

■ BEIJING ENTERPRISES
■ HOLDINGS LIMITED

■ STOCK CODE: 392
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2012 INTERIM REPORT

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CORPORATE INFORMATION

GENERAL INFORMATION:

Registered Office

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18 Harbour Road,
Wanchai, Hong Kong
Tel: (852) 2915 2898
Fax: (852) 2857 5084

Website

<http://www.behl.com.hk>

Stock Code

392

Company Secretary

Mr. Tam Chun Fai CPA CFA

Share Registrars

Tricor Tengis Limited
26/F, Tesbury Centre,
28 Queen's Road East,
Hong Kong

DIRECTORS:

Executive Directors

Mr. Wang Dong (*Chairman*)
Mr. Zhang Honghai (*Vice Chairman
and Chief Executive Officer*)
Mr. Lin Fusheng (*Vice Chairman*)
Mr. Li Fucheng (*Vice Chairman*)
Mr. Zhou Si (*Vice Chairman*)
Mr. Hou Zibo
Mr. Guo Pujin
Mr. Liu Kai
Mr. Lei Zhengang
Mr. E Meng (*Executive Vice President*)
Mr. Jiang Xinhao (*Vice President*)
Mr. Tam Chun Fai (*Chief Financial Officer
and Company Secretary*)

Independent Non-executive Directors

Mr. Wu Jiesi
Mr. Robert A. Theleen
Mr. Lam Hoi Ham
Mr. Fu Tingmei

AUDIT COMMITTEE:

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

REMUNERATION COMMITTEE:

Mr. Liu Kai
Mr. Wu Jiesi (*Committee Chairman*)
Mr. Lam Hoi Ham

NOMINATION COMMITTEE:

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

CORPORATE INFORMATION

AUDITORS:

Ernst & Young

LEGAL ADVISERS:

Hong Kong law

DLA Piper

Mayor Brown JSM

PRC law

Haiwen & Partners

US law

Mayor 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

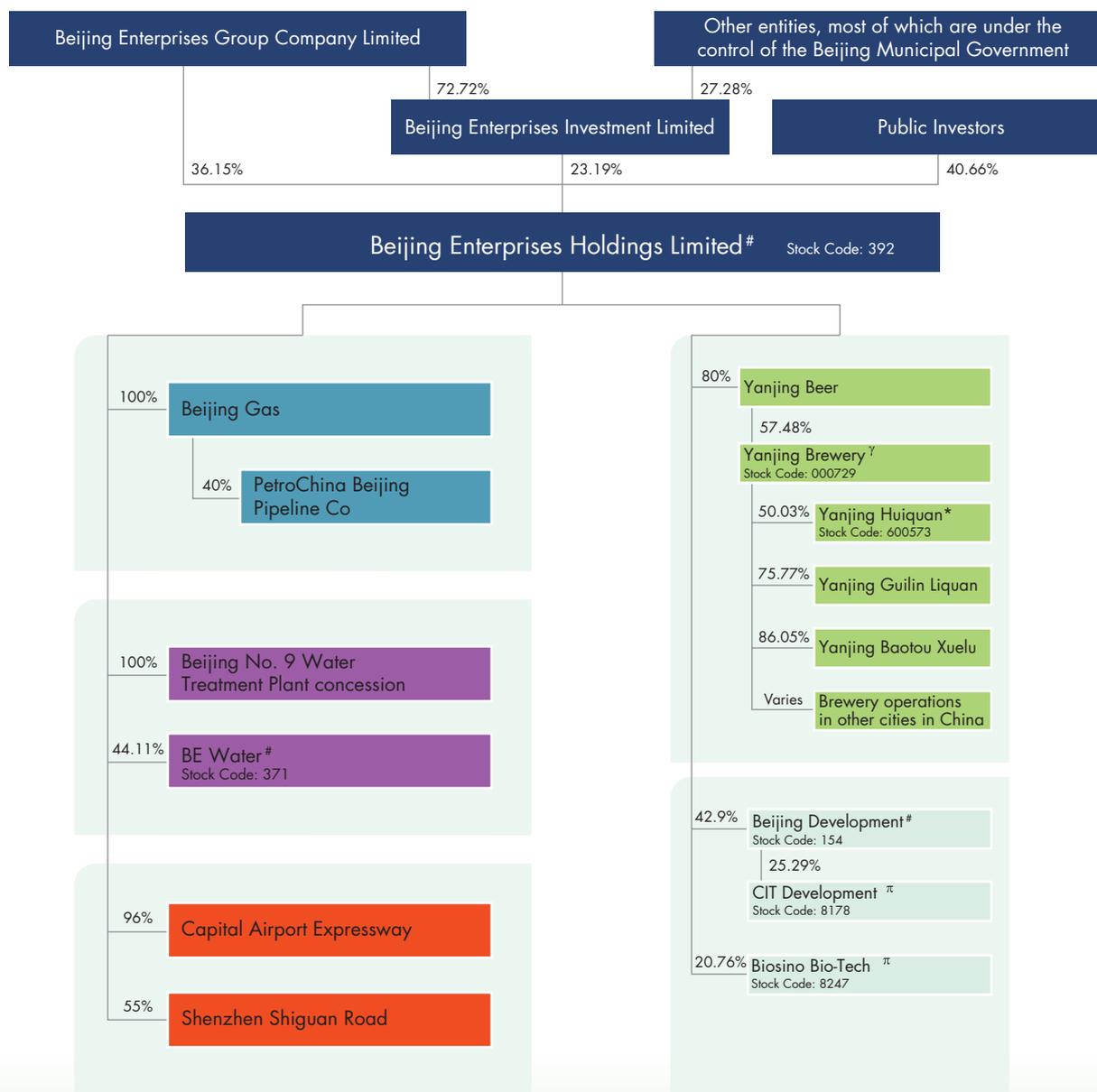
The Industrial and Commercial Bank of China

ADR Depository Bank

The Bank of New York

CORPORATE STRUCTURE

AS AT 30 AUGUST 2012



* Listed on The Shanghai Stock Exchange

† Listed on The Shenzhen Stock Exchange

Listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

†† Listed on The Growth Enterprise Market of the Stock Exchange

SUMMARY

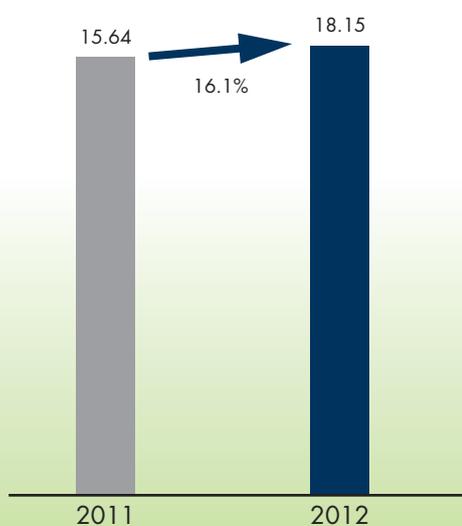
FINANCIAL HIGHLIGHTS (UNAUDITED)

	Six months ended 30 June		Change
	2012 (HK\$'000)	2011 (HK\$'000)	
Revenue	18,154,736	15,640,688	+16.1%
Gross Profit	4,016,283	3,683,021	+9.0%
Profit Attributable to Shareholders of the Company	1,819,283	1,650,883	+10.2%
Basic Earnings Per Share (HK dollar)	1.60	1.45	+10.3%
Interim Dividend (HK cent)	25	25	–

Revenue

For the six months ended 30 June

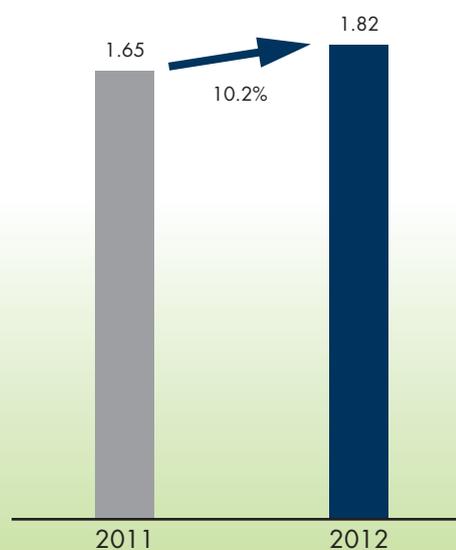
HK\$billion



Profit attributable to shareholders of the Company

For the six months ended 30 June

HK\$billion



SUMMARY

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Board") of Beijing Enterprises Holdings Limited (the "Company") is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2012 with the comparative figures in 2011. The consolidated revenue of the Group was HK\$18.15 billion for the first half of 2012, increased by 16.1% comparing to the corresponding period in last year. Profit attributable to shareholders of the Company was HK\$1.82 billion, increased by 10.2% compared to the corresponding period in 2011.

