



北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

BEIJING ENTERPRISES HOLDINGS LIMITED

Stock Code : 392

INTERIM REPORT 2015



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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*)

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

CORPORATE GOVERNANCE & RISK MANAGEMENT COMMITTEE

Mr. Zhou Si (*Committee Chairman*)
Mr. Jiang Xinhao
Mr. Lam Hoi Ham
Mr. Fu Tingmei
Dr. Yu Sun Say

COMPANY SECRETARY

Mr. Tam Chun Fai CPA CFA

STOCK CODE

392

WEBSITE

www.behl.com.hk

SHARE REGISTRAR

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

REGISTERED OFFICE

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

AUDITORS

Ernst & Young

CORPORATE INFORMATION

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

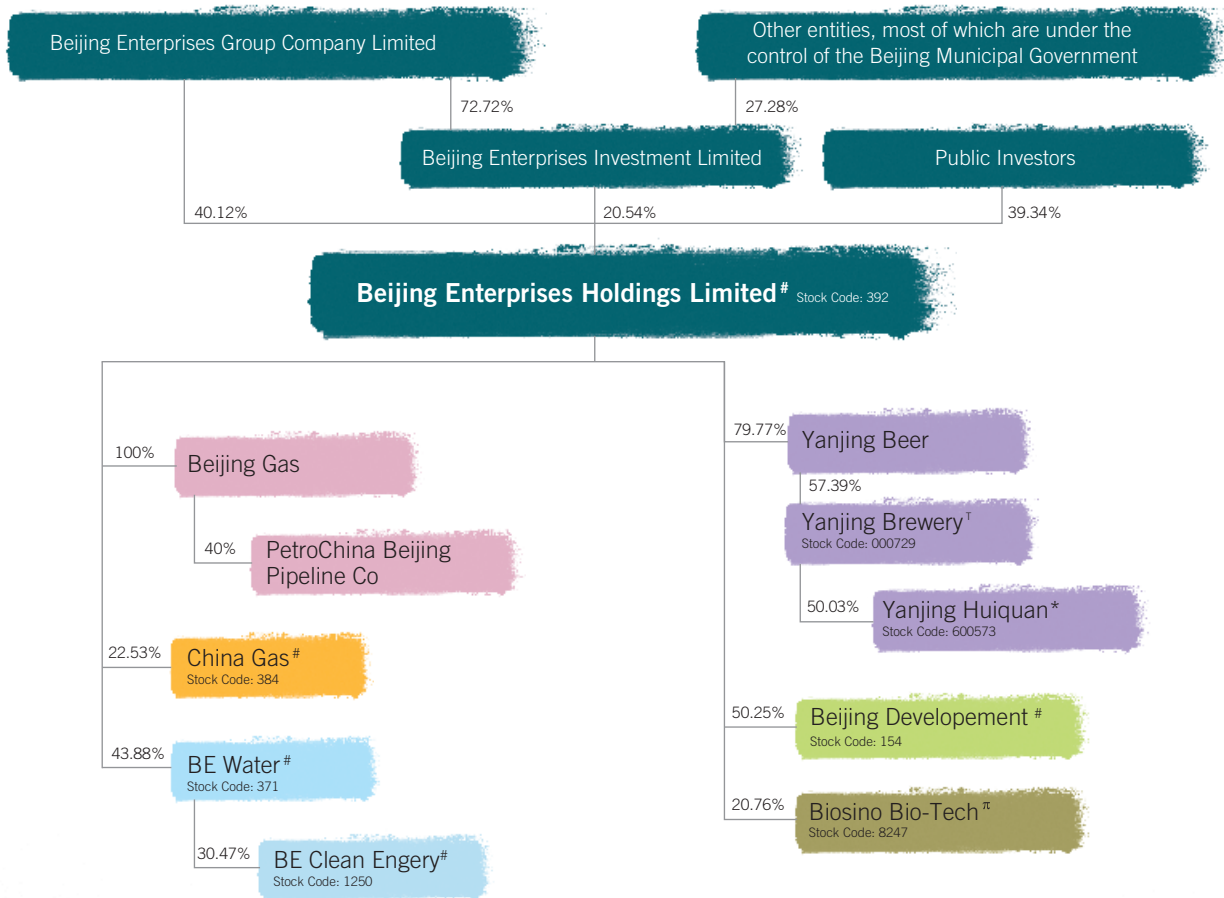
The Industrial and Commercial Bank of China

ADR Depository Bank

The Bank of New York

CORPORATE STRUCTURE

As at 30 June 2015



- * Listed on The Shanghai Stock Exchange
- † 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

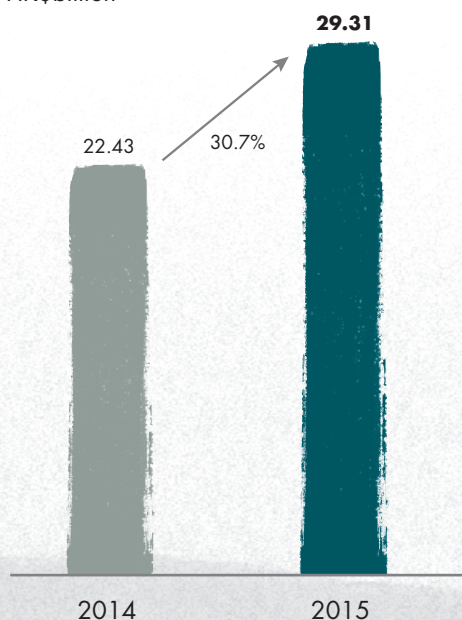
FINANCIAL HIGHLIGHTS

| | Six months ended 30 June | | Change |
|--|-------------------------------|-------------------------------|--------|
| | 2015 Unaudited HK\$'000 | 2014 Unaudited HK\$'000 | |
| Revenue | 29,308,938 | 22,429,905 | +30.7% |
| Gross Profit | 5,284,769 | 4,750,038 | +11.3% |
| Profit Attributable to Shareholders of the Company | 3,103,778 | 2,813,883 | +10.3% |
| Operating Profit Attributable to Shareholders of the Company | 3,068,777 | 2,427,503 | +26.4% |
| Basic Earnings Per Share (HK dollar) | 2.42 | 2.21 | +9.5% |
| Interim Dividend (HK cent) | 30 | 28 | +7.1% |

Revenue

For the six months ended 30 June

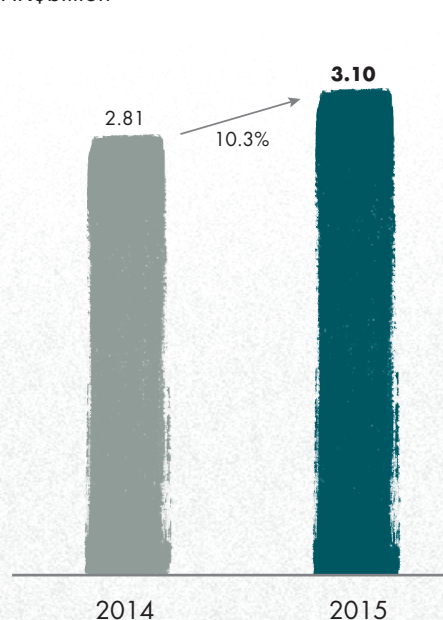
HK\$billion



Profit attributable to shareholders of the Company

For the six months ended 30 June

HK\$billion



FINANCIAL HIGHLIGHTS

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Beijing Enterprises Holdings Limited (the “Company”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015 and the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2015 with the comparative figures in 2014. The consolidated revenue of the Group for the first half of 2015 was HK\$29.31 billion, representing an increase of 30.7% over the corresponding period of last year. Profit attributable to shareholders of the Company was HK\$3.1 billion, representing an increase of 10.3% over the corresponding period in 2014.

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

| | Profit attributable to shareholders of the Company <i>HK\$'000</i> | Proportion % |
|--|--|------------------------|
| Piped gas operation | 2,691,239 | 77.3 |
| Beer production operation | 333,930 | 9.6 |
| Sewage and water treatment operations | 458,605 | 13.1 |
| Profit from major operations | 3,483,774 | 100 |
| Other operations and headquarter expenses | (414,997) | |
| Non-operating gains, net | 35,001 | |
| Profit attributable to shareholders of the Company | 3,103,778 | |

INTERIM DIVIDEND

The Board has resolved to declare an interim cash dividend for the six months ended 30 June 2015 of HK30 cents (2014: HK28 cents) per share, which will be payable on about 28 October 2015 to shareholders whose names appear on the register of members of the Company on 8 October 2015.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Tuesday, 6 October 2015 to Thursday, 8 October 2015, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 5 October 2015.

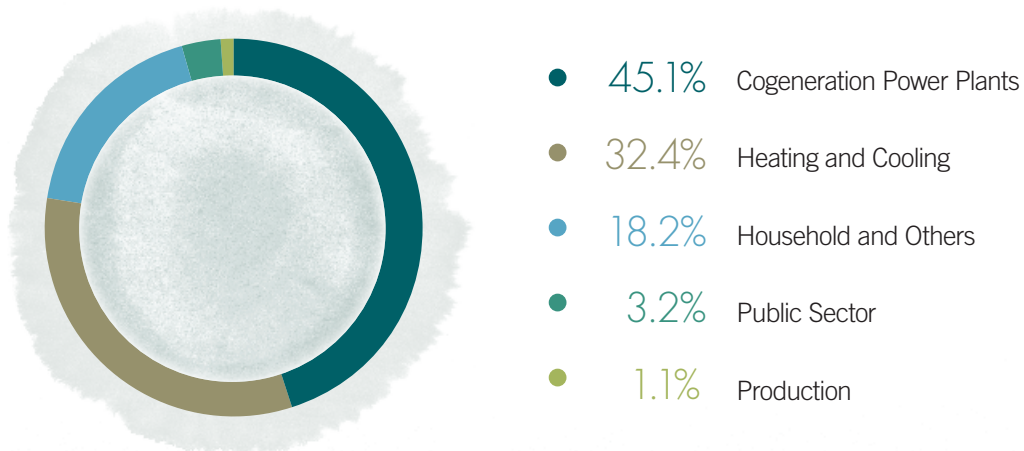
MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

Natural Gas Distribution Business

Beijing Gas Group Company Limited ("Beijing Gas") recorded a revenue of HK\$20.886 billion in the first half of 2015, increased by 45.6% as compared with the same period of last year. Gas sales volume was approximately 6.04 billion cubic meters, a year-on-year increase of 29.1%, which was mainly attributable to the smooth operation of Gaojing, Jingxi and Gaoantun thermal power plants that commenced operation at the end of last year, in which it pushed up the regular gas demand for power generation significantly and drove a higher increase in gas distribution in the first half of the year.

