rate	**4.25%**	5.25%
Healthcare cost inflation rate	**8.00%**	8.00%

A quantitative sensitivity analysis for significant assumptions as at 31 December 2014 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	(41,811)	0.25	45,588
Healthcare cost inflation rate	1.00	169,274	1.00	(124,325)

The sensitivity analysis 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 2014, the expected contribution to be made within the next 12 months out of the defined benefit obligations was HK$9,864,000 (2013: HK$10,050,000).

39. PROVISION FOR MAJOR OVERHAULS

Pursuant to the service concession arrangements on the Group's toll road operation and waste treatment 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 toll road during the year are as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
At 1 January	**30,544**	29,414
Exchange realignment	**–**	1,130
At 31 December	**30,544**	30,544

No provision for major overhauls for the Group's waste treatment operations was recognised by the Group as the financial impact is insignificant to the consolidated financial statements.

40. OTHER NON-CURRENT LIABILITIES

		Group	
		2014	2013
	Note	***HK$'000***	*HK$'000*
Other liabilities – non-current portion	*43*	**40,082**	34,614
Deferred income		**393,365**	327,245
		433,447	361,859

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 lives of the relevant assets.

41. DEFERRED TAX

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
Deferred tax assets	**678,460**	601,056
Deferred tax liabilities	**(319,441)**	(233,462)
	359,019	367,594

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 2013		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	*10*	–	(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
Exchange realignment		2,996	(71)	1,188	(7,433)	–	10,694	5,828	283	(3,497)	183	–	10,171
Disposal of subsidiaries	*45*	–	–	–	–	–	(1,908)	–	–	–	–	–	(1,908)
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

41. 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 2014		66,779	(1,974)	32,069	(81,751)	(1,392)	310,584	138,188	9,133	–	17,983	(122,025)	367,594
Deferred tax credited/(charged) to profit or loss during the year	*10*	1,649	(176)	–	(28,383)	–	53,981	7,358	–	–	–	–	34,429
Deferred tax credited/(charged) to other comprehensive income during the year		–	–	–	–	(16,892)	–	27,069	–	–	–	–	10,177
Derecognised upon the transfer of receivables under a service concession arrangement		–	–	–	–	–	–	–	–	–	–	–	–
Acquisition of subsidiaries	*44*	(40,526)	–	–	–	–	–	–	–	–	–	–	(40,526)
Exchange realignment		(1,212)	49	(802)	2,044	50	(9,030)	(3,455)	(51)	–	(248)	–	(12,655)
At 31 December 2014		26,690	(2,101)	31,267	(108,090)	(18,234)	355,535	169,160	9,082	–	17,735	(122,025)	359,019

Notes:

(a) At 31 December 2014, deferred tax assets have not been recognised in respect of unused tax losses of HK$3,527,014,000 (2013: losses of HK$3,186,957,000) 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$3,505,642,000 (2013: losses of HK$3,165,585,000) 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$10,700,006,000 (2013: HK$9,732,390,000) as at 31 December 2014.

(c) There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

42. 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	
	2014	2013
	HK$'000	*HK$'000*
Within one year	**1,820,704**	1,920,092
One to two years	**236,043**	437,011
Two to three years	**169,653**	9,378
Over three years	**12,003**	16,744
	2,238,403	2,383,225

Included in the Group's trade and bills payables as at 31 December 2014 are amounts of HK$51,061,000 (2013: HK$41,028,000) and nil balance (2013: HK$19,629,000) 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 2014 are secured by a pledge over certain of the Group's bank balances with an aggregate amount of HK$28,809,000 (2013: HK$32,383,000) *(note 29(b))*.

43. OTHER PAYABLES AND ACCRUALS

		Group		Company	
		2014	2013	**2014**	2013
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Accruals		**116,810**	123,736	**53,837**	48,487
Defined benefit plans					
– current portion	*38(b)*	**9,864**	10,050	**–**	–
Other liabilities		**5,360,149**	7,740,581	**8,839**	9,385
Due to a holding company	*28*	**1,880,364**	900,000	**1,880,364**	900,000
Due to related parties	*28*	**329,350**	274,965	**8,523**	8,526
		7,696,537	9,049,332	**1,951,563**	966,398
Portion classified as current liabilities		**(7,656,455)**	(9,014,718)	**(1,951,563)**	(966,398)
Non-current portion	*40*	**40,082**	34,614	**–**	–

The Group's other liabilities as at 31 December 2014 included, inter alia, the following:

(i) an amount of HK$29,926,000 (2013: HK$30,721,000) 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 29(a) to the financial statements; and

(ii) construction project costs of HK$121,848,000 (2013: HK$115,433,000) payable to certain fellow subsidiaries of the Group. The balances with the fellow subsidiaries are unsecured, interest-free, and are repayable within credit periods similar to those offered by the fellow subsidiaries to their major customers.