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

	Profit After Taxation <i>HK\$'000</i>	Proportion %
Natural Gas Business	1,586,201	87.2
Beer Business	274,151	15.1
Sewage and Water Treatment Operations	240,542	13.2
Toll Roads	(17,903)	(1.0)
Headquarter expenses and others	(263,708)	(14.5)

INTERIM DIVIDEND

The Board has resolved to declare an interim cash dividend for the six months ended 30 June 2012 of HK25 cents (2011: HK25 cents) per share, which will be payable on about 29 October 2012 to shareholders whose names appear on the register of members of the Company on 9 October 2012.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from 5 October 2012 to 9 October 2012, 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 26th Floor, Tesbury Center, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 4 October 2012.

BUSINESS OVERVIEW

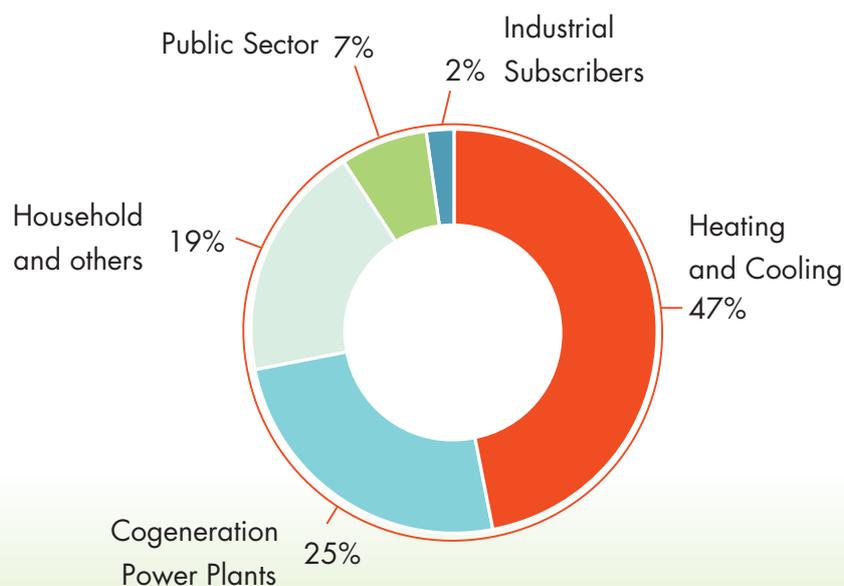
MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Natural Gas Distribution Business

The natural gas distribution business in Beijing City recorded revenue of HK\$10.29 billion in the first half of 2012, increased by 21.4% as compared with the same period of last year. Gas sales volume was 4.01 billion cubic meters, representing a year-on-year increase of 16.2%, which were mainly supported by the favourable factors including the continuous increase in heating subscribers, Huaneng Thermal Power Plant (華能熱電廠) was putting into operation and the three-day extension in heating supply. In addition, Beijing Gas has reinforced its efforts in the management and control of measuring instruments and obtained good results in enhancing the inspection works on subscribers in recent years with the wastage rate showing a gradual declining trend.

The gas sales volume of Beijing Gas in the first half of 2012 was approximately 4.01 billion cubic meters. An analysis by user sector is shown as follows:



BUSINESS OVERVIEW

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

I. BUSINESS REVIEW (Continued)

Natural Gas Distribution Business (Continued)

During the period under review, 121,000 new household subscribers and 1,338 public sector subscribers were developed. The heating equipments capacity developed was 965 t/h steams with a loading of 61 t/h steam in summer. In respect of the developing capacity of all types of subscribers, apart from household subscribers that were able to maintain a stable development, others had achieved a significant growth on a year-on-year basis. As at the end of June, the total number of all types of subscribers was 4.48 million. Net profit from gas distribution business in the first half of the year was HK\$666 million, increased by 25.9% as compared with the same period of last year. The capital expenditure of Beijing Gas in the first half of the year amounted to approximately HK\$1.73 billion.

For market development, Beijing Gas leveraged on the significant opportunities generated by the PM2.5 pollution treatment in Beijing and implemented consistently the overall vision of “adjusting structure and promoting development”. It achieved substantial results in those sectors like safeguarding the energy supply security in Beijing, improving the market coverage in suburban areas, intensifying the in-depth gas consumption in urban districts and promoting the clean energy applications.

It focused on the development of suburban areas and enhanced the efforts in market expansion. Firstly, it set up Beijing Gas Yanqing Company (北京燃氣延慶公司) and signed the co-operation framework agreement for gas development with Yanqing County Government to achieve the full coverage of suburban area markets.

It promoted the implementation of key coal-to-gas conversion projects with Huaneng Power Plant (華能電廠) Gas Supply Project Phase II completed by the end of June. The gas supply project for Southwest Thermal Power Centre (Caoqiao Thermal Power Plant) was developing smoothly and would be completed as scheduled. 22 boilers coal-to-gas conversion projects with a total of over 3,100 t/h steams had entered into the implementation stage.

BUSINESS OVERVIEW

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

I. BUSINESS REVIEW (Continued)

Natural Gas Distribution Business (Continued)

The vehicle gas project achieved a breakthrough in its development. Those works like the gas resources supply, gas station layout and natural gas application piloting points for vehicles were developing smoothly. Firstly, the development plan for natural gas vehicle was prepared and completed. The construction of LNG Transfer Station in Ciqu had commenced and the proposals for LNG Transfer Stations in Panjiámiao, Xiaotun and Miyun were finalized. Secondly, it had accelerated the promotion of gas station layout to develop jointly the natural gas business for vehicles. Thirdly, it increased its efforts to promote the demonstration project for natural gas vehicles and to promote the large scale application of natural gas vehicles in public services. Beijing Municipal Traffic Commission had prepared the launching of a promotion proposal for natural gas application in public transportation and taxi, and in the second half of the year, the application of natural gas vehicles in public transportation, environmental hygiene, taxi and municipal logistics (green auto team) sectors will be promoted comprehensively.

It accelerated actively the investments in the regions outside Beijing. The joint venture with Liaohe Oilfield (遼河油田) and Yingkou City Coal Gas Company (營口市煤氣公司) was set up to jointly promote the gas market development of Yingkou region in Liaoning Province. The Co-operation Letter Of Intent Of Gas Development was entered into with Triastoria Group, working together to develop the municipal city gas and vehicle gas businesses in Heilongjiang Province. The co-operation with Binhai Investment Company (濱海投資公司) was to develop jointly the gas markets surrounding Beijing.

It has enhanced its safety protection standard, increased steadily its service capacity and carried out extensively the gas promotion activities. Firstly, it implemented the management system for occupation, health and security, and initiated the “hundred days of gas safety investigation and rectification campaign”. Secondly, it standardized its inspection service process, and carried out the gas safety and inspection service promotion activities. Thirdly, it further increased the efforts in gas safety knowledge promotion through the platforms like Gas Safety Community Collaboration Network and Beijing Gas Community Service Centre.

BUSINESS OVERVIEW

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

I. BUSINESS REVIEW (Continued)

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 12.16 billion cubic meters in the first half of 2012, representing a year-on-year increase of 24%. The strong increase in gas transmission volume was mainly attributable to the full operation of the No. 3 Shaanxi-Beijing Pipeline, in which new cities along the pipeline had consumed the natural gas, driving the consumption demand to increase substantially. In the first half of the year, the colder climate in Northern China also fueled the gas consumption demand for heating.

Beijing Gas shared a net profit after taxation of HK\$920 million through its 40% equity interests in PetroChina Beijing Pipeline Company in the first half of 2012, representing an increase of 46.9% when compared with the same period of last year. The increase was mainly due to the significant increase in income from gas transmission and a stable expenses in amortisation and depreciation. During the period, Beijing Gas reinforced its strategic co-operation with PetroChina, promoted actively the construction of the long-distance pipeline, namely No. 4 Shaanxi-Beijing Pipeline, and the underground gas storage in Dagang.

Beer Business

In the first half of 2012, China’s beer industry was affected by the negative factors of overall sluggishness in sales in the beer consumption market, significant increase in raw materials, energy and labour costs as well as intensifying market competition. Yanjing Brewery overcame most of the negative factors through three major structures adjustments in products, market and brand, and continued to maintain a healthy growth.

During the first half year, beer sales volume was 2.795 million thousand-litres, representing a year-on-year increase of 2.75%. Of which, beer sales volume reached 0.635 million thousand-litres in Beijing region; beer sales volume in markets outside Beijing recorded 2.16 million thousand-litres, representing an increase of 2.8% as compared with the same period of last year. Yanjing Brewery recorded a revenue of HK\$7.656 billion for the first half of the year, representing a year-on-year increase of 13.5%, which was mainly due to the increase in average selling prices of products. Operating profit for the first half of the year was HK\$969 million, representing a year-on-year increase of 10.7%. Profit attributable to shareholders of the Company in the first half of the year was HK\$274 million, representing a year-on-year increase of 5.1%. The capital expenditures of Yanjing Brewery in the first half of 2012 were HK\$1.26 billion.