The gas sales volume of Beijing Gas in the first half of 2015 was approximately 6.04 billion cubic meters. An analysis by subscriber sector is shown as follows:



During the period under review, a total of 61,300 household subscribers, 1,673 public sector subscribers, and heating boiler and summer capacity of 1,351.7 t/h steams were developed. Subscriber growth across all user groups maintained a solid growth on a year-on-year basis. The capital expenditure of Beijing Gas in the first half year amounted to approximately HK\$1.464 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

I. **Business Review** *(Continued)*

Natural Gas Distribution Business (Continued)

During the period, Beijing Gas actively pushed forward the reconstruction of coal-fired boilers. As at the end of June, we completed the installation of 207 coal-fired boilers covering around 5,000 t/h steams; launched the coal-to-gas conversion projects in villages comprehensively and completed gas supply installation for over 2,000 households. At the same time, we warranted the progress of major construction projects, among which Zhongxiji natural gas emergency storage and distribution center met the trial operation conditions. The overall cooling-heating-power supply market developed well and Changping Beiqijia Project is almost completed and entered into framework agreements for a number of integrated projects.

During the period, Beijing Gas facilitated the development of vehicle gas market comprehensively, actively carried out site selection and construction, layout of gas stations, and increased the efforts of expanding potential users. During the first half year, we had already developed 965 natural gas vehicles (582 urban public buses, 383 converted vehicles) and signed orders for 200 factory natural gas vehicles. Meanwhile the Company positively developed LNG import trade, and coordinating on LNG unloading with LNG receiving station in Caofeidian, expanding the downstream market sales of LNG, and exploring diversified sales models. For business expansion, during the period, we implemented foreign investments and explored to more corporate development opportunities, carried out strategic cooperation by jointly working with ENN and Hebei Natural Gas Company Limited.

Natural Gas Transmission Business

PetroChina Beijing Natural Gas Pipeline Company Limited (中石油北京天然氣管道有限公司) (“PetroChina Beijing Pipeline Company”) achieved a gas transmission volume of 15.694 billion cubic meters in the first half of 2015, representing a year-on-year increase of 6.8%.

Beijing Gas shared a net profit after tax of HK\$1.319 billion through its 40% equity interests in PetroChina Beijing Pipeline Company in the first half of 2015, representing an increase of 22.6% when compared with the same period of last year. The increase in profit was much higher than the increase in gas transmission volume, which was mainly due to a relatively higher increase in gas transmission volume to Beijing region, and thereby picked up the income per cubic metre from gas transmission. The capital expenditure of PetroChina Beijing Pipeline Company was HK\$170 million in the first half year.

MANAGEMENT DISCUSSION AND ANALYSIS

I. **Business Review** *(Continued)*

China Gas

In the first half of 2015, the Group's share of profit of China Gas Holdings Limited ("China Gas") was HK\$370 million, which was based on the profit attributable to shareholders of China Gas for the six months ended 31 March 2015, representing a significant increase of 35.7% when compared with the corresponding period of last year. The national business of China Gas made up the Beijing Gas's business that mainly covers the Beijing region and plays an increasing important role in profit contribution for the Group.

Beer Business

During the first half of 2015, China's brewery industry still faced the challenge of continuous slowdown in China's economy. Beijing Yanjing Brewery Co., Ltd. ("Yanjing Beer") grasped the strategic opportunity to focus on three key structural adjustment missions in products, market and branding, further strengthened its position in market competition, enhanced enterprise profitability to ensure stable development. During the period, Yanjing Beer also actively adapted to new trend and tide arising from internet consumption and further explored the commercial model of internet selling to realize diversification and variety of business structure.

During the first half year, sales volume of Yanjing Beer was 2.96 million kilolitres and the revenue recorded was HK\$7.918 billion. Its profit before tax was HK\$1.04 billion, representing a year-on-year increase of 3.1%. Profit attributable to shareholders of the Company in the first half year was HK\$334 million. The capital expenditure of Yanjing Beer in the first half of 2015 was approximately HK\$283 million.

The Company continued to optimize its product mix. During the reporting period, the sales of the Company's medium-high end beer, such as tinplate cans and Yanjing Fresh Beer, continued to increase in terms of its proportion to total sales volume. The proportion of its products with price of over RMB2,500/kiloliter reached 46%, of which Yanjing Fresh Beer sales volume achieved a year-on-year growth of 28.4%, representing 26% of its total sales volume, and sales of tinplate cans products represented 11% of its total sales volume. Yanjing, our dominant brand, continued to extend its influence in the national market, accelerated the turning of weaker local brands to Yanjing brand. It further standardized product external packaging, product price and selling policies of Yanjing to improve product image. Sales of "1+3" brand represented 93% of its total sales volume, of which Yanjing, our main brand, represents 72% of total sales volume. In the first half year, the average price of beer per ton amounted to RMB2,391, representing a year-on-year increase of 3.1%.

MANAGEMENT DISCUSSION AND ANALYSIS

I. **Business Review** *(Continued)*

Sewage and Water Treatment Operation

The sewage treatment and water supply businesses of Beijing Enterprises Water Group Limited (stock code: 371) (“BE Water”) developed rapidly in the first half of 2015. Its turnover increased 51% to HK\$5.764 billion as a result of the increase in income from water treatment service. Profit attributable to shareholders of BE Water increased 63% to HK\$1.16 billion, of which HK\$509 million was attributable to the Company, representing a year-on-year increase of 61.4%. Of which, BE Water recognized a fair value gain of HK\$115.2 million on a forward contract in relation to the subscription of preference share of Beijing Enterprises Clean Energy Group Limited (formerly known as “Jin Cai Holdings Company Limited”), of which HK\$51 million was attributable to the Company. As at the end of June 2015, BE Water already participated in 345 water plants which are or will be in operation, including 257 sewage treatment plants, 81 water distribution plants, 6 reclaimed water plants and 1 seawater desalination plant. The water treatment contracted capacity was approaching 21.99 million tons/day, increased by 9% when compared with the 20.15 million tons/day as at 31 December 2014.

Total designed capacity of new projects for the period was 1.8425 million tons/day. In addition, BE Water accelerated the preliminary works of seawater desalination project designed to supply water to Beijing, and actively negotiated with the relevant government commissions, offices and bureaus in Beijing, Tianjin and Hebei provinces for the implementation of water distribution plan and construction conditions of water production projects; BE Water promoted the construction of key projects including Liangshuihe Comprehensive Water Environment Renovation Project, Plant A Project of Beijing No. 10 Waterworks and Malaysia Pantai Sewage Treatment Project in an orderly manner. BE Water participated in various projects that spread across 19 provinces, 2 autonomous regions and 3 municipalities nationwide as well as in Malaysia and Portugal and has developed itself into one of the leading water companies in China.

Solid Waste Treatment Business

In the first half year, we achieved an increase in solid waste operation capacity of 600 tons/day. Of which, Beijing Enterprises Holdings Environment Technology Co., Ltd (“BEHET”) achieved an operating revenue of HK\$174 million, and realised an operating profit of HK\$17.79 million. The solid waste treatment projects of Beijing Development (Hong Kong) Limited (Stock Code: 154) (“Beijing Development”) achieved an operating revenue of HK\$78.82 million, with profit before tax of HK\$20.3 million in the first half year. The capital expenditure of solid waste related business in the first half year amounted to approximately HK\$293 million.

After Beijing Development achieved its business strategic transformation, the two newly injected waste incineration power generation projects in Taian and Changde operated smoothly. At the same time, it actively moved forward the replacement of non-principal assets.

MANAGEMENT DISCUSSION AND ANALYSIS

I. **Business Review** *(Continued)*

Solid Waste Treatment Business (Continued)

By developing the market in an active and innovative manner, BEHET promoted the construction of projects and operated the operational projects in a safe and steady approach. While smoothly securing the tender for Beijing Huairou household waste treatment project during the first half year, BEHET completed the signing of Heilongjiang Zhaodong Waste Disposal project and established a project company. It also signed the Ordos hazardous waste disposal project and focused on tracking the waste incineration power generation projects in Guangxi, Henan, and Hunan, etc., with an aim of accumulating project reserve continuously. The operations for the trial running of the seven waste treatment projects such as Wenchang, Shuyang, Harbin and Wuhan were stable, demonstrating initial results in its solid waste investment. During the first half year, the company completed the waste treatment volume of 810,000 tons. It accomplished on-grid power generation volume of 185.03 million KWH and hazardous waste input volume of 13,545 tons. During the period, through continuously carrying out the communication and coordination with relevant parties including local governments, the company actively promoted the finalization of external conditions of projects like ancillary municipal, environmental protection inspection and delivery, enhanced dynamic tracking and monitored project construction, and emphasized on quality control of projects to ensure meeting the construction schedule.

Material Capital Operation

Total foreign financing completed by Beijing Enterprises in the first half year of 2015 were approximately HK\$6.66 billion. In April 2015, Beijing Enterprises successfully issued the foreign financing of the 5-Year EUR 500 million bonds, which was another corporate bonds issuance after the issuance of US\$800 million bonds in 2012. With extreme high efficiency, such issuance of bonds became the first Chinese enterprise to issue bonds based on its red-chip structure creditability, established a new standard for Euro bonds issuance. Such issuance also grasped the optimum issuing opportunity of low Euro interest rate, successfully captured the lower interest spread from investors.