44. 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:

		2014			2013
	Notes	GSEI HK$'000 (note (a)(iv))	Others HK$'000 (notes (a)(i), (ii) and (iii))	Total HK$'000	Total HK$'000 (note (b))
Net assets acquired:					
Property, plant and equipment	14	624,723	531,360	1,156,083	981,586
Investment properties	15	–	–	–	45,812
Prepaid land premiums	16	60,303	47,114	107,417	32,835
Operating concession	18	455,562	397,395	852,957	–
Receivables under service concession		864,093	–	864,093	–
Other intangible assets	19	815	113,675	114,490	9,265
Investments in joint ventures		–	–	–	12,352
Investments in associates		745,087	–	745,087	102,038
Available-for-sale investments		3,000	–	3,000	–
Inventories		10,052	5,926	15,978	8,895
Amounts due from contract customers		–	–	–	909
Trade and bills receivables		64,323	56,682	121,005	88,618
Prepayments, deposits and other receivables		218,848	43,892	262,740	260,578
Income tax recoverable		–	21,018	21,018	3,053
Pledged bank balances and time deposits		–	–	–	5,779
Cash and cash equivalents		349,535	56,362	405,897	904,016
Bank and other borrowings		(1,315,092)	–	(1,315,092)	(273,418)
Other non-current liabilities		(40,112)	(39,873)	(79,985)	(161,146)
Deferred tax liabilities	41	–	(40,526)	(40,526)	–
Trade and bills payables		(62,328)	(11,030)	(73,358)	(150,312)
Other payables and accruals		(93,455)	(242,870)	(336,325)	(353,589)
		1,885,354	939,125	2,824,479	1,517,271
Non-controlling interests		(196,098)	–	(196,098)	(539,999)
		1,689,256	939,125	2,628,381	977,272
Goodwill on acquisition	17	2,110,392#	198,619	2,309,011	83,184
		3,799,648	1,137,744	4,937,392	1,060,456

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 GSEI (as defined in note 31 to the financial statements) and the initial accounting for the acquisition was incomplete as at 31 December 2014. The goodwill on acquisition recognised by the Group represented the provisional amount estimated by the directors of the Company.

44. BUSINESS COMBINATIONS *(Continued)*

	2014 GSEI HK$'000 (note (a)(iv))	2014 Others HK$'000 (notes (a)(i), (ii) and (iii))	2014 Total HK$'000	2013 Total HK$'000 (note (b))
Satisfied by:				
Cash	3,799,648	318,824	4,118,472	732,685
Issue of new ordinary shares by Beijing Development	–	818,920	818,920	–
Reclassification from interest in an associate to interest in a subsidiary	–	–	–	327,771
	3,799,648	1,137,744	4,937,392	1,060,456
Revenue for the year since acquisition	–	21,540	21,540	219,245
Loss for the year since acquisition	–	(7,147)	(7,147)	(31,628)

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$121,005,000 (2013: HK$88,618,000) and HK$35,563,000 (2013: HK$100,197,000), respectively.

44. BUSINESS COMBINATIONS *(Continued)*

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

	2014 GSEI HK$'000 (note (a)(iv))	2014 Others HK$'000 (notes (a)(i), (ii) and (iii))	2014 Total HK$'000	2013 Total HK$'000 (note (b))
Satisfied by:				
Cash and cash equivalents acquired	**349,535**	**56,362**	**405,897**	904,016
Cash consideration	**(3,799,648)**	**(318,824)**	**(4,118,472)**	(732,685)
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	**(3,450,113)**	**(262,462)**	**(3,712,575)**	171,331

Had the above business combinations taken place at the beginning of the year, the Group's profit for the year would have been HK$5,393,483,000 (2013: HK$4,754,660,000) and the Group's revenue (comprising turnover and other income and gains, net) would have been HK$48,378,256,000 (2013: HK$43,309,229,000).