BUSINESS OVERVIEW

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

I. BUSINESS REVIEW (Continued)

Beer Business (Continued)

Yanjing Brewery continued to implement the strategic policy of three major structures adjustments and carried out tremendous volume of works in the first half of the year. Firstly, it continued to optimize the product structure and strengthened the sales efforts of medium and high end products. It established product lines, including the high end flagship products like Yanjing Chunsheng (燕京純生) and Yanjing Wuchun (燕京無醇), medium end flagship products like Yanjing Draught Beer (燕京鮮啤) and affordable flagship products like Yanjing Refreshing Beer (燕京清爽啤酒). During the period, Yanjing Draught Beer (燕京鮮啤) and Yanjing Chunsheng (燕京純生) both recorded significant increase in sales volume.

Secondly, it continued to adjust the market structure and increased the investment and sales efforts in the central and western markets. Since the second half of 2011, it constructed new factories in Guizhou and Xinjiang and carried out various technological upgrades and expansion projects in Bachuan, Hunan, Henan, Guangxi and Yunnan to expand the production capacity of Yanjing in the central and western regions for increasing its market share. Since 2012, these markets saw significant growth in sales with increasing market shares. In the first half of 2012, Yunnan, in particular, saw a sales increase of 82.74% over the same period of last year.

Thirdly, it continued to promote the "1+3" brand strategy with the brand concentration of "1+3" reaching 91% during the period. Of which, sales volume of Yanjing reached 1.88 million thousand-litres, an increase of 92,700 thousand-litres over the 1.78 million thousand-litres of the corresponding period of last year, representing a growth of 5.19%. The brand concentration of Yanjing reached 67.31%, increased by almost 2 percentage points over the same period of last year. Not only had the brand strategy of "1+3" enhanced the brand value of Yanjing, it also established the strong regional brand names like Liquan (漓泉), Huiquan (惠泉) and Xuelu (雪鹿). In 2012, the Company sponsored the China Lunar Exploration Program (中國探月工程), making efforts in developing the national event and national brands together. Through the grand party of "Night of Yanjing" (燕京之夜) in London, it organized the "Beijing Cultural Week" in London. By becoming the official co-operative partner of Chinese Table Tennis Association, we headed to the London Olympic Games together. After becoming the sponsor of the 29th Beijing Olympic Games, Yanjing has all along been promoting the vision of "Moving the World and Surpassing Dreams" (感動世界、超越夢想) and embedded deeply the Olympic spirit and culture of "Higher, Faster and Stronger" into the corporate culture to lead Yanjing to go international and let the world be aware of Yanjing brand, so as to facilitate the continuous improvement in the brand value quality of Yanjing and further increase the influence of Yanjing brand.

BUSINESS OVERVIEW

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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 2012. Its turnover increased 56% to HK\$1.4 billion as a result of the overall increase in income from projects, sewage treatment charges and reclaimed water service charges. Profit attributable to shareholders of BE Water increased 25% to HK\$387 million, of which HK\$170 million was attributable to the Company. As at the end of June 2012, BE Water had already participated in the development of 144 water plant projects, of which 111 were sewage treatment plants, 28 were water supply projects, 4 were reclaimed water projects and 1 was desalination project. Its total designed capacity reached 9.71 million tons/day, increased by 11%. Its operation capacity was 6.64 million tons/day, and the capacity under development was 3.07 million tons/day. The projects developed by BE Water are located in different regions in the PRC and it is developing into a leading water treatment company nationwide.

The water concession project of No. 9 Water Treatment Plant contributed a profit of HK\$70.05 million in the first half year of 2012 and remained as an important profit pillar and source of cash flow for the entire water treatment business segment.

II. PROSPECTS

Natural Gas Distribution Business

The natural gas distribution business in Beijing has recorded a continuous increase in sales volume and number of subscribers in the past. With sustainable economic and population growth in Greater Beijing area, the demand for clean energy consumption, in particular, piped natural gas will see steady growth. This demand growth will further drive the sales volume of gas distribution business in Beijing metropolitan area as well as suburban area. Beijing Gas has seen more aggressive dedication to piped natural gas infrastructure investments by county governments surrounding Beijing City. The Group will continue to deploy more resources to develop these new markets in the medium term. In addition, the introduction of gas vehicle will increase the demand for natural gas, reduce the emission of carbon dioxide and improve the air quality in Beijing.

BUSINESS OVERVIEW

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

II. PROSPECTS (Continued)

Natural Gas Distribution Business (Continued)

In addition, the coal-to-gas conversion projects of four largest thermal power centres in Beijing are progressing smoothly. Beijing Gas has made investments to cope with the development of relevant projects and the gas sales volume of co-generation power plants will see a significant growth in the coming years.

Natural Gas Transmission Business

The Phase III construction work of No. 3 Shaanxi-Beijing Pipeline is still progressing. Upon full completion of the construction of No. 3 Shaanxi-Beijing Pipeline, the integrated gas transmission capacity of the first three pipelines will reach 35 billion cubic metres per annum. The preliminary work of No. 4 Shaanxi-Beijing Pipeline has commenced and its designed transmission volume capacity will reach over 10 billion cubic metres per annum.

Beer Business

“Yanjing” will remain one of the leading local beer brand names in Mainland China. The nationwide bottling facilities together with the established distribution network will further boost up the market share in the future. Yanjing Brewery’s growth in profit margin will maintain stable as premium beer with higher profit margin is getting higher market share and contributing more profit to Yanjing Brewery. Currently, Yanjing Brewery continues to expand its production capacity in China’s central and western provinces and will maintain the target of improving its production capacity and sales volume to 8 million thousand-litres within 4 years.

III. FINANCIAL REVIEW

Revenue

The revenue of the Group’s operations in the first half of 2012 was approximately HK\$18.15 billion, increased by 16% when compared to the corresponding period of last year. Gas sales revenue was HK\$10.29 billion, representing a year-on-year increase of 21.4%. Beer sales revenue was HK\$7.66 billion, 13.5% higher than that of the corresponding period of last year. Other businesses contributed an aggregate of not more than 3% of the total revenue.

BUSINESS OVERVIEW

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

III. FINANCIAL REVIEW (Continued)

Cost of Sales

Cost of sales increased by 18.2% to HK\$14.14 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 materials costs, direct labor, consumables and depreciation.

Gross Profit Margin

Overall gross profit margin was 22.1% compared to 23.5% in corresponding period of last year. The slight decrease in overall gross profit margin was attributable to the slight decrease in gross profit margin of gas distribution business.

Selling and Distribution Costs

Selling and distribution costs of the Group in the first half of 2012 increased by 2.7% to HK\$1.083 billion, lower than the extent of increase in revenue.

Administration Expenses

Administration expenses of the Group in the first half of 2012 was HK\$1.342 billion, increased by 25.6% when compared to the corresponding period in last year. The increase was mainly attributable to the recruitment of new staff by certain new beer bottling plants of Yanjing Brewery and the increase of existing staff's remuneration as well as the faster growth in administration expenses of gas distribution business as a result of adding several new subsidiaries into Beijing Gas and the higher growth in staff salary.

Finance Costs

Finance costs of the Group in the first half of 2012 was HK\$506 million, increased by 1.4 times when compared to the corresponding period in last year, which was mainly due to the significant increase in interest expenses from the issue of bonds amounting to US\$1.0 billion in May in the first half of last year and the issue of bonds amounting to US\$800 million in April this year.

BUSINESS OVERVIEW

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

III. FINANCIAL REVIEW (Continued)

Share of Profits and Losses of Jointly-controlled Entities

The comparative data for last year substantially represented the 40% share of the net profits of PetroChina Beijing Pipeline Company for the first half of 2011. The primary business of PetroChina Beijing Pipeline Company is the transmission of natural gas through No. 1, 2 and 3 Shaanxi-Beijing pipelines with an approximate total length of 3,000 kilometers.

Share of Profits and Losses of Associates

The significant increase in attributable profits for the first half of this year was mainly due to PetroChina Beijing Pipeline Company of having become an associate and the Group's share of its profits, and the remaining balance represented the 44.11% share of the net profits of BE Water for the first half year, net of 42.9% share of net losses of Beijing Development (Hong Kong) Limited for the same period.

Tax

The effective income tax rate was 23.7%, higher than the 21.6% in the corresponding period of last year, which was mainly due to substantial increase in interest expenses for Hong Kong headquarter in the first half of 2012 and was not tax deductible. The effective tax rate for Beijing Gas's gas distribution operations has decreased due to concessionary rate during the period.