II. **Prospects**

Natural Gas Distribution Business

Beijing Gas will continue to actively implement the clean air action plan to expand its development. For industrial subscribers, Beijing Gas will strengthen the coal-to-gas conversion works for boilers and achieve the target of basically zero coal-fired boilers in urban district of Beijing. For industrial and commercial resident subscribers, Beijing Gas will tap the potential of original subscribers through various methods including gas conversion in old communities, replacement in CNG communities, upgrade and renovation of subscriber equipment in key districts. Meanwhile, Beijing Gas will coordinate with relevant government departments to implement the relevant policies and subsidies and promote the clean energy reconstruction works for coal-fired boilers in rural areas of suburban regions and counties in an all-round manner. For vehicle gas, Beijing Gas will progressively follow up the upgrade work of taxi, public buses by the municipal government in 2015 to ensure meeting the target performance of developing 3,000 natural gas vehicles during the year.

By seizing the integrated development opportunities of Beijing, Tianjin and Hebei, Beijing Gas will vigorously expand the outside markets in Tianjin, Hebei, Shandong, Sichuan and Ordos, endeavor to promote the gas projects in Tianjin and Hebei. Beijing Gas is actively exploring the LNG terminal, storage and import business, promptly participating in the investment and construction opportunities in such projects to further diversify the supply of gas source and ensure the marketization of gas purchase price.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Prospects *(Continued)*

Beer Business

In the second half of 2015, Yanjing Beer will seize the golden season of beer production and distribution firmly to strive for the faster growth in sales volume during peak season. It will continue to intensify its sales efforts in mid-end products and keep up with the pace of consumer transformation, with Yanjing Fresh Beer and tinplate can as key breakthrough points. By further implementing the segmentation of market regions and enhancing the monitoring and management, Yanjing Beer will actively explore adjustment in business structure and catch up with the new trend and tide arising from internet consumption, thereby pursuing diversification and variety of business structure. Yanjing Beer will further accelerate the progress of replacing weak local brands by Yanjing brand and consolidate the rising trend, whereby continuously expanding the influence and contribution of Yanjing brand.

Sewage and Water Treatment Operations

In the second half of 2015, BE Water will seize the golden development opportunity in water industry to continue consolidating the two core businesses of urban traditional water and water environment renovation, actively explore new business model and seek new profit driver in emerging businesses, such as water membrane and industrial sewage, environmental sanitation and diversified energy businesses. At the same time, BE Water will identify enterprises with development potential, professional advantage and excellent business model to established full water industry chain layout through investments, project cooperation, strategic alliances, and mergers and acquisitions.

BE Water will also firmly proceed with the important works of seawater desalination project designed to supply water to Beijing, Liangshuihe Comprehensive Water Environment Renovation Project and Plant A Project of Beijing No. 10 Waterworks, thereby striving to achieve a breakthrough in the Beijing, Tianjin and Hebei integration strategic plan.

Solid Waste Treatment Business

Beijing Development and BEHET will intensify the cooperation mechanism and innovative business model to build up brand advantages rapidly in regional market competition.

Beijing Development will accelerate the pace of business reorganization with BEHET while completely come off from the original information technology assets, secure financing channels to obtain more development funding support for BEHET's solid waste treatment business, so as to enhance the overall corporate economies of scale.

We will also seize the opportunity to accelerate the deepening reform piloting work of Beijing Development and BEHET, further improve and innovate the mechanism and system pilot running of mixed ownership, board of directors development and equity incentives, establish an excellent professional managers team to form a competitive enterprise development model, thereby laying a solid development foundation for Beijing Development's further growth and development as well as becoming a domestic leading enterprise in environmental protection industry.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review

Revenue

The revenue of the Group's operations in the first half of 2015 was approximately HK\$29.31 billion, increased by 30.7% when compared with the corresponding period of last year. Gas sales revenue was HK\$20.89 billion, representing a year-on-year increase of 45.6%. Beer sales revenue was HK\$7.92 billion. Other businesses contributed an aggregate of not more than 2% of the total revenue.

Cost of Sales

Cost of sales increased by 35.9% to HK\$24.02 billion. The cost of sales for gas distribution business mainly included the purchase cost of natural gas as well as the depreciation of gas pipeline network. Cost of sales for beer business included raw materials, wage expenses and certain direct management fees etc.

Gross Profit Margin

Overall gross profit margin was 18% compared with the 21.2% in corresponding period of last year. The decrease in overall gross profit margin was mainly due to the increase in costs of gas purchase for non-resident natural gas, gross profit margin of beer sales improved by 1.4 percentage points due to better cost control.

Gain on deemed disposal of partial interest in an associate

During the first half of 2015, BE Water issued ordinary shares upon exercise of share options by its employees, the Group recognised a gain on deemed disposal of partial interest in an associate of HK\$1.28 million. Relevant gain in the corresponding period of last year was HK\$327 million, which was mainly due to the issue of approximately 220,000,000 ordinary shares by BE Water.

Other Income and Gains, net

Other income and gains, net mainly included interest income of HK\$52 million, government grant of HK\$115 million, fair value gain of HK\$21 million on investment properties and gain on disposal of an available-for-sale investment of HK\$21 million etc.

Selling and Distribution Expenses

Selling and distribution costs of the Group in the first half of 2015 decreased by 0.1% to HK\$1.258 billion, which was mainly due to the enhancement of marketing efficiency and effective cost control.

Administration Expenses

Administration expenses of the Group in the first half of 2015 was HK\$1.873 billion, increased by 13.8% when compared with the corresponding period of last year, which was lower than the increase in its operating revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review *(Continued)*

Finance Costs

Finance costs of the Group in the first half of 2015 was HK\$669 million, increased by 19.2% when compared with the corresponding period in last year, which was mainly due to additional 5-year syndicated loans amounting to HK\$3.0 billion and short-term US dollar loans amounting to US\$540 million in May and December of last year respectively.

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 Company, the 22.53% share of the profit attributable to shareholders of China Gas and the 43.88% share of the profit attributable to shareholders of BE Water.

In the first half of 2015, the Group shared PetroChina Beijing Pipeline Company's profits after taxation amounting to HK\$1.319 billion, the Group shared China Gas's profits after taxation amounting to HK\$370 million. The Group's share of net profits of BE Water amounting to HK\$509 million.

Taxation

The effective income tax rate was 22.7%, higher than the 18.9% in the corresponding period of last year, which was mainly due to the gain on deemed disposal of interest in an associate not subject to income tax in the first half of 2015 was lower than that in the corresponding period of last year.

Profit Attributable to Shareholders of the Company

In the first half of 2015, profit attributable to shareholders of the Company was HK\$3.104 billion, of which the operating profit after deducting the exceptional items attributable to shareholders was HK\$3.07 billion, representing an increase of 26.4% as compared with the same period of last year.

Changes of major items in the interim condensed consolidated statement of financial position

Non-current Assets

The net book value of property, plant and equipment decreased by HK\$361 million, which was mainly attributable to the depreciation and amortisation for the current period was higher than the newly purchased fixed assets and capital expenditure.

Investments in associates decreased by HK\$445 million, which was mainly due to its share of profit of PetroChina Beijing Pipeline Company in the first half year, BE Water and China Gas in the first half year respectively was lower than the dividends payment by PetroChina Beijing Pipeline Company for the same period, which resulted in an decrease in the balance of investment in associates.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review *(Continued)*

Changes of major items in the interim condensed consolidated statement of financial position (Continued)

Current Assets

The balance of trade and bills receivables increased by HK\$1.174 billion, which was mainly due to the significant increase in gas purchasing volume of the six additional users in gas power plants of Beijing Gas.

The balance of prepayments, deposits and other receivables (including the non-current assets portion) decreased significantly by HK\$2.373 billion, which was mainly due to the full settlement of prepayments made by Beijing Gas as at the end of last year for gas purchasing during the first quarter of this year.

The balance of other taxes recoverable decreased by HK\$388 million, which was mainly due to the partial deduction of the prepayment of input VAT by Beijing Gas as at the end of last year during the first half of this year.

Cash increased by HK\$2.932 billion, which was mainly due to the issuance of the Euro 500 million bonds less net repayment of loans.

The balance of assets held for sale increased by HK\$1.733 billion, which was mainly due to the planned completion of disposing of 12 city gas projects to China Gas within one year.

Non-current Liabilities

The balance of guaranteed bonds and senior notes increased by HK\$4.294 billion, which was mainly due to the issuance of the 5-year guaranteed bonds amounting to Euro 500 million in May this year.

Current Liabilities

The balance of trade and bills payables increased by HK\$795 million, which was mainly due to certain raw material payments were not paid by Yanjing Beer.

Other payables and accruals increased by HK\$786 million, which was mainly due to the final dividend for 2014 was not paid by the Group as at the end of the period.

Short term loans balance decreased by HK\$5.338 billion, which was mainly due to the partial repayment of loans by Beijing Gas and Yanjing Beer during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Financial Position of the Group

Cash and Bank Borrowings

As at 30 June 2015, cash and bank deposits held by the Group amounted to HK\$14.199 billion, representing an increase of HK\$2.932 billion as compared to the year end of 2014.

The Group's bank and other borrowings, convertible bonds and guaranteed bonds and senior notes amounted to HK\$36.18 billion as at 30 June 2015, which mainly comprised the 10-year and 30-year US dollar guaranteed senior notes of US\$1.8 billion, the 5-year Euro guaranteed bonds of Euro 500 million, syndicated loans amounting to HK\$6 billion, the bridge loans amounting to US\$740 million and HK dollar floating loans amounting to HK\$1.06 billion.

Liquidity and Capital Resources

As at the period end date, the Group had a strong net working capital of HK\$6.192 billion. The Group maintains sufficient banking facilities both in Hong Kong and Mainland China for its working capital requirements and had abundant cash resources to finance its capital expenditures in the foreseeable future.

As at 30 June 2015, the issued capital of the Company was 1,284,350,268 shares and equity attributable to shareholders of the Company was HK\$59.341 billion. Total equity was HK\$70.361 billion when compared to HK\$68.051 billion as at the end of 2014. Gearing ratio, being interest-bearing bank borrowings and guaranteed bonds and senior notes divided by the sum of total equity, interest-bearing bank borrowings and guaranteed bonds and senior notes, was 34% (31 December 2014: 35%).