Notes:

(a) Business combinations during the year ended 31 December 2014 mainly include the following transactions:

(i) In January 2014, the Group acquired the entire equity interest in 鶴崗聚源煤層氣有限責任公司 ("Hegang") from an independent third party at a cash consideration of RMB38,755,000 (equivalent to HK$48,444,000). Hegang is principally engaged in the provision of LNG in Heilongjiang, the PRC;

(ii) In April 2014, Beijing Development, a 50.36% held subsidiary of the Company, acquired the entire equity interests in and the shareholders' loans of KCS Taian Investments Company Limited ("KCS Taian") and KCS Changde Investments Company Limited ("KCS Changde") from an independent third party at an aggregate consideration of RMB520,000,000. The consideration was satisfied by RMB86,790,000 (equivalent to HK$107,880,000) in cash and RMB433,210,000 by the issue of 347,000,000 ordinary shares of Beijing Development at an issue price of HK$1.60 per share (fair value of which on issue date was HK$2.36 per share). KCS Taian and KCS Changde are principally engaged in the provision of solid waste treatment business in Shandong and Hunan, the PRC, respectively;

(iii) In April 2014, the Group acquired the entire equity interests in and the shareholders' loans of KCS Siping Investments Company Limited ("KCS Siping") from an independent third party at a cash consideration of RMB130,000,000 (equivalent to HK$162,500,000). KCS Siping is principally engaged in the provision of solid waste treatment business in Jilin, the PRC; and

(iv) In December 2014, the Group acquired in aggregate 92.68% equity interests in Golden State Environmental Investment Corporation ("GSEI") from two independent third parties at an aggregate cash consideration of USD490,277,000 (equivalent to HK$3,804,551,000). GSEI is principally engaged in the solid waste treatment operations and sewage and water supply operations in Beijing and several other provinces in the PRC.

44. BUSINESS COMBINATIONS *(Continued)*

Notes: (Continued)

(b) 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 at 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 at 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;

(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 at a cash consideration of RMB33,840,000 (approximately 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 at a cash consideration of RMB160,000,000 (approximately 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.

45. DISPOSAL OF SUBSIDIARIES

	2014 HK$'000	2013 HK$'000
Net assets disposed of:		
Property, plant and equipment	–	445,419
Investment in a joint venture	–	431,756
Amounts due from contract customers	–	21,172
Deferred tax assets *(note 41)*	–	1,908
Inventories	–	271
Trade and bills receivables	–	37,352
Prepayments, deposits and other receivables	–	240,384
Cash and cash equivalents	–	8,372
Trade and bills payables	–	(47,959)
Other payables and accruals	–	(336,017)
Income tax recoverables/(payables)	–	44,188
Bank and other borrowings	–	(324,076)
	–	522,770
Non-controlling interests	–	(94,926)
	–	427,844
Exchange fluctuation reserve realised	–	(15,081)
Reclassification from interests in subsidiaries to available-for-sale investments	–	(51,897)
Gain on disposal of interests in subsidiaries, net	–	58,896
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
	–	419,762
Satisfied by:		
Cash	–	139,475
Equity interests of subsidiaries given up, at fair value	–	280,287
	–	419,762

45. 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:

	2014	2013
	HK$'000	*HK$'000*
Cash consideration	**–**	139,475
Cash and cash equivalents disposed of	**–**	(8,372)
Consideration received during the year	**139,475**	–
Consideration receivable as at 31 December	**–**	(139,475)
Exchange realignment	**(4,189)**	–
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	**135,286**	(8,372)

Disposal of subsidiaries during the year ended 31 December 2013 mainly include the following transactions:

(i) On 26 September 2012, the Group entered into a master agreement with BE Water and two of its subsidiaries, pursuant to which the Group agreed to transferred its equity interests in 濰坊北控水務有限公司, Beijing Enterprises Water Company Limited ("BE Water (BVI)") and 北控水務集團（海南）有限公司 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.

(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 transaction was completed in 2013 and the cash consideration was settled by Beijing Jingyi during the year.

46. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

Apart from the transactions as detailed in notes 22, 37, 44 and 45 to the financial statements, the Group had no other major non-cash transactions of investing and financing activities during the years ended 31 December 2014 and 2013.