Changes of major items in the consolidated statement of financial position

The net book value of property, plant and equipment increased by HK\$2.16 billion, which was mainly attributed to the investment in the high pressure pipeline projects for three new cogeneration power plants by the gas distribution business, and the additional bottling production line of Yanjing Brewery in expanding its production capacity.

Interests in associates increased by HK\$855 million, which was mainly due to its share of profit of PetroChina Beijing Pipeline Company in the first half and its share of profit of BE Water in the first half and deducted the losses attributable to Beijing Development and the relevant dividend income received.

BUSINESS OVERVIEW

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

III. FINANCIAL REVIEW (Continued)

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

The balance of prepayments, deposits and other receivables increased by HK\$1.55 billion, which was mainly due to the prepayment of HK\$610 million by Yanjing Brewery as the guarantee deposit to acquire certain beer assets and the prepayment of RMB500 million by the headquarter as the guarantee deposit for solid waste treatment projects in Haidian District.

The balance of trade and bills receivables increased by HK\$951 million, which was mainly due to the trade receivables from Beijing District Heating Group due to Beijing Gas were delayed because the funding from the municipal government was not in place and the additional credit term granted to distributors by Yanjing Brewery during the peak season.

The balance of the Guaranteed Senior Notes increased by HK\$6.18 billion, which was mainly due to the issue of 10-year bonds in April 2012 amounting US\$800 million. The note carries a rate of 4.5% and expires in 2022.

The balance of the convertible bonds decreased by HK\$500 million, which was mainly due to that Yanjing Brewery offered to repurchase the bonds held by independent investors and parts of the convertible bonds were exercised and converted into A Shares of Yanjing Brewery during the period. The convertible bonds held by the Company have been converted into equities in full at a conversion price of RMB15.37 and the effective equity of the Company has increased to 45.98%.

The balance of trade and bills payables increased by HK\$764 million, which was mainly the balance arising from the purchase of raw materials by several new beer plants opened by Yanjing Brewery.

The balance of the sales receipts in advance decreased by HK\$667 million, which was mainly attributed to the decrease of the balance of resident value cards of Beijing Gas at the end of the period due to the fact that heating season had passed by end of June.

The balance of other payables and accruals increased by HK\$983 million, which was mainly due to the increase in construction and equipment payables of Beijing Gas as a result of additional gas pipeline construction and more sales deposits from distributors were received by Yanjing Brewery during the peak season.

BUSINESS OVERVIEW

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

IV. FINANCIAL POSITION OF THE GROUP

Cash and Bank Borrowings

As at 30 June 2012, cash and bank deposits held by the Group amounted to HK\$15.22 billion. The increase was mainly attributable to the proceeds received from the issue of 800 million US dollar Guaranteed Senior Notes in May this year, net of the repayment of a 5-year syndicated loan amounting to HK\$2.1 billion.

The Group's bank and other borrowings, convertible bonds and Guaranteed Senior Notes amounted to HK\$25.69 billion as at 30 June 2012, which mainly comprised the 10-year and 30-year US dollar Guaranteed Senior Notes of HK\$13.88 billion, syndicated loans amounting to HK\$3.0 billion and convertible bonds of HK\$2.27 billion.

Liquidity and Capital Resources

As at the period end date, the Group had a strong net working capital of HK\$10.28 billion. The Group maintains sufficient banking facilities in both 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 2012, the issued capital of the Company was 1,137,571,000 shares and equity attributable to shareholders of the Company was HK\$38.45 billion. Total equity was HK\$46.74 billion when compared to HK\$45.2 billion as at the end of 2011.

EMPLOYEE

At 30 June 2012, the Group had approximately 45,000 employees. The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group's employee remuneration policy and package are periodically reviewed by the management. Apart from pension funds, discretionary bonuses are awarded to certain employees according to the assessment of individual performance.

By order of the Board
Wang Dong
Chairman

Hong Kong, 30 August 2012

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

		For the six months ended 30 June	
		2012	2011
	<i>Notes</i>	Unaudited HK\$'000	Unaudited HK\$'000
REVENUE	3	18,154,736	15,640,688
Cost of sales		(14,138,453)	(11,957,667)
Gross profit		4,016,283	3,683,021
Other income and gains, net	4	313,283	291,813
Fair value gain on the derivative component of convertible bonds		2,042	80,450
Selling and distribution costs		(1,083,053)	(1,053,668)
Administrative expenses		(1,342,083)	(1,067,932)
Other operating expenses, net		8,642	25,378
PROFIT FROM OPERATING ACTIVITIES	5	1,915,114	1,959,062
Finance costs	6	(506,548)	(210,010)
Share of profits and losses of:			
Jointly-controlled entities		(106)	626,569
Associates		1,088,989	117,706
PROFIT BEFORE TAX		2,497,449	2,493,327
Income tax	7	(334,247)	(378,059)
PROFIT FOR THE PERIOD		2,163,202	2,115,268
ATTRIBUTABLE TO:			
Shareholders of the Company		1,819,283	1,650,883
Non-controlling interests		343,919	464,385
		2,163,202	2,115,268
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic	9	HK\$1.60	HK\$1.45
Diluted		HK\$1.56	HK\$1.41

Details of interim dividend declared are disclosed in note 8.

CONDENSED CONSOLIDATED **STATEMENT OF COMPREHENSIVE INCOME**

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	2,163,202	2,115,268
OTHER COMPREHENSIVE INCOME/(LOSS)		
Changes in fair value of available-for-sale-investments	32,919	(32,467)
Exchange differences on translation of foreign operations	(586,100)	1,038,755
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF INCOME TAX OF NIL	(553,181)	1,006,288
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,610,021</u>	<u>3,121,556</u>
ATTRIBUTABLE TO:		
Shareholders of the Company	1,362,258	2,493,991
Non-controlling interests	247,763	627,565
	<u>1,610,021</u>	<u>3,121,556</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

		30 June 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
	<i>Notes</i>		
ASSETS			
Non-current assets:			
Property, plant and equipment	10	28,473,494	26,317,184
Investment properties		718,013	681,096
Prepaid land premiums		1,268,463	1,275,264
Goodwill		7,493,495	7,453,561
Operating concessions		1,183,928	1,225,011
Other intangible assets		80,562	23,681
Investments in jointly-controlled entities		485,544	210,878
Investments in associates		13,429,404	12,573,986
Available-for-sale investments		971,817	917,412
Amounts due from contract customers		664,856	566,032
Receivables under service concession arrangements	11	1,500,479	1,588,046
Prepayments, deposits and other receivables	13	1,000,888	430,583
Deferred tax assets		610,683	594,721
		<hr/>	<hr/>
Total non-current assets		57,881,626	53,857,455
		<hr/>	<hr/>
Current assets:			
Prepaid land premiums		48,732	30,165
Property held for sale		27,480	27,611
Inventories		5,705,575	5,285,611
Amounts due from contract customers		46,633	46,631
Receivables under service concession arrangements	11	1,158,206	1,003,260
Trade and bills receivables	12	2,537,555	1,586,438
Prepayments, deposits and other receivables	13	3,294,000	2,313,196
Other taxes recoverable		129,780	588,996
Available-for-sale investments		109,756	–
Restricted cash and pledged deposits		101,830	36,631
Cash and cash equivalents		15,220,938	12,579,439
		<hr/>	<hr/>
Total current assets		28,380,485	23,497,978
		<hr/>	<hr/>
TOTAL ASSETS		86,262,111	77,355,433
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

	<i>Notes</i>	30 June 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital	14	113,757	113,757
Reserves		38,053,966	36,984,003
Dividends declared/proposed		284,393	511,907
		38,452,116	37,609,667
Non-controlling interests		8,287,042	7,587,062
TOTAL EQUITY		46,739,158	45,196,729
Non-current liabilities:			
Bank and other borrowings	15	3,856,995	4,070,115
Guaranteed senior notes	16	13,879,687	7,699,084
Liability component of convertible bonds	17	2,252,451	2,711,835
Derivative component of convertible bonds	17	21,076	61,783
Defined benefit plans		531,666	522,390
Provision for major overhauls		217,440	196,157
Other non-current liabilities		239,240	239,320
Deferred tax liabilities		428,617	371,353
Total non-current liabilities		21,427,172	15,872,037
Current liabilities:			
Trade and bills payables	18	2,669,047	1,904,594
Amounts due to contract customers		158,601	123,822
Receipts in advance		2,780,302	3,446,916
Other payables and accruals		5,413,951	4,430,794
Dividend payables		511,907	–
Income tax payables		372,324	342,313
Other taxes payables		508,333	333,277
Bank and other borrowings	15	5,681,316	5,704,951
Total current liabilities		18,095,781	16,286,667
TOTAL LIABILITIES		39,522,953	32,158,704
TOTAL EQUITY AND LIABILITIES		86,262,111	77,355,433