Foreign Exchange Exposure

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

By order of the Board

Wang Dong

Chairman

Hong Kong, 28 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

| | Notes | For the six months ended 30 June | |
|---|-------|-------------------------------------|-------------------------------|
| | | 2015 Unaudited HK\$'000 | 2014 Unaudited HK\$'000 |
| REVENUE | 3 | 29,308,938 | 22,429,905 |
| Cost of sales | | (24,024,169) | (17,679,867) |
| Gross profit | | 5,284,769 | 4,750,038 |
| Gain on deemed disposal of partial interest in an associate | | 1,279 | 326,908 |
| Other income and gains, net | 4 | 386,179 | 511,340 |
| Selling and distribution expenses | | (1,258,314) | (1,260,048) |
| Administrative expenses | | (1,873,425) | (1,645,579) |
| Other operating expenses, net | | (149,918) | (163,168) |
| PROFIT FROM OPERATING ACTIVITIES | 5 | 2,390,570 | 2,519,491 |
| Finance costs | 6 | (669,057) | (561,507) |
| Share of profits and losses of: | | | |
| Joint ventures | | 257 | 2,360 |
| Associates | | 2,260,991 | 1,678,402 |
| PROFIT BEFORE TAX | | 3,982,761 | 3,638,746 |
| Income tax | 7 | (390,704) | (369,835) |
| PROFIT FOR THE PERIOD | | 3,592,057 | 3,268,911 |
| ATTRIBUTABLE TO: | | | |
| Shareholders of the Company | | 3,103,778 | 2,813,883 |
| Non-controlling interests | | 488,279 | 455,028 |
| | | 3,592,057 | 3,268,911 |
| EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY | 9 | | |
| Basic | | HK\$2.42 | HK\$2.21 |
| Diluted | | N/A | HK\$2.19 |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

| | For the six months ended 30 June | |
|---|-------------------------------------|-------------|
| | 2015 | 2014 |
| | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 |
| PROFIT FOR THE PERIOD | 3,592,057 | 3,268,911 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Items to be reclassified to profit or loss in subsequent periods: | | |
| Available-for-sale investments: | | |
| Changes in fair value | 69,262 | (110,418) |
| Reclassification adjustments for gain on disposal included in the consolidated statement of profit or loss | (20,875) | (60,587) |
| Income tax effect | 5,219 | – |
| | 53,606 | (171,005) |
| Exchange differences: | | |
| Translation of foreign operations | (43,982) | (1,316,664) |
| Reclassification adjustments for gain on deemed disposal of partial interest in an associate included in the consolidated statement of profit or loss | (200) | (8,305) |
| | (44,182) | (1,324,969) |
| Share of other comprehensive loss of associates | (2,921) | (74,205) |
| Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods | 6,503 | (1,570,179) |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

| | For the six months ended 30 June | |
|---|-------------------------------------|--------------------|
| | 2015 | 2014 |
| | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 |
| Items not to be reclassified to profit or loss in subsequent periods: | | |
| Defined benefit plans: | | |
| Actuarial gains/(losses) | (54,136) | 18,186 |
| Income tax effect | 13,534 | (4,546) |
| | (40,602) | 13,640 |
| Share of other comprehensive income/(loss) of associates | (5,631) | 1,594 |
| Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods | (46,233) | 15,234 |
| OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX | (39,730) | (1,554,945) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 3,552,327 | 1,713,966 |
| ATTRIBUTABLE TO: | | |
| Shareholders of the Company | 3,064,950 | 1,502,282 |
| Non-controlling interests | 487,377 | 211,684 |
| | 3,552,327 | 1,713,966 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

| | <i>Notes</i> | 30 June 2015 Unaudited HK\$'000 | 31 December 2014 Audited HK\$'000 |
|---|--------------|--|--|
| ASSETS | | | |
| Non-current assets: | | | |
| Property, plant and equipment | 10 | 38,959,314 | 39,320,530 |
| Investment properties | | 724,563 | 703,749 |
| Prepaid land premiums | | 1,965,146 | 1,959,240 |
| Goodwill | | 8,914,835 | 8,832,689 |
| Operating concessions | | 1,983,132 | 2,021,350 |
| Other intangible assets | | 205,268 | 236,978 |
| Investments in joint ventures | | 245,506 | 230,722 |
| Investments in associates | | 32,830,216 | 33,275,203 |
| Available-for-sale investments | | 1,199,434 | 1,084,098 |
| Amounts due from contract customers | | 391,980 | 316,733 |
| Receivables under service concession arrangements | 11 | 986,345 | 992,597 |
| Prepayments, deposits and other receivables | 13 | 353,108 | 1,165,546 |
| Deferred tax assets | | 731,397 | 678,460 |
| Total non-current assets | | 89,490,244 | 90,817,895 |
| Current assets: | | | |
| Prepaid land premiums | | 45,885 | 44,860 |
| Inventories | | 5,484,017 | 5,393,368 |
| Amounts due from contract customers | | 45,825 | 39,895 |
| Receivables under service concession arrangements | 11 | 132,579 | 140,425 |
| Trade and bills receivables | 12 | 6,495,322 | 5,320,835 |
| Prepayments, deposits and other receivables | 13 | 4,570,295 | 6,131,039 |
| Other taxes recoverable | | 1,844,344 | 2,232,099 |
| Restricted cash and pledged deposits | | 29,953 | 58,735 |
| Cash and cash equivalents | | 14,168,786 | 11,207,706 |
| Total current assets | | 32,817,006 | 30,568,962 |
| Assets of disposal groups classified as held for sale | 14 | 4,410,105 | 2,677,061 |
| Total current assets | | 37,227,111 | 33,246,023 |
| TOTAL ASSETS | | 126,717,355 | 124,063,918 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

| | <i>Notes</i> | 30 June 2015 Unaudited HK\$'000 | 31 December 2014 Audited HK\$'000 |
|--|--------------|--|--|
| EQUITY AND LIABILITIES | | | |
| Equity attributable to shareholders of the Company | | | |
| Share capital | <i>15</i> | 30,401,883 | 30,401,883 |
| Other reserves | | 28,553,403 | 25,978,176 |
| Dividends declared/proposed | | 385,305 | 796,297 |
| | | 59,340,591 | 57,176,356 |
| Non-controlling interests | | 11,020,794 | 10,874,635 |
| TOTAL EQUITY | | 70,361,385 | 68,050,991 |
| Non-current liabilities: | | | |
| Bank and other borrowings | <i>16</i> | 5,652,615 | 5,559,874 |
| Guaranteed bonds and senior notes | <i>17</i> | 18,173,665 | 13,879,298 |
| Defined benefit plans | | 747,889 | 672,659 |
| Provision for major overhauls | | 30,544 | 30,544 |
| Other non-current liabilities | | 403,010 | 433,447 |
| Deferred tax liabilities | | 313,347 | 319,441 |
| Total non-current liabilities | | 25,321,070 | 20,895,263 |
| Current liabilities: | | | |
| Trade and bills payables | <i>18</i> | 3,033,164 | 2,238,403 |
| Amounts due to contract customers | | 366,645 | 377,784 |
| Receipts in advance | | 4,889,633 | 5,843,713 |
| Other payables and accruals | | 8,442,681 | 7,656,455 |
| Income tax payables | | 466,672 | 342,499 |
| Other taxes payables | | 524,715 | 266,372 |
| Liability component of convertible bonds | <i>19</i> | – | 84,556 |
| Derivative component of convertible bonds | <i>19</i> | – | 7,639 |
| Bank and other borrowings | <i>16</i> | 12,353,596 | 17,691,435 |
| | | 30,077,106 | 34,508,856 |
| Liabilities directly associated with the assets of disposal groups classified as held for sale | <i>14</i> | 957,794 | 608,808 |
| Total current liabilities | | 31,034,900 | 35,117,664 |
| TOTAL LIABILITIES | | 56,355,970 | 56,012,927 |
| TOTAL EQUITY AND LIABILITIES | | 126,717,355 | 124,063,918 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2015

| | Attributable to shareholders of the Company | | | | | | | | | | | |
|---|---|-----------------|---|------------------------------|--------------------------------|------------------------------|-------------------|------------------|-----------------------------|------------|---------------------------|--------------|
| | Share capital | Capital reserve | Available for-sale investment revaluation reserve | Property revaluation reserve | Defined benefits plans reserve | Exchange fluctuation reserve | PRC reserve funds | Retained profits | Dividends declared/proposed | Total | Non-controlling interests | Total equity |
| | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2015 | 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 |
| Profit for the period | - | - | - | - | - | - | - | 3,103,778 | - | 3,103,778 | 488,279 | 3,592,057 |
| Other comprehensive income/(loss) for the period: | | | | | | | | | | | | |
| Available-for-sale investments: | | | | | | | | | | | | |
| Change in fair value | - | - | 66,271 | - | - | - | - | - | - | 66,271 | 2,991 | 69,262 |
| Reclassification adjustments for gain on disposals included in the consolidated statement of profit or loss | - | - | (16,700) | - | - | - | - | - | - | (16,700) | (4,175) | (20,875) |
| Income tax effect | - | - | 4,175 | - | - | - | - | - | - | 4,175 | 1,044 | 5,219 |
| Exchange differences: | | | | | | | | | | | | |
| Translation of foreign operations | - | - | - | - | - | (43,220) | - | - | - | (43,220) | (762) | (43,982) |
| Reclassification adjustments for gain on deemed disposal of partial interest in an associate included in the consolidated statement of profit or loss | - | - | - | - | - | (200) | - | - | - | (200) | - | (200) |
| Defined benefits plan: | | | | | | | | | | | | |
| Actuarial losses | - | - | - | - | (54,136) | - | - | - | - | (54,136) | - | (54,136) |
| Income tax effect | - | - | - | - | 13,534 | - | - | - | - | 13,534 | - | 13,534 |
| Share of other comprehensive loss of associates | - | - | - | - | (5,631) | (2,921) | - | - | - | (8,552) | - | (8,552) |
| Total comprehensive income/(loss) for the period | - | - | 53,746 | - | (46,233) | (46,341) | - | 3,103,778 | - | 3,064,950 | 487,377 | 3,552,327 |
| Capital contribution from non-controlling equity holders | - | - | - | - | - | - | - | - | - | - | 1,354 | 1,354 |
| Acquisition of subsidiaries | - | - | - | - | - | - | - | - | - | - | 8,059 | 8,059 |
| Acquisition of non-controlling interests | - | (163,678) | - | - | - | - | - | - | - | (163,678) | (137,215) | (300,893) |
| Deemed disposal of partial interest in a subsidiary | - | 5,281 | - | - | - | (83) | - | - | - | 5,198 | 102,419 | 107,617 |
| Share of reserve of associates | - | 50,955 | - | 4,687 | - | - | - | - | - | 55,642 | - | 55,642 |
| Share of reserve of joint ventures | - | (1,580) | - | - | - | - | - | - | - | (1,580) | - | (1,580) |
| Final 2014 dividend | - | - | - | - | - | - | - | - | (796,297) | (796,297) | - | (796,297) |
| Interim 2015 dividend declared | - | - | - | - | - | - | - | (385,305) | 385,305 | - | - | - |
| Dividend paid to non-controlling equity holders | - | - | - | - | - | - | - | - | - | - | (315,835) | (315,835) |
| Transfer to reserves | - | - | - | - | - | - | 61,322 | (61,322) | - | - | - | - |
| At 30 June 2015 | 30,401,883 | 768,066* | 249,392* | 48,530* | (29,681)* | 5,190,070* | 6,363,760* | 15,963,266* | 385,305 | 59,340,591 | 11,020,794 | 70,361,385 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2014