47. CONTINGENT LIABILITIES

As at the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantee in respect of a banking facility granted to a third party	**–**	151,333	**–**	151,333
Guarantee in respect of a banking facility granted to subsidiaries	**–**	–	**1,637,678**	–
Guarantees given in respect of the Guaranteed Senior Notes *(note 36)*	**–**	–	**14,021,418**	13,866,080
Guarantee given in respect of the Guaranteed Convertible Bonds *(note 37(a))*	**–**	–	**–**	673,270
	–	151,333	**15,659,096**	14,690,683

48. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for original terms ranging from 1 to 10 years. The terms of the leases generally require the tenants to pay security deposits.

As at the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Within one year	**2,710**	2,612
In the second to fifth years, inclusive	**–**	110
	2,710	2,722

At 31 December 2014, the Company did not have any non-cancellable operating lease arrangements as lessor (2013: 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.

As at the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**75,686**	165,545	**12,638**	14,667
In the second to fifth years, inclusive	**124,873**	181,824	**134**	40,787
After five years	**619,103**	636,317	**–**	–
	819,662	983,686	**12,772**	55,454

49. CAPITAL COMMITMENTS

As at the end of the reporting period, the Group had the following capital commitments:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Authorised, but not contracted for:		
Acquisition of interests in subsidiaries	**–**	64,359
	–	64,359
Contracted, but not provided for:		
Buildings	**166,013**	178,288
Plant and machinery	**796,333**	507,624
New service concession arrangements on a BOO basis	**54,235**	–
New service concession arrangements on a BOT basis	**306,658**	–
Capital contribution to an associate	**–**	771,205
	1,323,239	1,457,117
Total capital commitments	**1,323,239**	1,521,476

At 31 December 2014, the Company did not have any significant capital commitments (2013: Nil).

50. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had entered into the following material transactions with related parties during the year:

Name of related party	Nature of transaction	*Notes*	2014 *HK$'000*	2013 *HK$'000*
Non-controlling equity holders of subsidiaries and their associates				
Yanjing Beer Group and its associates	Purchase of bottle labels[γ]	*(i)*	**125,731**	151,146
	Purchase of bottle caps[γ]	*(i)*	**92,986**	104,000
	Canning service fees paid[γ]	*(ii)*	**36,506**	37,567
	Comprehensive support service fees paid[γ]	*(iii)*	**19,431**	19,677
	Land rent expenses[γ]	*(iv)*	**2,311**	2,341
	Trademark licensing fees paid[γ]	*(v)*	**74,505**	81,424
	Less: Refund for advertising subsidies[γ]	*(v)*	**(4,271)**	(7,875)
Fellow subsidiaries				
Beiran Enterprises and its subsidiaries	Sale of gas[#]	*(vi)*	**34,380**	30,810
	Engineering service income[#]	*(vii)*	**22,173**	61,291
	Comprehensive service income[#]	*(vii)*	**25,063**	8,816
	Sale of goods[#]	*(x)*	**152,988**	180,184
	Engineering service expenses[#]	*(vii)*	**89,438**	67,866
	Comprehensive service expenses[#]	*(vii)*	**42,204**	88,837
	Building rental expenses[#]	*(ix)*	**78,301**	88,472
	Purchase of goods[#]	*(ix)*	**142,708**	194,558
Beijing Jingyi	Construction fee[α]	*(viii)*	**–**	6,733
Associate				
PetroChina Beijing Gas	Natural gas transmission fee expenses	*(vi)*	**–**	2,606,389
Beijing Enterprises Group Finance Co. Ltd.	Interest expense	*(x)*	**14,753**	328

γ *These related party transactions also constitute continuing connected transactions that are exempted from the reporting, announcement and independent shareholders' approval requirements as defined in Chapter 14A of the Listing Rules.*

\# *These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.*

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 45 to the financial statement), also constitute connected transactions as defined in Chapter 14A of the Listing Rules.*

50. 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 include 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 (2013: RMB1,849,000) per annum.

(v) The trademark licensing fees paid were for the use of the "Yanjing" trademark and were determined based on 0.94% 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.