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2012

	Attributable to shareholders of the Company													
	Issued capital Unaudited HK\$'000	Share premium account Unaudited HK\$'000	Capital redemption reserve Unaudited HK\$'000	Share option reserve Unaudited HK\$'000	Capital reserve Unaudited HK\$'000	Available-for-sale investment revaluation reserve Unaudited HK\$'000	Property revaluation reserve Unaudited HK\$'000	Exchange fluctuation reserve Unaudited HK\$'000	PRC reserve funds Unaudited HK\$'000	Retained profits Unaudited HK\$'000	Dividends declared/proposed Unaudited HK\$'000	Total Unaudited HK\$'000	Non-controlling interests Unaudited HK\$'000	Total equity Unaudited HK\$'000
At 1 January 2012	113,757	20,738,291	238	-	877,842	(113,803)	33,980	5,124,354	3,623,668	6,699,433	511,907	37,609,667	7,587,062	45,196,729
Profit for the period	-	-	-	-	-	-	-	-	-	1,819,283	-	1,819,283	343,919	2,163,202
Other comprehensive income/(loss) for the period:														
Changes in fair value of available-for-sale investments	-	-	-	-	-	26,156	-	-	-	-	-	26,156	6,763	32,919
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(483,181)	-	-	-	(483,181)	(102,919)	(586,100)
Total comprehensive income/(loss) for the period	-	-	-	-	-	26,156	-	(483,181)	-	1,819,283	-	1,362,258	247,763	1,610,021
Capital contribution by non-controlling equity holders	-	-	-	-	(13,743)	-	-	-	-	-	-	(13,743)	598,116	584,373
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	1,852	1,852
Share of reserves of associates	-	-	-	-	7,069	-	-	-	(1,870)	642	-	5,841	-	5,841
Final 2011 dividend	-	-	-	-	-	-	-	-	-	-	(511,907)	(511,907)	-	(511,907)
Interim 2012 dividend declared (note 8)	-	-	-	-	-	-	-	-	-	(284,393)	284,393	-	-	-
Dividend paid to non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	-	-	(147,751)	(147,751)
Transfer to reserves	-	-	-	-	-	-	-	-	116,873	(116,873)	-	-	-	-
At 30 June 2012	113,757	20,738,291*	238*	-*	871,168*	(87,647)*	33,980*	4,641,173*	3,738,671*	8,118,092*	284,393	38,452,116	8,287,042	46,739,158

	Attributable to shareholders of the Company													
	Issued capital Unaudited HK\$'000	Share premium account Unaudited HK\$'000	Capital redemption reserve Unaudited HK\$'000	Share option reserve Unaudited HK\$'000	Capital reserve Unaudited HK\$'000	Available-for-sale investment revaluation reserve Unaudited HK\$'000	Property revaluation reserve Unaudited HK\$'000	Exchange fluctuation reserve Unaudited HK\$'000	PRC reserve funds Unaudited HK\$'000	Retained profits Unaudited HK\$'000	Dividends declared/proposed Unaudited HK\$'000	Total Unaudited HK\$'000	Non-controlling interests Unaudited HK\$'000	Total equity Unaudited HK\$'000
At 1 January 2011	113,737	20,733,395	228	1,162	997,272	6,372	29,893	3,550,099	2,810,203	5,513,731	511,817	34,267,909	6,668,352	40,936,261
Profit for the period	-	-	-	-	-	-	-	-	-	1,650,883	-	1,650,883	464,385	2,115,268
Other comprehensive income/(loss) for the period:														
Change in fair value of an available-for-sale investment	-	-	-	-	-	(32,467)	-	-	-	-	-	(32,467)	-	(32,467)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	875,575	-	-	-	875,575	163,180	1,038,755
Total comprehensive income/(loss) for the period	-	-	-	-	-	(32,467)	-	875,575	-	1,650,883	-	2,493,991	627,565	3,121,556
Exercise of share options	30	4,896	-	(1,162)	-	-	-	-	-	-	-	3,764	-	3,764
Repurchase and cancellation of shares	(10)	-	10	-	-	-	-	-	-	(4,560)	-	(4,560)	-	(4,560)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	3,977	3,977
Acquisition of non-controlling interests	-	-	-	-	(20,182)	-	-	-	-	-	-	(20,182)	(39,460)	(59,642)
Deconsolidation of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(12,811)	(12,811)
Share of reserve of a jointly-controlled entity	-	-	-	-	14,201	-	-	-	-	-	-	14,201	-	14,201
Share of reserves of associates	-	-	-	-	(29,106)	-	-	-	(31)	26,256	-	(2,881)	-	(2,881)
Final 2010 dividends	-	-	-	-	-	-	-	-	-	-	(511,817)	(511,817)	-	(511,817)
Interim 2011 dividend declared (note 8)	-	-	-	-	-	-	-	-	-	(284,393)	284,393	-	-	-
Dividends paid to non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	-	-	(273,024)	(273,024)
Transfer to reserves	-	-	-	-	-	-	-	-	104,546	(104,546)	-	-	-	-
At 30 June 2011	113,757	20,738,291	238	-	962,185	(26,095)	29,893	4,425,674	2,914,718	6,797,371	284,393	36,240,425	6,974,599	43,215,024

* These reserve accounts comprise the consolidated reserves of HK\$38,053,966,000 (unaudited) (31 December 2011: HK\$36,984,003,000) in the consolidated statement of financial position as at 30 June 2012.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Net cash flows from/(used in) operating activities	1,765,361	(808,573)
Net cash flows used in investing activities	(8,282,489)	(8,143,443)
Net cash flows from financing activities	5,364,586	6,861,342
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(1,152,542)	(2,090,674)
Cash and cash equivalents at beginning of period	11,077,445	12,506,461
Effect of foreign exchange rate changes, net	(92,564)	238,745
	<hr/>	<hr/>
Cash and cash equivalents at end of period	9,832,339	10,654,532
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	9,905,390	11,004,643
Time deposits	5,417,378	6,191,808
Less: Restricted cash and pledged deposits	(101,830)	(362,312)
	<hr/>	<hr/>
	15,220,938	16,834,139
Less: Time deposits with maturity of more than three months when acquired	(5,388,599)	(6,179,607)
	<hr/>	<hr/>
	9,832,339	10,654,532
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2012

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. EFFECT OF CHANGES IN ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of these interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2011, except for the adoption of the following new, revised or amendments to the Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the HKICPA, which are generally effective for the first time for the current period's financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments for HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes: Deferred Tax – Recovery of Underlying Assets</i>

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2012

3. OPERATING SEGMENT INFORMATION

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

Management monitors the results of 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 2012 and 2011, respectively.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2012

3. OPERATING SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2012

	Piped gas operation Unaudited HK\$'000	Brewery operation Unaudited HK\$'000	Sewage and water treatment operations Unaudited HK\$'000	Expressway and toll road operations Unaudited HK\$'000	Corporate and others Unaudited HK\$'000	Inter- segment elimination Unaudited HK\$'000	Consolidated Unaudited HK\$'000
Segment revenue	10,291,294	7,656,330	91,228	74,363	41,521	-	18,154,736
Cost of sales	(8,965,404)	(5,064,807)	(2,272)	(89,509)	(16,461)	-	(14,138,453)
Gross profit/(loss)	<u>1,325,890</u>	<u>2,591,523</u>	<u>88,956</u>	<u>(15,146)</u>	<u>25,060</u>	<u>-</u>	<u>4,016,283</u>
Profit/(loss) from operating activities	861,869	940,283*	92,694	(14,501)	80,132	(45,363)	1,915,114
Finance costs	(59,438)	(156,872)	(79)	(2,558)	(332,964)	45,363	(506,548)
Share of profits and losses of:							
Jointly-controlled entities	(106)	-	-	-	-	-	(106)
Associates	920,242	(523)	170,491	-	(1,221)	-	1,088,989
Profit/(loss) before tax	<u>1,722,567</u>	<u>782,888</u>	<u>263,106</u>	<u>(17,059)</u>	<u>(254,053)</u>	<u>-</u>	<u>2,497,449</u>
Income tax	(134,467)	(174,432)	(22,564)	(1,613)	(1,171)	-	(334,247)
Profit/(loss) for the period	<u>1,588,100</u>	<u>608,456</u>	<u>240,542</u>	<u>(18,672)</u>	<u>(255,224)</u>	<u>-</u>	<u>2,163,202</u>
Segment profit/(loss) attributable to shareholders of the Company	<u>1,586,201</u>	<u>274,151</u>	<u>240,542</u>	<u>(17,903)</u>	<u>(263,708)</u>	<u>-</u>	<u>1,819,283</u>

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2012

3. OPERATING SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2011

	Piped gas operation Unaudited HK\$'000	Brewery operation Unaudited HK\$'000	Sewage and water treatment operations Unaudited HK\$'000	Expressway and toll road operations Unaudited HK\$'000	Corporate and others Unaudited HK\$'000	Inter-segment elimination Unaudited HK\$'000	Consolidated Unaudited HK\$'000
Segment revenue	8,477,678	6,745,542	97,574	192,670	127,224	-	15,640,688
Cost of sales	(7,338,229)	(4,401,471)	(1,979)	(114,768)	(101,220)	-	(11,957,667)
Gross profit	<u>1,139,449</u>	<u>2,344,071</u>	<u>95,595</u>	<u>77,902</u>	<u>26,004</u>	<u>-</u>	<u>3,683,021</u>
Profit from operating activities	777,592	955,548*	144,182#	61,801	65,053	(45,114)	1,959,062
Finance costs	(69,151)	(74,515)	(173)	(3,938)	(107,347)	45,114	(210,010)
Share of profits and losses of:							
Jointly-controlled entities	626,569	-	-	-	-	-	626,569
Associates	575	(336)	134,258	-	(16,791)	-	117,706
Profit/(loss) before tax	<u>1,335,585</u>	<u>880,697</u>	<u>278,267</u>	<u>57,863</u>	<u>(59,085)</u>	<u>-</u>	<u>2,493,327</u>
Income tax	(181,294)	(150,517)	(19,519)	(14,657)	(12,072)	-	(378,059)
Profit/(loss) for the period	<u>1,154,291</u>	<u>730,180</u>	<u>258,748</u>	<u>43,206</u>	<u>(71,157)</u>	<u>-</u>	<u>2,115,268</u>
Segment profit/(loss) attributable to shareholders of the Company	<u>1,155,536</u>	<u>260,780</u>	<u>258,748</u>	<u>45,320</u>	<u>(69,501)</u>	<u>-</u>	<u>1,650,883</u>

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2012

3. OPERATING SEGMENT INFORMATION (Continued)

* The amount included (i) a fair value gain on the derivative component of convertible bonds of HK\$2,042,000 (six months ended 30 June 2011: HK\$80,450,000), which was wholly attributable to non-controlling shareholders of the relevant subsidiary and therefore did not affect the profit for the period attributable to shareholders of the Company; and (ii) a loss on the repurchase of convertible bonds of HK\$30,660,000 (six months ended 30 June 2011: Nil).

The amount for the six months ended 30 June 2011 included a reversal of impairment of a receivable under service concession arrangement of HK\$49,240,000.

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

	30 June 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
Total assets:		
Piped gas operations	39,142,836	37,513,058
Brewery operation	25,419,229	21,565,474
Sewage and water treatment operations	6,973,421	7,230,730
Expressway and toll road operations	1,991,502	2,016,084
Corporate and others	17,366,082	13,178,337
Eliminations	(4,630,959)	(4,148,250)
	<u>86,262,111</u>	<u>77,355,433</u>
Total liabilities:		
Piped gas operations	9,617,669	9,285,421
Brewery operation	12,342,453	9,500,248
Sewage and water treatment operations	1,180,696	1,509,017
Expressway and toll road operations	473,024	460,848
Corporate and others	20,540,070	15,551,420
Eliminations	(4,630,959)	(4,148,250)
	<u>39,522,953</u>	<u>32,158,704</u>

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2012

3. OPERATING SEGMENT INFORMATION (Continued)

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 2012 and 2011, none of the Group's individual customers contributed 10% or more of the Group's revenue.

4. OTHER INCOME AND GAINS, NET

		For the six months ended 30 June	
		2012	2011
		Unaudited	Unaudited
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Other income			
Bank interest income		94,224	75,189
Rental income		12,946	4,581
Government grants		29,772	45,351
Transfer of assets from customers	10	85,647	34,520
Others		89,952	119,311
		312,541	278,952
Gains, net			
Gain on disposal of items of property, plant and equipment, net	10	742	281
Foreign exchange differences, net		-	12,580
		742	12,861
Other income and gains, net		313,283	291,813

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2012

5. PROFIT FROM OPERATING ACTIVITIES

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

	For the six months ended 30 June	
	2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Depreciation	955,146	771,011
Amortisation of operating concessions*	25,644	44,918
Amortisation of computer software**	3,258	2,437

* The amortisation of operating concessions for the period is included in "Cost of sales" on the face of the condensed consolidated income statement.

** The amortisation of computer software for the period is included in "Administrative expenses" on the face of the condensed consolidated income statement.

6. FINANCE COSTS

	For the six months ended 30 June	
	2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Interest on bank loans and other loans wholly repayable within five years	181,772	120,398
Interest on guaranteed senior notes	269,497	35,915
Interest on other loans	–	9,027
Interest on convertible bonds	52,721	42,602
Total interest expense	503,990	207,942
Increase in discounted amount of provision for major overhauls arising from the passage of time	2,558	2,068
Total finance costs	506,548	210,010

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2012

7. INCOME TAX

	For the six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Current – Mainland China	339,634	338,117
Deferred	(5,387)	39,942
Total tax expense for the period	<u>334,247</u>	<u>378,059</u>

No provision for Hong Kong profits tax has been made during the period ended 30 June 2012 as the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2011: 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 30 August 2012, the Board declared an interim cash dividend of HK25 cents per share (six months ended 30 June 2011: HK25 cents per share), totalling approximately HK\$284,393,000 (six months ended 30 June 2011: HK\$284,393,000).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2012

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts for the period is 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 is 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 (six months ended 30 June 2011: also included the weighted average number of ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options of the Company).

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

	For the six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Earnings:		
Profit for the period attributable to shareholders of the Company, used in the basic earnings per share calculation	1,819,283	1,650,883
Interest expense for the period relating to the liability component of the dilutive convertible bonds of the Group	33,872	28,736
Profit for the period attributable to shareholders of the Company, used in the diluted earnings per share calculation	1,853,155	1,679,619

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2012

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

	For the six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
Number of ordinary shares:		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	1,137,571,000	1,137,427,667
Effect of dilution – weighted average number of ordinary shares		
Share options	-	113,135
Convertible bonds	50,000,000	50,000,000
	<hr/>	<hr/>
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	<u>1,187,571,000</u>	<u>1,187,540,802</u>

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property, plant and equipment with a cost of HK\$3,495,000,000 (six months ended 30 June 2011: HK\$2,212,973,000), excluding property, plant and equipment acquired through transfer of assets from customers with a total deemed cost of HK\$85,647,000 (six months ended 30 June 2011: HK\$34,520,000) (note 4).

Property, plant and equipment with an aggregate carrying amount of HK\$35,539,000 (six months ended 30 June 2011: HK\$140,383,000) were disposed of by the Group during the six months ended 30 June 2012, resulting in a net gain on disposal of HK\$742,000 (six months ended 30 June 2011: HK\$281,000) (note 4).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2012

11. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

In respect of the Group's receivables under service concession arrangements, the group companies have different credit policies, depending on the requirements of the locations in which they operate. 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 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
Billed:		
Within one year	488,271	323,369
One to two years	368,320	372,102
Two to three years	301,615	307,789
	1,158,206	1,003,260
Unbilled	1,500,479	1,588,046
	2,658,685	2,591,306
Portion classified as current assets	(1,158,206)	(1,003,260)
Non-current portion	1,500,479	1,588,046

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2012

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 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
Billed:		
Within one year	1,339,932	536,266
One to two years	244,895	43,152
Two to three years	36,524	15,615
Over three years	125,805	124,980
	1,747,156	720,013
Unbilled	790,399	866,425
	<u>2,537,555</u>	<u>1,586,438</u>

Included in the Group's trade and bills receivables as at 30 June 2012 was an aggregate amount of HK\$30,598,000 (31 December 2011: HK\$50,459,000) 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 2012

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<i>Notes</i>	30 June 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
Prepayments		246,259	117,654
Deposits and other debtors	<i>(a)</i>	2,445,584	1,086,863
Dividends receivable from associates	<i>(b)</i>	1,291,815	1,215,206
Due from holding companies	<i>(c)</i>	297,998	280,768
Due from fellow subsidiaries	<i>(c)</i>	47,551	80,349
Due from related parties	<i>(c)</i>	13,141	9,700
		4,342,348	2,790,540
Impairment of deposits and other debtors		(47,460)	(46,761)
		4,294,888	2,743,779
Portion classified as current assets		(3,294,000)	(2,313,196)
		1,000,888	430,583

Notes:

- (a) The Group's deposits and other debtors as at 30 June 2012 included, inter alia, the following:
- (i) investment deposits of HK\$639,107,000 (31 December 2011: HK\$29,714,000) paid for the incorporation or acquisition of a subsidiary and an associate in Mainland China. The deposits are classified as non-current assets;
 - (ii) deposits of HK\$361,519,000 (31 December 2011: HK\$314,720,000) in total paid for the construction of buildings and purchase of machinery. The deposits are classified as non-current assets; and
 - (iii) a guarantee deposit of HK\$609,756,000 (31 December 2011: Nil) paid for solid waste treatment projects in Haidian District of Beijing. The deposit is classified as a current asset.