| | Attributable to shareholders of the Company | | | | | | | | | | | | | | |
|---|---|--------------------|-----------------------|----------------------------|--------------------|---|------------------------------|--------------------------------|------------------------------|--------------------|--------------------|-----------------------------|--------------------|---------------------------|--------------------|
| | Notes | Issued capital | Share premium account | Capital redemption reserve | Capital reserve | Available for-sale investment revaluation reserve | Property revaluation reserve | Defined benefits plans reserve | Exchange fluctuation reserve | PRC reserve funds | Retained profits | Dividends declared/proposed | Total | Non-controlling interests | Total equity |
| | | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited HK\$'000 | Unaudited 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 period | | - | - | - | - | - | - | - | - | - | 2,813,883 | - | 2,813,883 | 455,028 | 3,268,911 |
| Other comprehensive income/(loss) for the period: | | | | | | | | | | | | | | | |
| Available-for-sale investments: | | | | | | | | | | | | | | | |
| Change in fair value | | - | - | - | - | (109,109) | - | - | - | - | - | - | (109,109) | (1,309) | (110,418) |
| Reclassification adjustments for gain on disposals included in the consolidated statement of profit or loss | | - | - | - | - | (60,587) | - | - | - | - | - | - | (60,587) | - | (60,587) |
| Exchange differences: | | | | | | | | | | | | | | | |
| Translation of foreign operations | | - | - | - | - | - | - | - | (1,074,629) | - | - | - | (1,074,629) | (242,035) | (1,316,664) |
| Reclassification adjustments for gain on deemed disposal of partial interest in an associate included in the consolidated statement of profit or loss | | - | - | - | - | - | - | - | (8,305) | - | - | - | (8,305) | - | (8,305) |
| Defined benefits plan: | | | | | | | | | | | | | | | |
| Actuarial gain | | - | - | - | - | - | - | 18,186 | - | - | - | - | 18,186 | - | 18,186 |
| Income tax effect | | - | - | - | - | - | - | (4,546) | - | - | - | - | (4,546) | - | (4,546) |
| Share of other comprehensive income/(loss) of associates | | - | - | - | - | - | - | 1,594 | (74,205) | - | - | - | (72,611) | - | (72,611) |
| Total comprehensive income/(loss) for the period | | - | - | - | - | (169,696) | - | 15,234 | (1,157,139) | - | 2,813,883 | - | 1,502,282 | 211,684 | 1,713,966 |
| Capital contribution from non-controlling equity holders | | - | - | - | - | - | - | - | - | - | - | - | - | 19,810 | 19,810 |
| Conversion of convertible bonds to ordinary shares | 14 | 667,335 | - | - | - | - | - | - | - | - | - | - | 667,335 | - | 667,335 |
| Acquisition of subsidiaries | | - | - | - | 29,082 | - | - | - | - | - | - | - | 29,082 | - | 29,082 |
| Acquisition of non-controlling interests | | - | - | - | - | - | - | - | - | - | - | - | - | (19,583) | (19,583) |
| Disposal of subsidiaries | | - | - | - | (9,334) | - | - | - | - | - | - | - | (9,334) | (2,334) | (11,668) |
| Deemed disposal of partial interest in a subsidiary | | - | - | - | 230,239 | - | - | - | (3,213) | - | - | - | 227,026 | 596,444 | 823,470 |
| Transfer to issued capital | 14 | 29,607,529 | (29,607,291) | (238) | - | - | - | - | - | - | - | - | - | - | - |
| Shares repurchased under the new Hong Kong Companies Ordinance | 14 | - | - | - | - | - | - | - | - | - | (69,162) | - | (69,162) | - | (69,162) |
| Share of reserve of associates | | - | - | - | 36,533 | - | 512 | - | - | - | - | - | 37,045 | - | 37,045 |
| Final 2013 dividend | | - | - | - | - | - | - | - | - | - | (763,695) | - | (763,695) | - | (763,695) |
| Interim 2014 dividend declared | 8 | - | - | - | - | - | - | - | - | - | (359,618) | 359,618 | - | - | - |
| Dividend paid to non-controlling equity holders | | - | - | - | - | - | - | - | - | - | - | - | - | (271,509) | (271,509) |
| Transfer to reserves | | - | - | - | (887) | - | - | - | - | 687,897 | (687,010) | - | - | - | - |
| At 30 June 2014 | | 30,401,883 | - | - | 818,112 | 209,949 | 41,951 | 128,880 | 5,292,987 | 5,323,904 | 13,064,533 | 359,618 | 55,641,817 | 10,581,353 | 66,223,170 |

* These reserve accounts comprise the consolidated reserves of HK\$28,553,403,000 (unaudited) (31 December 2014: HK\$25,978,176,000 (audited)) in the condensed consolidated statement of financial position as at 30 June 2015.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2015

| | Six months ended 30 June | |
|---|-------------------------------|-------------------------------|
| | 2015 Unaudited HK\$'000 | 2014 Unaudited HK\$'000 |
| Operating activities | | |
| Cash generated from operations | 5,869,556 | 5,037,456 |
| Dividends received from joint ventures and associates | 2,312,156 | 714,188 |
| Mainland China income tax paid | (354,882) | (305,418) |
| Net cash flows from operating activities | 7,826,830 | 5,446,226 |
| Investing activities | | |
| Purchases of items of property, plant and equipment | (1,817,730) | (1,362,603) |
| Acquisition of non-controlling interest | (300,893) | (19,583) |
| Acquisition of subsidiaries | (88,972) | (278,259) |
| Increase in investments in joint ventures and associates | (17,000) | (751,925) |
| Decrease in time deposits with maturity of more than three months | 121,021 | 28,349 |
| Other cash flows from investing activities | 37,980 | 47,471 |
| Net cash flows used in investing activities | (2,065,594) | (2,336,550) |
| Financing activities | | |
| Capital contributions from non-controlling equity holders | 1,354 | 18,284 |
| Proceed from issue of guaranteed bonds, net of issuance cost | 4,374,436 | – |
| New loans | 6,194,794 | 2,559,965 |
| Repayment of loans | (11,323,238) | (1,586,295) |
| Interest paid | (679,213) | (553,405) |
| Dividends paid | (796,297) | (763,695) |
| Other cash flows used in financing activities | (319,304) | (352,381) |
| Net cash flows used in financing activities | (2,547,468) | (677,527) |
| Net increase in cash and cash equivalents | 3,213,768 | 2,432,149 |
| Cash and cash equivalents at beginning of period | 11,223,622 | 10,132,463 |
| Effect of foreign exchange rate changes, net | (70,593) | (192,046) |
| Cash and cash equivalents at end of period | 14,366,797 | 12,372,566 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances: | | |
| Placed in banks | 10,809,984 | 11,598,869 |
| Placed in a financial institution | 2,896,707 | – |
| Time deposits: | | |
| Placed in banks | 382,048 | 1,560,346 |
| Placed in a financial institution | 110,000 | – |
| Less: Restricted cash and pledged deposits | (29,953) | (151,994) |
| | 14,168,786 | 13,007,221 |
| Less: Time deposits with maturity of more than three months when acquired | (33,750) | (634,655) |
| Add: Cash and bank balances attributable to disposal groups (note 14) | 231,761 | – |
| | 14,366,797 | 12,372,566 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with the applicable disclosure provisions of The Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The accounting policies and basis of preparation used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the Group’s annual consolidated financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) issued by the HKICPA, accounting policies generally accepted in Hong Kong and the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 2 below.

These interim condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s audit committee.

2. EFFECT OF CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current period’s condensed consolidated financial statements:

| | |
|---|--|
| Amendments to HKAS 19 <i>Annual Improvements 2010 – 2012 cycle</i> <i>Annual Improvements 2011 – 2013 cycle</i> | <i>Defined Benefit Plans: Employee Contributions</i> Amendments to a number of HKFRSs Amendments to a number of HKFRSs |
|---|--|

The adoption of these revised HKFRSs has had no significant financial effect on these interim condensed consolidated financial statements and these have been no significant changes to the accounting policies applied in these condensed consolidated financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

For management purpose, the Group’s operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group’s operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

3. OPERATING SEGMENT INFORMATION *(Continued)*

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on the profit for the period of each reportable operating segment, which is measured consistently with the Group's profit for the period.

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2015 and 2014, respectively.

For the six months ended 30 June 2015

| | Piped gas operation Unaudited HK\$'000 | Brewery operation Unaudited HK\$'000 | Sewage and water treatment operations Unaudited HK\$'000 | Corporate and others Unaudited HK\$'000 | Inter- segment elimination Unaudited HK\$'000 | Consolidated Unaudited HK\$'000 |
|---|---|---|---|--|---|---------------------------------------|
| Segment revenue | 20,886,159 | 7,917,825 | – | 504,954 | – | 29,308,938 |
| Cost of sales | (18,740,790) | (4,930,070) | – | (353,309) | – | (24,024,169) |
| Gross profit | 2,145,369 | 2,987,755 | – | 151,645 | – | 5,284,769 |
| Profit/(loss) from operating activities | 1,300,083 | 1,096,297 | – | 71,969 | (77,779) | 2,390,570 |
| Finance costs | (154,040) | (56,871) | – | (535,925) | 77,779 | (669,057) |
| Share of profits and losses of: | | | | | | |
| Joint ventures | (1,204) | – | – | 1,461 | – | 257 |
| Associates | 1,719,133 | 730 | 509,171 | 31,957 | – | 2,260,991 |
| Profit/(loss) before tax | 2,863,972 | 1,040,156 | 509,171 | (430,538) | – | 3,982,761 |
| Income tax | (169,488) | (217,853) | – | (3,363) | – | (390,704) |
| Profit/(loss) for the period | 2,694,484 | 822,303 | 509,171 | (433,901) | – | 3,592,057 |
| Segment profit/(loss) attributable to shareholders of the Company | 2,691,239 | 333,930 | 509,171 | (430,562) | – | 3,103,778 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

3. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2014

| | Piped gas operation Unaudited <i>HK\$'000</i> | Brewery operation Unaudited <i>HK\$'000</i> | Sewage and water treatment operations Unaudited <i>HK\$'000</i> | Corporate and others Unaudited <i>HK\$'000</i> | Inter- segment elimination Unaudited <i>HK\$'000</i> | Consolidated Unaudited <i>HK\$'000</i> |
|--|--|--|--|---|--|--|
| Segment revenue | 14,342,614 | 7,954,567 | – | 132,724 | – | 22,429,905 |
| Cost of sales | (12,506,008) | (5,063,134) | – | (110,725) | – | (17,679,867) |
| Gross profit | 1,836,606 | 2,891,433 | – | 21,999 | – | 4,750,038 |
| Profit/(loss) from operating activities | 1,192,299 | 1,049,546 | – | 322,760 | (45,114) | 2,519,491 |
| Finance costs | (172,074) | (39,531) | – | (395,016) | 45,114 | (561,507) |
| Share of profits and losses of: | | | | | | |
| Joint ventures | 3,846 | – | – | (1,486) | – | 2,360 |
| Associates | 1,355,603 | (753) | 315,448 | 8,104 | – | 1,678,402 |
| Profit/(loss) before tax | 2,379,674 | 1,009,262 | 315,448 | (65,638) | – | 3,638,746 |
| Income tax | (175,979) | (193,425) | – | (431) | – | (369,835) |
| Profit/(loss) for the period | 2,203,695 | 815,837 | 315,448 | (66,069) | – | 3,268,911 |
| Segment profit/(loss) attributable to shareholders of the Company | 2,197,353 | 339,926 | 315,448 | (38,844) | – | 2,813,883 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

3. OPERATING SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's assets and liabilities by operating segment:

| | 30 June 2015 Unaudited HK\$'000 | 31 December 2014 Audited HK\$'000 |
|---------------------------------------|--|--|
| Total assets: | | |
| Piped gas operations | 68,725,744 | 70,277,913 |
| Brewery operation | 25,832,882 | 24,309,263 |
| Sewage and water treatment operations | 7,704,183 | 7,382,087 |
| Corporate and others | 27,503,228 | 25,101,214 |
| Eliminations | (3,048,682) | (3,006,559) |
| | 126,717,355 | 124,063,918 |
| Total liabilities: | | |
| Piped gas operations | 14,741,898 | 18,923,706 |
| Brewery operation | 9,561,959 | 8,648,299 |
| Corporate and others | 35,100,795 | 31,447,481 |
| Eliminations | (3,048,682) | (3,006,559) |
| | 56,355,970 | 56,012,927 |

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 financial statements.

During each of the six months ended 30 June 2015 and 2014, none of the Group's individual customers contributed 10% or more of the Group's revenue.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

4. OTHER INCOME AND GAINS, NET

| | For the six months ended 30 June | |
|--|-------------------------------------|----------------|
| | 2015 | 2014 |
| | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 |
| Other income | | |
| Bank interest income | 52,107 | 68,950 |
| Rental income | 48,657 | 12,299 |
| Government grants | 114,673 | 169,085 |
| Transfer of assets from customers | 12,076 | 35,390 |
| Others | 112,929 | 162,072 |
| | 340,442 | 447,796 |
| Gains, net | | |
| Fair value gain on investment properties | 20,814 | – |
| Gain on disposal of an available-for-sale investment carried at fair value, net | 20,875 | 60,587 |
| Foreign exchange differences, net | 4,048 | 2,957 |
| | 45,737 | 63,544 |
| Other income and gains, net | 386,179 | 511,340 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

| | For the six months ended 30 June | |
|---------------------------------------|----------------------------------|-----------|
| | 2015 | 2014 |
| | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 |
| Depreciation | 1,265,804 | 1,066,485 |
| Amortisation of prepaid land premium | 28,584 | 18,721 |
| Amortisation of operating concession* | 40,933 | 6,518 |
| Amortisation of operating right* | 1,744 | 673 |
| Amortisation of patents* | 1,061 | 250 |
| Amortisation of computer software** | 11,620 | 7,349 |

* The amortisation of operating concession, operating right and patents for the period is included in "Cost of sales" on the face of the condensed consolidated statement of profit or loss.

** The amortisation of computer software for the period are included in "Administrative expenses" on the face of the condensed consolidated statement of profit or loss.

6. FINANCE COSTS

| | For the six months ended 30 June | |
|---|----------------------------------|-----------|
| | 2015 | 2014 |
| | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 |
| Interest on bank loans and other loans | 314,837 | 250,083 |
| Interest on guaranteed bonds and senior notes | 371,526 | 316,447 |
| Interest on convertible bonds | 444 | 6,916 |
| Imputed interest on convertible bonds | 786 | 1,823 |
| Total interest costs | 687,593 | 575,269 |
| Less: Interest included in construction in progress | (18,536) | (13,762) |
| | 669,057 | 561,507 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

7. INCOME TAX

| | For the six months ended 30 June | |
|----------------------------------|-------------------------------------|-------------------------------|
| | 2015 Unaudited HK\$'000 | 2014 Unaudited HK\$'000 |
| Current – Mainland China | 437,224 | 345,026 |
| Deferred | (46,520) | 24,809 |
| Total tax expense for the period | 390,704 | 369,835 |

No provision for Hong Kong profits tax has been made during the six months ended 30 June 2015 as the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2014: 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 in Mainland China, certain of the Company's subsidiaries enjoy income tax exemptions and reductions.

8. INTERIM DIVIDEND

On 28 August 2015, the Board declared an interim cash dividend of HK30 cents per share (six months ended 30 June 2014: HK28 cents per share), totalling HK\$385,305,000 (six months ended 30 June 2014: HK\$359,618,000).

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

The calculation of diluted earnings per share amounts for the period ended 30 June 2014 was based on the profit for the period 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 period, and the weighted average number of ordinary shares in issue during the period, 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 that period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during that period.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(Continued)

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

| | For the six months ended 30 June | |
|--|-------------------------------------|-------------------------------|
| | 2015 Unaudited HK\$'000 | 2014 Unaudited HK\$'000 |
| Earnings: | | |
| Profit for the period attributable to shareholders of the Company, used in the basic earnings per share calculation | 3,103,778 | 2,813,883 |
| Interest expense for the period relating to the liability component of the dilutive convertible bonds of the Group | – | 6,118 |
| Profit for the period attributable to shareholders of the Company, used in the diluted earnings per share calculation | 3,103,778 | 2,820,001 |
| Number of ordinary shares: | | |
| Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation | 1,284,350,268 | 1,274,472,627 |
| Effect of dilution – weighted average number of ordinary shares: Convertible bonds | – | 11,198,373 |
| Weighted average number of ordinary shares, used in the diluted earnings per share calculation | 1,284,350,268 | 1,285,671,000 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired property, plant and equipment with a total cost of HK\$1,836,266,000 (six months ended 30 June 2014: HK\$1,362,603,000), excluding property, plant and equipment acquired through transfer of assets from customers with a total deemed cost of HK\$12,076,000 (six months ended 30 June 2014: HK\$35,390,000 (*note 4*)).

Property, plant and equipment with an aggregate carrying amount of HK\$15,203,000 (six months ended 30 June 2014: HK\$112,863,000) were disposed of by the Group during the six months ended 30 June 2015, resulting in a net loss on disposal of HK\$1,107,000 (six months ended 30 June 2014: HK\$30,641,000).

11. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

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

An aged analysis of the Group's 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:

| | 30 June 2015 Unaudited HK\$'000 | 31 December 2014 Audited HK\$'000 |
|--------------------------------------|--|--|
| Billed: | | |
| Within one year | 20,430 | 14,375 |
| Unbilled | 1,098,494 | 1,118,647 |
| | 1,118,924 | 1,133,022 |
| Portion classified as current assets | (132,579) | (140,425) |
| | 986,345 | 992,597 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

12. TRADE AND BILLS RECEIVABLES

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

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

| | 30 June 2015 Unaudited HK\$'000 | 31 December 2014 Audited HK\$'000 |
|--------------------|--|--|
| Billed: | | |
| Within one year | 4,545,714 | 2,589,316 |
| One to two years | 37,826 | 37,472 |
| Two to three years | 36,204 | 20,697 |
| Over three years | 45,304 | 26,772 |
| | 4,665,048 | 2,674,257 |
| Unbilled | 1,830,274 | 2,646,578 |
| | 6,495,322 | 5,320,835 |

Included in the Group's trade and bills receivables as at 30 June 2015 was an aggregate amount of HK\$63,000,000 (31 December 2014: HK\$53,710,000) 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.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | <i>Notes</i> | 30 June 2015 Unaudited HK\$'000 | 31 December 2014 Audited HK\$'000 |
|--------------------------------------|--------------|--|--|
| Prepayments | | 705,397 | 3,098,605 |
| Deposits and other debtors | <i>(a)</i> | 2,551,214 | 2,469,086 |
| Due from holding companies | <i>(b)</i> | 1,525,225 | 1,512,194 |
| Due from fellow subsidiaries | <i>(b)</i> | 100,000 | 150,899 |
| Due from joint ventures | <i>(b)</i> | 50,000 | 77,829 |
| Due from related parties | <i>(b)</i> | 132,232 | 102,793 |
| | | 5,064,068 | 7,411,406 |
| Impairment | | (140,665) | (114,821) |
| | | 4,923,403 | 7,296,585 |
| Portion classified as current assets | | (4,570,295) | (6,131,039) |
| | | 353,108 | 1,165,546 |

Notes:

(a) The Group's deposits and other debtors as at 30 June 2015 included, inter alia, the following:

- (i) certain deposits of HK\$196,520,000 (31 December 2014: HK\$278,959,000) in total paid for the construction of buildings and purchase of pipelines, equipment and machinery. The deposits are classified as non-current assets; and
- (ii) an amount of RMB1,100 million (equivalent to approximately HK\$1,375 million) (31 December 2014: RMB1,100 million (equivalent to approximately HK\$1,375 million)) advanced to two local government authorities for an investment in a wastage treatment plant project in Haidian district in Beijing, the PRC. The amounts are unsecured, bear 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.

Subsequent to the end of the reporting period, in August 2015, the amount of RMB500 million (equivalent to approximately HK\$625 million) had been settled by one of the local government authorities.

(b) The amounts due from holding companies, fellow subsidiaries, joint ventures and related parties are unsecured, interest-free and have no fixed terms of repayment.

The balances with fellow subsidiaries and related companies of the Group included in trade and bills receivables and trade and bills payables are disclosed in notes 12 and 18 to the financial statements, respectively.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

14. ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

- (a) 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.
- (b) On 9 June 2015, the Group entered into a share purchase agreement with Golden State Environment Group Corporation (“GSEG”), pursuant to which the Group agreed to transfer the entire equity in Golden State Water Group Corporation (“GSWG”, a wholly-owned subsidiary of the Group), which principally engaged in operation and management of certain sewage and water treatment projects, to GSEG at a consideration of RMB1,912 million (equivalent to approximately HK\$2,390 million).

The above transactions had not been completed as at the date of approval of these financial statements. At 30 June 2015, the assets and liabilities of Beijing Gas Development and GSWG were classified as disposal groups held for sale.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

14. ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE *(Continued)*

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

| | 30 June 2015 Unaudited HK\$'000 | 31 December 2014 Audited HK\$'000 |
|--|--|--|
| Assets | | |
| Property, plant and equipment | 986,369 | 33,494 |
| Prepaid land premium | 8,684 | 8,884 |
| Goodwill | 1,117,078 [#] | 1,117,078 |
| Operating concessions | 258,761 | 249,635 |
| Other intangible assets | 36,962 | 1,547 |
| Deferred tax assets | 4,112 | – |
| Investment in associates | 1,165,287 | 748,039 |
| Interest in a joint venture | 92,623 | 92,644 |
| Available-for-sale investment | 3,000 | 3,000 |
| Amount due from contract customers | 24,989 | 398 |
| Inventories | 111,478 | 24,356 |
| Trade receivables | 142,899 | 103,004 |
| Prepayments, deposits and other receivables | 206,913 | 124,295 |
| Restricted cash and pledged deposits | 19,189 | – |
| Cash and bank balances | 231,761 | 170,687 |
| Assets of disposal groups classified as held for sale | 4,410,105 | 2,677,061 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

14. ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE *(Continued)*

| | 30 June 2015 Unaudited HK\$'000 | 31 December 2014 Audited HK\$'000 |
|---|--|--|
| Liabilities | | |
| Bank and other borrowings | (397,333) | (280,680) |
| Amounts due to contract customers | (331) | (839) |
| Trade payables | (169,601) | (115,444) |
| Other payables and accruals | (390,190) | (211,581) |
| Income tax payable | (339) | (264) |
| Liabilities directly associated with the assets of disposal groups classified as held for sale | (957,794) | (608,808) |
| Net assets directly associated with disposal groups held for sale | 3,452,311 | 2,068,253 |

Up to the date of these financial statements, the Group had not completed the fair value measurement of the identifiable net assets of Golden State Environmental Investment Corporation (the immediate holding company of GSWG and was acquired by the Group in December 2014) 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.

15. SHARE CAPITAL

| | 30 June 2015 Unaudited HK\$'000 | 31 December 2014 Audited HK\$'000 |
|---|--|--|
| Issued and fully paid: | | |
| 1,284,350,268 (2014: 1,284,350,268) ordinary shares | 30,401,883 | 30,401,883 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

16. BANK AND OTHER BORROWINGS

- (a) At 30 June 2015, 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 HIBOR + 1.7%, respectively, and are fully payable on 2 August 2015 and 29 May 2019, respectively.

These 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 facility:

- (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, none of the above events took place during the period ended 30 June 2015 and as at the date of approval of these financial statements.

- (b) Included in the Group's bank and other borrowings as at 30 June 2015 is an aggregate amount of RMB848,000,000 (equivalent to HK\$1,060,000,000) (31 December 2014: RMB4,000,000,000 (equivalent to HK\$5,000,000,000)) due to Beijing Enterprises Group Finance Co., Ltd ("BE Group Finance", an associate of the Group), which bears interest at rates ranging from HIBOR to 5.32% per annum. Interest expenses of RMB4,890,000 (equivalent to HK\$6,113,000 (six months ended 30 June 2014: RMB6,676,000 (equivalent to HK\$8,344,000)) were recognised in profit or loss during the period in respect of the loans.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

17. GUARANTEED BONDS AND 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.

On 7 May 2015, Talent Yield Investments (Euro) Limited (a wholly-owned subsidiary of the Company) issued guaranteed bonds with aggregate principal amounts of EUR500 million (the “Guaranteed Bonds”) to certain institutional investors. Pursuant to the Guaranteed bonds purchase agreements dated 29 April 2015, the Guaranteed Bonds are guaranteed by the Company of which, unless redeemed prior to their maturity pursuant to the terms thereof and of the indenture, bear interest at the rate of 1.435% per annum and will mature on 7 May 2020. Further details of the Guaranteed bonds are set out in the Company’s announcements dated 30 April 2015.

18. 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 invoice date, is as follows:

| | 30 June 2015 Unaudited HK\$’000 | 31 December 2014 Audited HK\$’000 |
|--------------------|--|--|
| Within one year | 2,704,842 | 1,820,704 |
| One to two years | 174,268 | 236,043 |
| Two to three years | 132,593 | 169,653 |
| Over three years | 21,461 | 12,003 |
| | 3,033,164 | 2,238,403 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

18. TRADE AND BILLS PAYABLES *(Continued)*

Included in the Group's trade and bills payables as at 30 June 2015 are amounts of HK\$22,407,000 (31 December 2014: HK\$51,061,000) due to related companies 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.

19. CONVERTIBLE BONDS

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

| | Yanjing Brewery Convertible Bonds <i>(note)</i> |
|---|--|
| Issuance date | 15 October 2010 |
| Maturity date | 14 October 2015 |
| Original principal amount: | RMB429,804,000 |
| Coupon rate | 0.5% – 1.4% |
| Conversion price per ordinary share of Beijing Yanjing Brewery Company Limited ("Yanjing Brewery") | RMB7.58 |

The convertible bonds is bifurcated into a liability component and an equity component or a derivative component, as appropriate, for accounting purpose.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

19. CONVERTIBLE BONDS *(Continued)*

The following tables summarise the movements in the principal amounts, the liability and derivative components of the Group's convertible bonds during the period:

| | Yanjing Brewery Convertible Bonds Unaudited HK\$'000 <i>(note)</i> |
|--|---|
| <hr/> | |
| Principal amount outstanding | |
| At 1 January 2015 | 83,394 |
| Conversion to ordinary shares of Yanjing Brewery | (80,216) |
| Redemption of convertible bonds | (3,178) |
| <hr/> | |
| At 30 June 2015 | – |
| <hr/> | |
| Liability component | |
| At 1 January 2015 | 84,556 |
| Interest expense | 444 |
| Imputed interest expense | 786 |
| Conversion to ordinary shares of Yanjing Brewery | (80,215) |
| Interest paid | (444) |
| Redemption of convertible bonds | (3,178) |
| Exchange realignment | (1,949) |
| <hr/> | |
| At 30 June 2015 | – |
| <hr/> | |
| Derivative component | |
| At 1 January 2015 | 7,639 |
| Conversion to ordinary shares of Yanjing Brewery | (7,348) |
| Redemption of convertible bonds | (291) |
| <hr/> | |
| At 30 June 2015 | – |
| <hr/> | |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

19. CONVERTIBLE BONDS *(Continued)*

Note:

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 six months ended 30 June 2015 and year ended 31 December 2014, no external valuation was performed on the fair value of the Yanjing Brewery Convertible Bonds as at 30 June 2015 and 31 December 2014.

During the six months ended 30 June 2015, certain of the Yanjing Brewery Convertible Bonds with an aggregate principal amount of HK\$80,216,000 (year ended 31 December 2014: HK\$10,828,000) were converted into 8,887,914 (2014: 1,199,469) ordinary shares of Yanjing Brewery by certain bondholders and the remaining principal amount of HK\$3,178,000 was redeemed.

20. CONTINGENT LIABILITY

The Group did not have any significant contingent liabilities as at 30 June 2015 (31 December 2014: Nil).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

21. CAPITAL COMMITMENTS

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

| | 30 June 2015 Unaudited HK\$'000 | 31 December 2014 Audited HK\$'000 |
|---|--|--|
| Contracted, but not provided for: | | |
| Buildings | 505,481 | 166,013 |
| Plant and machinery | 964,916 | 796,333 |
| New service concession arrangements on a Build-Operate-Transfer basis | 396,736 | 306,658 |
| New service concession arrangements on a Build-Own-Operate basis | 41,585 | 54,235 |
| | 1,908,718 | 1,323,239 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

22. RELATED PARTY DISCLOSURES

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

| Name of related party | Nature of transaction | Notes | Six months ended 30 June | |
|--|--|--------|-------------------------------|-------------------------------|
| | | | 2015 Unaudited HK\$'000 | 2014 Unaudited HK\$'000 |
| Non-controlling equity holders of subsidiaries and their associates | | | | |
| Yanjing Beer Group and its associates | Purchase of bottle labels ^γ | (i) | 26,075 | 65,248 |
| | Purchase of bottle caps ^γ | (i) | 11,591 | 48,375 |
| | Canning service fees paid ^γ | (ii) | 6,841 | 18,614 |
| | Comprehensive support service fees paid ^γ | (iii) | 9,716 | 9,716 |
| | Land rent expenses ^γ | (iv) | 1,090 | 1,090 |
| | Trademark licensing fees paid ^γ | (v) | 37,358 | 38,821 |
| | Less: Refund for advertising subsidies ^γ | (v) | (2,215) | (2,106) |
| Fellow subsidiaries: | | | | |
| 北京北燃實業有限公司 and its subsidiaries | Sale of gas [#] | (vi) | 27,481 | 46,500 |
| | Engineering service income [#] | (vii) | 9,810 | 4,818 |
| | Comprehensive service income [#] | (vii) | 5,436 | 5,998 |
| | Sale of goods [#] | (viii) | 47,983 | 91,071 |
| | Purchase of goods [#] | (ix) | 44,518 | 64,840 |
| | Building rental expenses [#] | (ix) | 46,570 | 49,008 |
| | Engineering service expenses [#] | (vii) | 23,578 | 75,963 |
| | Comprehensive service expenses [#] | (vii) | 12,473 | 6,096 |
| Associate: | | | | |
| BE Group Finance | Interest income | (x) | 1,508 | – |
| | Interest expenses | (x) | 6,113 | 8,344 |

In the opinion of the directors, the above transactions were entered into by the Group in the normal course of its business.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

22. 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 for the preceding year.
- (ii) The canning service fees were charged at a rate equal to the costs of the canning services incurred by Yanjing Beer Group plus a mutually agreed profit margin.
- (iii) The comprehensive support service fees paid included the following:
 - fees for security and canteen services which were determined based on the annual cost of labour, depreciation and maintenance for the preceding year and an annual adjustment by reference to the price index in Beijing; and
 - rental expenses, related to the premises occupied and used by Yanjing Brewery as its office, canteen and staff dormitories, which were determined by reference to the prevailing market rentals at the time when the relevant agreements were entered into.
- (iv) The land rent expenses were charged at a mutually agreed amount of RMB1,849,000 (2014: RMB1,849,000) per annum.
- (v) The trademark licensing fees paid were for the use of “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 Beer 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 selling prices of goods were determined on a cost-plus basis.
- (ix) The purchase prices of goods and the building rentals were determined by reference to the then prevailing market rates.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

22. RELATED PARTY DISCLOSURES *(Continued)*

(A) *(Continued)*

Notes: (Continued)

- (x) BE Group Finance is a 48.21% owned associate of the Group and also a subsidiary of Beijing Enterprises Group. BE Group Finance was established 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 aggregate amount of deposits placed by the Group with BE Group Finance as at 30 June 2015 amounted to RMB2,317 million (equivalent to HK\$2,897 million) (31 December 2014: RMB2,714 million (equivalent to HK\$3,393 million)).

The amounts of loans borrowed by the Group from BE Group Finance as at the end of reporting period are disclosed in note 16(b) to the financial statements.

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

- # These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules that are exempted from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

22. RELATED PARTY DISCLOSURES *(Continued)*

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

| | Six months ended 30 June | |
|---|-----------------------------|-----------|
| | 2015 | 2014 |
| | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 |
| Salaries, allowances and benefits in kind | 11,148 | 10,585 |
| Pension scheme contributions | 14 | 13 |
| Total compensation paid to key management personnel | 11,162 | 10,598 |

23. 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.

The listed equity investments of the Group 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 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 19 to the financial statements, the conversion option of the Yanjing Brewery Convertible Bonds is classified as a derivative financial instrument (a financial liability at fair value through profit or loss). In the opinion of the directors, since the financial impact of the fair value of the financial instrument is insignificant to the Group, no disclosure in respect of the valuation assumptions and their related effects on this financial instrument is made.

For other non-current financial assets and liabilities, in the opinion of the directors, since their carrying amounts are not significantly different from their respective fair values, no disclosure of the fair values of these financial statements is made.

24. OTHER FINANCIAL INFORMATION

The net current assets and total assets less current liabilities of the Group as at 30 June 2015 amounted to HK\$6,192,211,000 (unaudited) (31 December 2014: net current liabilities of HK\$1,871,641,000 (audited)) and HK\$95,682,455,000 (unaudited) (31 December 2014: HK\$88,946,254,000 (audited)), respectively.

DISCLOSEABLE INFORMATION

BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION

On 28 August 2015:

- Non-executive Director Mr. Guo Pujin resigned.
- Corporate Governance and Risk Management Committee consists of five Directors of the Company including Mr. ZHOU Si (as chairman of the Committee), Mr. JIANG Xinhao, Mr. LAM Hoi Ham, Mr. FU Tingmei and Dr. YU Sun Say was established.

Changes in directors' information since the date of the Company's 2014 annual report are set out below:

| | Appointment (effective) | Resignation (effective) |
|---|----------------------------|----------------------------|
| Mr. E Meng | | |
| <ul style="list-style-type: none">• New Silkroad Culturaltainment Limited ^(Note 1)<ul style="list-style-type: none">– Independent Non-executive Director | | 25 August 2015 |
| Mr. Jiang Xinhao | | |
| <ul style="list-style-type: none">• China Gas Holdings Limited ^(Note 2)<ul style="list-style-type: none">– Non-executive Director | 24 June 2015 | |

Note: (1) a company listed on the Hong Kong Stock Exchange (stock code: 472).

(2) an associate of the Company listed on the Hong Kong Stock Exchange (stock code: 384).

Directors' updated biographies are available on the Company's website.

Save as disclosed above, since the issue date of the Company's 2014 annual report, there has been no change in the board of directors, and there has been no change in directors' information that is 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").

DISCLOSEABLE INFORMATION

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

At 30 June 2015, the interests and short positions of the Company's directors and 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 of Hong Kong Limited (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 (Hong Kong) Limited [®] | 601,000 | 0.040% |

[®] As at 30 June 2015, all interests in this associated corporations owned by the Company are indirectly held.

DISCLOSEABLE INFORMATION

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:

| Director | Number of share options directly beneficially owned | | | | | | Total |
|--------------|---|-----------|------------|-----------|-----------|-----------|------------|
| | Note (a) | Note (b) | Note (c) | Note (d) | Note (e) | Note (f) | |
| 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 | 3,000,000 | 23,300,000 |

Long positions in share options in Beijing Development (Hong Kong) Limited[®] (a subsidiary of the Company):

| Director | Note | Number of share options directly beneficially owned | | | At 30 June 2015 |
|----------|------|---|---------------------------|-----------------------------|-----------------|
| | | At 1 January 2015 | Granted during the period | Exercised during the period | |
| E Meng | (g) | 6,770,000 | – | – | 6,770,000 |

Long positions in share options in China Gas Holdings Limited[®]:

| Director | Note | Number of share options directly beneficially owned | | | At 30 June 2015 |
|--------------|------|---|---------------------------|-----------------------------|-----------------|
| | | At 1 January 2015 | Granted during the period | Exercised during the period | |
| Zhou Si | (h) | 4,000,000 | – | – | 4,000,000 |
| Jiang Xinhao | (i) | – | 800,000 | – | 800,000 |

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.

DISCLOSEABLE INFORMATION

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

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

Long positions in share options in China Gas Holdings Limited[®]: *(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 8 April 2015 at an exercise price of HK\$0.720 per share. These share options may be exercised at any time commencing on 8 April 2015, and if not otherwise exercised, will lapse on 7 April 2025.
 - (g) 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.
 - (h) 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.
 - (i) These share options were granted on 25 June 2015 at an exercise price of HK\$13.84 per share. These share options may be exercised at any time commencing on 25 June 2015, 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 30 June 2015, none of the directors or 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 SCHEMES

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 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 options to subscribe for ordinary shares of the Company at HK\$1 per grant of 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 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.

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

The period during which an option granted under the Scheme may be exercised will be determined by the board of directors at its discretion, save that no 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.

DISCLOSEABLE INFORMATION

SHARE OPTION SCHEMES *(Continued)*

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

All share options granted under the Scheme were exercised by April 2011. Since then and until 30 June 2015, the Company did not grant any share options.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR CONVERTIBLE BONDS

Apart from the foregoing and save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares and underlying shares" and "Share option schemes" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

At 30 June 2015, 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:

| Name | Number of ordinary shares held, capacity and nature of interest | | | Percentage of the Company's issued share capital |
|---|--|----------------------------|-------------|--|
| | Directly beneficially owned | Others | Total | |
| 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") | 515,250,000 | 263,780,288 ^(b) | 779,030,288 | 60.66% |
| Beijing Enterprises Group Company Limited ("BE Group") | – | 779,030,288 ^(c) | 779,030,288 | 60.66% |

DISCLOSEABLE INFORMATION

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

LONG POSITIONS: *(Continued)*

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 BE Group. Accordingly, BE Group is deemed to be interested in the shares held by BE Group BVI, BEIL and Modern Orient Limited.

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% |
| BE 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 BE Group. Accordingly, each of BE Group BVI and BE Group is deemed to be interested in the shares owned by Shine Power.

Save as disclosed above, as at 30 June 2015, 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 short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DISCLOSEABLE INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

EMPLOYEE

At 30 June 2015, 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 are awarded to certain employees according to the assessment of individual performance.

CORPORATE GOVERNANCE

The Company is committed to ensuring high standard of corporate governance and transparency as the Directors believe it would increase efficiencies in the overall operations of the Group such that the Group could become more competitive in markets, enhancing shareholders' value in consequence. During the period under review, the Group has adopted various corporate governance practices to ensure an effective internal control system and the proper delegation of authority.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The directors believe that the Company has complied with the code provisions contained in Appendix 14 "Corporate Governance Code" to the Listing Rules throughout the six months ended 30 June 2015.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SHARE DEALING

The Company has adopted Appendix 10 "Model Code" to the Listing Rules to govern securities transactions by the directors. After having made specific enquiry to all directors, all directors confirm that they complied with the "Model Code" during the half year ended 30 June 2015.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. Wu Jiesi, Mr. Lam Hoi Ham (Chairman of Audit Committee) and Mr. Fu Tingmei.

The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting process and internal controls of the Company. The Audit Committee of the Company has already reviewed the unaudited interim results for the six months ended 30 June 2015 and considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.