50. RELATED PARTY DISCLOSURES *(Continued)*

(a) *(Continued)*

Notes: (Continued)

(x) Beijing Enterprises Group Finance Co. Ltd. ("BE Group Finance") is a 48.21% owned associate of the Group and also a subsidiary of Beijing Enterprises Group. BE Group Finance was establish to act as platform for members of Beijing Enterprises Group for provision of intra-group facilities through financial products including deposit-taking, money-lending and custodian services.

Pursuant to a deposit services master agreement (the "Deposit Services Master Agreement") entered into between the Company and BE Group Finance on 29 December 2014, the Group may, in its ordinary and usual course of business, place and maintain deposits with BE Group Finance on normal commercial terms from time to time. The term of the Deposit Services Master Agreement shall commence on the date of the Deposit Services Master Agreement and continue up to and including 31 December 2016. Subject to compliance with the Listing Rules, upon the expiration of such initial term, the Deposit Services Master Agreement may be renewed by the Company and BE Group Finance by agreement in writing. The daily aggregate of deposits placed by the Group with BE Group Finance (including any interest accrued thereon) during the term of the Deposit Services Master Agreement will not exceed HK$3,700 million. The deposit services provided by BE Group Finance constitute continuing connected transactions that are subject to the announcement, reporting and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Interest rates on deposits placed in and loans offered by BE Group Finance denominated in Renminbi were determined by reference to the then prevailing market rates offered by Peoples Bank of China, while the related interest rates for deposits and loans denominated in other currencies were determined by reference to the then prevailing market rates offered by major bankers of the Group.

The amounts of deposits placed by the Group with BE Group Finance as at the end of the reporting period are disclosed in note 30 to the financial statements. No interest income was recognised in profit or loss during the year as the financial impact was insignificant.

The amounts of loans borrowed by the Group from BE Group Finance as at the end of reporting period are disclosed in note 35(b)(ii) to the financial statements.

(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 26(a), 27(b), 42 and 43 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 21, 22 and 28 to the financial statements, respectively.

50. RELATED PARTY DISCLOSURES *(Continued)*

(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, 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

	2014	2013
	HK$'000	*HK$'000*
Short term employee benefits	**22,884**	22,985
Pension scheme contributions	**24**	22
Total compensation paid to key management personnel	**22,908**	23,007

Further details of directors' emoluments are included in note 8 to the financial statements.

51. 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 23 and 37 to the financial statements, all financial assets and liabilities of the Group and the Company as at 31 December 2014 and 2013 were loans and receivables, and financial liabilities stated at amortised cost, respectively.

52. 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 23 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 37(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 these financial instruments 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 instruments is made.

53. 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.

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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.

Banks 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.

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 2014

	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	58,735	–	–	–	–	–	58,735	0.35
Cash and cash equivalents	10,124,140	–	–	–	–	–	10,124,140	0.35
Bank and other borrowings	(13,964,004)	(235,363)	(404,767)	(215,613)	(3,188,690)	(172,996)	(18,181,433)	2.51
Fixed rate:								
Cash and cash equivalents	1,083,566	–	–	–	–	–	1,083,566	2.43
Bank and other borrowings	(3,602,922)	(171,883)	(138,243)	(162,750)	(137,751)	(698,313)	(4,911,862)	4.99
Convertible bonds	(84,556)	–	–	–	–	–	(84,556)	0.91
Guaranteed Senior Notes	–	–	–	–	–	(13,879,298)	(13,879,298)	5.36

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

At 31 December 2013

	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years but less than 4 years	More than 4 years but less than 5 years	More than 5 years	Total	Effective interest rate
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*%*
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

At 31 December 2014, it was estimated that a general decrease/increase of 100 basis points in the 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$24,498,000 (2013: HK$8,573,000).

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 2013.

53. 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*
2014		
If Hong Kong dollar weakens against RMB by 5%	**397,824**	**3,168,588**
If Hong Kong dollar strengthens against RMB by 5%	**(397,824)**	**(3,168,588)**
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)

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.

53. 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 analysis 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 governments 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 18 and 26 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.