The Group's deposits and other debtors as at 31 December 2011 also included, inter alia, a deposit of HK\$85,774,000 paid for the purchase of a parcel of land located in Mainland China. The deposit was classified as a non-current asset.

- (b) The balance represented the dividends of HK\$91,428,000 (31 December 2011: Nil) and RMB984,317,000 (equivalent to HK\$1,200,387,000) (31 December 2011: RMB984,317,000 (equivalent to HK\$1,215,206,000)), declared to the Group by Beijing Enterprises Water Group Limited and 中石油北京天然氣管道有限公司 ("PetroChina Beijing Gas"), respectively, which are associates of the Group, in respect of the financial year ended 31 December 2011 and the financial year ended 31 December 2010, respectively.
- (c) The amounts due from holding companies, fellow subsidiaries and related parties are unsecured, interest-free and have no fixed terms of repayment.

The balances with fellow subsidiaries, an associate 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 2012

14. SHARE CAPITAL

	30 June 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
<i>Authorised:</i>		
2,000,000,000 ordinary shares of HK\$0.1 each	200,000	200,000
<i>Issued and fully paid:</i>		
1,137,571,000 ordinary shares of HK\$0.1 each	113,757	113,757

15. BANK AND OTHER BORROWINGS

- (a) As at 30 June 2012, the bank loans of the Group included a five-year HK\$3 billion syndicated loan facility obtained by the Company in 2010, which bears interest at HIBOR+0.85% and is fully payable on 2 August 2015.

The loan agreement includes 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 2012 and as at the date of approval of these financial statements.

During the period ended 30 June 2012, a five-year HK\$2.1 billion syndicated loan facility, which was obtained by the Company in 2007 and bore interest at HIBOR+0.285%, was repaid.

- (b) HK\$1,451,218,000 (31 December 2011: HK\$444,445,000) of the Group's unsecured bank loans as at 30 June 2012 were guaranteed by the joint venture partners of certain of the Group's PRC subsidiaries or their associates.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2012

16. GUARANTEED SENIOR NOTES

On 25 April 2012 and 12 May 2011, Talent Yield Investments Limited and Mega Advance Investments Limited (wholly-owned subsidiaries of the Company) issued senior notes with an aggregate principal amount 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.

17. CONVERTIBLE BONDS

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

Group

	Guaranteed Convertible Bonds <i>(note (a))</i>	Yanjing Brewery Convertible Bonds <i>(note (b))</i>
Issuance date	2/6/2009	15/10/2010
Maturity date	1/6/2014	14/10/2015
Original principal amount: <i>(HK\$'000)</i>	2,175,000	N/A
<i>(RMB'000)</i>	N/A	429,804
Coupon rate	2.25%	0.5% – 1.4%
Conversion price per ordinary share of <i>(HK\$)</i> :		
– The Company <i>(HK\$)</i>	43.5	N/A
– Beijing Yanjing Brewery Company Limited ("Yanjing Brewery") <i>(RMB)</i>	N/A	7.58

Each batch of these 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 2012

17. 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:

	Guaranteed Convertible Bonds Unaudited <i>HK\$'000</i> <i>(note (a))</i>	Yanjing Brewery Convertible Bonds Unaudited <i>HK\$'000</i> <i>(note (b))</i>	Total Unaudited <i>HK\$'000</i>
Principal amount outstanding			
At 1 January 2012	2,175,000	564,610	2,739,610
Conversion to ordinary shares of Yanjing Brewery	–	(180,381)	(180,381)
Repurchase of convertible bonds	–	(323,788)	(323,788)
Exchange realignment	–	41,264	41,264
	<u>2,175,000</u>	<u>101,705</u>	<u>2,276,705</u>
At 30 June 2012	<u>2,175,000</u>	<u>101,705</u>	<u>2,276,705</u>
Liability component			
At 1 January 2012	2,151,299	560,536	2,711,835
Interest expense	49,297	872	50,169
Imputed interest expense	–	2,552	2,552
Conversion to ordinary shares of Yanjing Brewery	–	(171,391)	(171,391)
Repurchase of convertible bonds	–	(315,112)	(315,112)
Interest paid	(24,467)	–	(24,467)
Exchange realignment	–	(1,135)	(1,135)
	<u>2,176,129</u>	<u>76,322</u>	<u>2,252,451</u>
At 30 June 2012	<u>2,176,129</u>	<u>76,322</u>	<u>2,252,451</u>
Derivative component			
At 1 January 2012	–	61,783	61,783
Fair value gain on revaluation	–	(2,042)	(2,042)
Conversion to ordinary shares of Yanjing Brewery	–	(38,404)	(38,404)
Exchange realignment	–	(261)	(261)
	<u>–</u>	<u>21,076</u>	<u>21,076</u>
At 30 June 2012	<u>–</u>	<u>21,076</u>	<u>21,076</u>

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2012

17. CONVERTIBLE BONDS (Continued)

Notes:

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

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

- (b) On 15 October 2010, Yanjing Brewery, a subsidiary held indirectly as to 45.18% by the Company, issued convertible bonds with an aggregate principal amount of RMB1.13 billion (the "Yanjing Brewery Convertible Bonds") to the then existing shareholders of Yanjing Brewery. The Yanjing Brewery Convertible Bonds are convertible, at the option of the bondholders, into fully-paid ordinary shares of Yanjing Brewery at an initial conversion price of RMB21.86 per share of Yanjing Brewery and the conversion period is from 15 October 2010 to 14 October 2015, both dates inclusive. The Yanjing Brewery Convertible Bonds bear interests at 0.5%, 0.7%, 0.9%, 1.1% and 1.4% per annum in each of the annual convertible period. Further details of the Yanjing Brewery Convertible Bonds are set out in the Company's announcement published in the Chinese website of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 12 October 2010.

On 10 February 2012, 2,622,681 Yanjing Brewery Convertible Bonds in aggregate were repurchased by Yanjing Brewery at a consideration of RMB267 million at the option exercised by the convertible bondholders. Further details are set out in the announcement of Yanjing Brewery published in the Shenzhen Stock Exchange on 10 February 2012.

On 26 March 2012, the conversion price was changed from RMB21.86 to RMB15.37 upon Yanjing Brewery's shareholders' resolution. Further details are set out in the announcement of Yanjing Brewery published in the Shenzhen Stock Exchange on 24 March 2012.

On 7 June 2012, the conversion price was changed from RMB15.37 to RMB7.58 due to a bonus share declared upon Yanjing Brewery's shareholders' resolution on 3 May 2012. Further details are set out in the announcement of Yanjing Brewery published in the Shenzhen Stock Exchange on 31 May 2012.

During the period ended 30 June 2012, 7,843,206 Yanjing Brewery Convertible Bonds in aggregate were converted into fully-paid ordinary shares of Yanjing Brewery.

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 condensed consolidated statement of financial position at fair value with any changes in fair value recognised in the condensed consolidated income statement.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2012

17. CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(b) (Continued)

The fair value of the derivative component of the Yanjing Brewery Convertible Bonds as at 30 June 2012 and 31 December 2011 was determined by reference to valuations performed by CB Richard Ellis Limited, independent professionally qualified valuers, using the Binomial Option Pricing Model. Details of the variables and assumptions used in the model are as follows:

	30 June 2012	31 December 2011
Share price of Yanjing Brewery	RMB7.3	RMB13.49
Exercise price	RMB7.58	RMB21.86
Remaining life of the derivative	3.29 years	3.79 years
Risk-free rate	2.56%	3.02%
Expected volatility	30.77%	38.79%
Expected dividend yield	1.44%	1.26%

Expected volatility was determined by using historical volatility of Yanjing Brewery's share price for the previous five years before each of the revaluation date.

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 2012	31 December 2011
	Unaudited	Audited
	HK\$'000	HK\$'000
Within one year	2,557,617	1,867,774
One to two years	91,360	21,463
Two to three years	11,416	3,947
Over three years	8,654	11,410
	<u>2,669,047</u>	<u>1,904,594</u>

Included in the Group's trade and bills payables as at 30 June 2012 are amounts of HK\$18,924,000 (31 December 2011: HK\$13,456,000) and HK\$98,063,000 (31 December 2011: HK\$25,760,000) due to related companies and an associate, respectively, arising from transactions carried out in the ordinary course of business of the Group. The balances are unsecured, interest-free and are repayable within credit periods similar to those offered by the related companies and the associate to their major customers.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2012

19. CONTINGENT LIABILITY

	30 June 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
Guarantee over a bank facility granted to a shareholder of an associate	450,000	–

20. CAPITAL COMMITMENTS

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

	30 June 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
Contracted, but not provided for:		
Buildings	126,974	388,948
Plant and machinery	1,750,134	758,332
Capital contribution to an associate	1,589,910	1,590,198
Capital contribution to a subsidiary	932,195	–
	4,399,213	2,737,478
Authorised, but not contracted for:		
Acquisition of a subsidiary	–	44,444
Capital contribution to a subsidiary	–	140,107
	–	184,551
Total capital commitments	4,399,213	2,922,029

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2012

21. 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	
			2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
<i>Fellow subsidiaries:</i>				
北京北燃實業有限公司 and its subsidiaries	Sale of piped natural gas [#]	(i)	57,905	93,414
	Service contract income [#]	(ii)	12,075	8,158
	Sale of raw materials [#]	(iii)	84,660	37,330
	Purchase of raw materials [#]	(iv)	39,070	18,633
	Building rental expenses [#]	(iv)	38,441	34,987
	Construction contract fee expenses [#]	(v)	38,794	17,183
	Repair and maintenance expenses [#]	(iii)	8,386	2,956
<i>Associate:</i>				
PetroChina Beijing Gas*	Natural gas transmission fee expenses	(i)	2,362,730	1,827,160
<i>Joint venture partners of subsidiaries and their associates:</i>				
Yanjing Beer Group and its associates	Purchase of bottle labels ^γ	(vi)	81,980	72,187
	Purchase of bottle caps ^γ	(vi)	49,522	41,098
	Canning service fees paid ^γ	(vii)	23,794	16,948
	Comprehensive support service fees paid ^γ	(viii)	9,596	9,254
	Land rent expenses ^γ	(ix)	1,142	1,101
	Trademark licensing fees paid ^γ	(x)	39,491	29,421
	Less: Refund for advertising subsidies ^γ	(x)	(4,379)	(3,908)

* The company ceased to be a jointly-controlled entity and became an associate in December 2011.

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 2012

21. RELATED PARTY DISCLOSURES (Continued)

Notes:

- (i) The selling price of piped natural gas and the natural gas transmission fee were prescribed by the PRC government.
- (ii) The service fee was determined by reference to the then prevailing market rates and set at prices not higher than the guidance prices set by the PRC government.
- (iii) The selling prices of raw materials and the repair and maintenance expenses paid were determined on a cost-plus basis.
- (iv) The purchase prices of raw materials and the building rentals were determined by reference to the then prevailing market rates.
- (v) The construction contract fee was determined by reference to the then prevailing market rates or on a cost-plus basis and set at prices not higher than the guidance prices set by the PRC government.
- (vi) 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.
- (vii) 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.
- (viii) 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, were determined by reference to the prevailing market rentals at the time when the relevant agreements were entered into.
- (ix) The land rent expenses were charged at a mutually agreed amount of RMB1,849,000 per annum.
- (x) The trademark licensing fees paid were for the use of “Yanjing” trademark and were determined based on 1% of the annual sales of beer and mineral water products made by Yanjing Brewery and 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.
- # These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.
- ∗ These related party transactions also constitute continuing connected transactions exempted from the reporting, announcement and independent shareholders’ approval requirements as defined in Chapter 14A of the Listing Rules.

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Short term employee benefits	9,550	9,984
Pension scheme contributions	10	10
Total compensation paid to key management personnel	9,560	9,994

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2012

22. EVENTS AFTER THE REPORTING PERIOD

On 9 August 2012, the Company announced that the Company has agreed to enter into an investment agreement with Beijing Gas Group Company Limited (北京市燃氣集團有限公司) ("Beijing Gas", an indirect wholly-owned subsidiary of the Company), Beijing Yanjing Brewery Co., Ltd. ("Beijing Yanjing Brewery", an indirect 80% owned subsidiary of the Company) and Beijing Enterprises Group Company Limited (北京控股集團有限公司) ("BE Group", the ultimate shareholder of the Company), pursuant to which the three parties have proposed to collaborate in establishing Beijing Enterprises Group Finance Co., Ltd. ("BE Group Finance"), a finance company in Mainland China. The proposed registered capital of BE Group Finance is RMB800 million (equivalent to approximately HK\$979 million), out of which Beijing Gas has undertaken to invest RMB312 million (equivalent to approximately HK\$382 million) (representing 39% of the registered capital of BE Group Finance); Beijing Yanjing Brewery has undertaken to invest RMB160 million (equivalent to approximately HK\$196 million) (representing 20% of the registered capital of BE Group Finance); and BE Group has undertaken to invest RMB328 million (equivalent to approximately HK\$401 million) (representing 41% of the registered capital of BE Group Finance).

This transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements and is exempted from the independent shareholders' approval requirement under the Listing Rules. Further details of this transaction are set out in the Company's announcement dated 9 August 2012. At the date of approval of these condensed interim consolidated financial statements, this transaction has not yet been completed.

23. OTHER FINANCIAL INFORMATION

The net current assets and total assets less current liabilities of the Group as at 30 June 2012 amounted to HK\$10,284,704,000 (unaudited) (31 December 2011: HK\$7,211,311,000) and HK\$68,166,330,000 (unaudited) (31 December 2011: HK\$61,068,766,000), respectively.

DISCLOSEABLE INFORMATION

BOARD CHANGES

During the period under review, Mr. Hou Zibo was appointed as the Executive Director of the Company with effect from 30 March 2012.

CHANGES IN DIRECTORS' INFORMATION

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

Since the date of the 2011 Annual Report, there has been no change in directors' information that are required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

At 30 June 2012, 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	Percentage of the Company's issued share capital
Mr. Li Fucheng	12,000 [#]	0.0011%
Mr. Zhou Si	210,500 [#]	0.0185%
Mr. E Meng	30,000 [#]	0.0026%
Mr. Jiang Xinhao	20,000 [#]	0.0018%

[#] All interests are directly beneficially owned by the directors.

DISCLOSEABLE INFORMATION

(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	Percentage of the associated corporations' issued share capital
Mr. Zhang Honghai	Beijing Development (Hong Kong) Limited [®] ("Beijing Development")	4,000,000 [#]	0.590%
Mr. Li Fucheng	Beijing Yanjing Brewery Company Limited [®]	82,506 [#]	0.003%
Mr. E Meng	Beijing Development [®]	601,000 [#]	0.089%
Mr. Tam Chun Fai	Beijing Development [®]	200,000 [#]	0.030%

[®] All interests in these associated corporations owned by the Company are indirectly held.

[#] All interests are directly beneficially owned by the directors.

DISCLOSEABLE INFORMATION

(d) Long positions in underlying shares of associated corporations

Director	Associated corporation	Number of share options
Mr. Zhang Honghai	Beijing Development [®]	6,770,000 ⁽ⁱ⁾
Mr. E Meng	Beijing Development [®]	6,770,000 ⁽ⁱ⁾

Notes:

(i) These share options were granted on 21 June 2011 at an exercise price of HK\$1.25* per ordinary share of Beijing Development. The closing price of Beijing Development's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK\$1.19. The share options may be exercised at any time commencing on 21 June 2011, and if not otherwise exercised, will lapse on 20 June 2021.

[®] All interests in these associated corporations owned by the Company are indirectly held.

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues or other similar changes in the share capital of Beijing Development.

Save as disclosed above, as at 30 June 2012, 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.

DISCLOSEABLE INFORMATION

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.

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 2012, the Company did not grant any share options.

DISCLOSEABLE INFORMATION

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 2012, 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	8.80%
Beijing Enterprises Investments Limited ("BEIL")	163,730,288	100,050,000 ^(a)	263,780,288	23.19%
Beijing Enterprises Group (BVI) Company Limited ("BE Group BVI")	411,250,000	263,780,288 ^(b)	675,030,288	59.34%
Beijing Enterprises Group Company Limited ("BE Group")	–	675,030,288 ^(c)	675,030,288	59.34%
Capital Research and Management Company	–	68,375,500 ^(d)	68,375,500	6.01%

DISCLOSEABLE INFORMATION

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.
- (d) Such information is extracted from the Corporate Substantial Shareholder Notice filed by Capital Research and Management Company and published on the website of the Stock Exchange. The date of relevant event is 3 May 2012. The corporate shareholder held the disclosed interest in its capacity as investment manager.

Save as disclosed above, as at 30 June 2012, 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.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

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

Save as disclosed below, the directors believe that the Company has complied with the code provisions (the "Code Provisions") contained in Appendix 14 "Corporate Governance Code and Corporate Governance Report" to the Listing Rules throughout the six months ended 30 June 2012.

Under CG Code provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings to develop a balanced understanding of the views of shareholders. During the six months ended 30 June 2012, Mr. Lam Hoi Ham attended the 2012 annual general meeting of the Company while the remaining three independent non-executive directors of the Company were not able to attend the meeting due to other business engagements, which deviates from CG Code provision A.6.7.

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 2012.

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 2012 and considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.