53. 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 2014

	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	–	14,079,184	748,567	858,084	670,240	3,483,924	941,041	20,781,040
Other loans	–	4,336,324	93,383	84,230	80,655	46,408	57,594	4,698,594
Guaranteed Senior Notes	–	706,726	706,726	706,726	706,726	706,726	19,669,315	23,202,945
Convertible bonds	–	84,556	–	–	–	–	–	84,556
Trade and bills payables	–	2,238,403	–	–	–	–	–	2,238,403
Accruals and other liabilities	–	5,446,741	40,082	–	–	–	–	5,486,823
Due to a holding company	1,880,364	–	–	–	–	–	–	1,880,364
Due to related parties	329,350	–	–	–	–	–	–	329,350
	2,209,714	26,891,934	1,588,758	1,649,040	1,457,621	4,237,058	20,667,950	58,702,075

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

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

Fair value risk

The Group's financial instruments that are carried in the financial statements at other than fair values are disclosed in note 52 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 2014 and 2013.

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.

53. 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	
	2014	2013
	HK$'000	*HK$'000*
Guaranteed Senior Notes	**13,879,298**	13,866,081
Interest-bearing bank borrowings	**23,093,295**	10,273,481
Total Guarantee Senior Notes and interest-bearing bank borrowings	**36,972,593**	24,139,562
Total equity	**68,050,991**	64,068,079
Total equity and interest-bearing bank borrowings and Guarantee Senior Notes	**105,023,584**	88,207,641
Gearing ratio	**35%**	27%

54. OTHER FINANCIAL INFORMATION

The net current liabilities and total assets less current liabilities of the Group as at 31 December 2014 amounted to HK$1,871,641,000 (2013: net current assets of HK$302,701,000) and HK$89,016,736,000 (2013: HK$83,717,668,000), respectively.

55. EVENTS AFTER THE REPORTING PERIOD

On 26 November 2014, the Group entered into a conditional share purchase agreement with China Gas (an associate listed on the Hong Kong Main Board), pursuant to which the Group conditionally agreed to sell and China Gas conditionally agreed to purchase the entire equity interest in Beijing Gas Development Limited ("Beijing Gas Development", a wholly-owned subsidiary of the Group) at the initial consideration of RMB1,633 million (equivalent to approximately HK$2,064 million), which shall be satisfied by China Gas allotting and issuing 149,122,250 ordinary shares to the Group.

The transaction was approved by an ordinary resolution at the special general meeting of shareholders of China Gas on 17 March 2015 and the transaction had not been completed as at the date of approval of these financial statements.

56. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated in the preparation of these financial statements as a result of the completion of the initial accounting for the acquisition of China Gas, details of which are set out in note 22(b) of the financial statements.

57. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2015.

FIVE YEAR FINANCIAL SUMMARY

31 December 2014

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 2013, is set out below:

RESULTS

	Year ended 31 December				
	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	2013 *HK$'000*	**2014** ***HK$'000***
Revenue	27,612,778	30,471,759	35,569,649	42,360,528	**47,935,795**
Operating profit	2,421,430	2,564,276	2,105,580	2,563,977	**2,158,562**
Share of profits and losses of:					
Joint ventures	1,168,658	1,300,189	(343)	(5,847)	**4,827**
Associates	196,449	373,392	2,049,495	2,742,612	**3,807,092**
Profit before tax	3,786,537	4,237,857	4,154,732	5,300,742	**5,970,481**
Income tax	(682,843)	(580,745)	(557,155)	(545,287)	**(564,834)**
Profit for the year	3,103,694	3,657,112	3,597,577	4,755,455	**5,405,647**
ATTRIBUTABLE TO:					
Shareholders of the Company	2,633,256	2,767,745	3,234,992	4,183,878	**4,831,678**
Non-controlling interests	470,438	889,367	362,585	571,577	**573,969**
	3,103,694	3,657,112	3,597,577	4,755,455	**5,405,647**

FIVE YEAR FINANCIAL SUMMARY

31 December 2014

ASSETS, LIABILITIES AND TOTAL EQUITY

	31 December				
	2010	2011	2012	2013	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	66,980,147	77,313,278	89,498,621	109,621,824	**124,063,918**
Total liabilities	(25,897,945)	(31,990,089)	(41,830,946)	(45,553,745)	**(56,012,927)**
NET ASSETS	41,082,202	45,323,189	47,667,675	64,068,079	**68,050,991**
Equity attributable to shareholders of the Company	34,413,850	37,736,127	39,637,454	54,021,238	**57,176,356**
Non-controlling interests	6,668,352	7,587,062	8,030,221	10,046,841	**10,874,635**
TOTAL EQUITY	41,082,202	45,323,189	47,667,675	64,068,079	**68,050,991**

北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED