

# BEIJING ENTERPRISES HOLDINGS LIMITED

STOCK CODE: 392



INTERIM REPORT

2013

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# CORPORATE INFORMATION

## GENERAL INFORMATION:

### REGISTERED OFFICE

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

### WEBSITE

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

### STOCK CODE

392

### COMPANY SECRETARY

Mr. Tam Chun Fai CPA CFA

### SHARE REGISTRARS

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

## DIRECTORS:

### EXECUTIVE DIRECTORS

Mr. Wang Dong (*Chairman*)  
Mr. Zhou Si (*Vice Chairman  
and Chief Executive Officer*)  
Mr. Zhang Honghai (*Vice Chairman*)  
Mr. Li Fucheng (*Vice Chairman*)  
Mr. Hou Zibo  
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*)

### NON-EXECUTIVE DIRECTOR

Mr. Guo Pujin

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## 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 INFORMATION

## **AUDITORS:**

Ernst & Young

## **LEGAL ADVISERS:**

### HONG KONG LAW

DLA Piper

Mayer Brown JSM

### PRC LAW

Haiwen & Partners

### US LAW

Mayer Brown JSM

## **PRINCIPAL BANKERS:**

### IN HONG KONG

Bank of China, Hong Kong Branch

Bank of Communications, Hong Kong Branch

China Construction Bank, Hong Kong Branch

Mizuho Corporate Bank Ltd., Hong Kong Branch

### IN MAINLAND CHINA

Agricultural Bank of China

Bank of China

China Construction Bank

Guangdong Development Bank

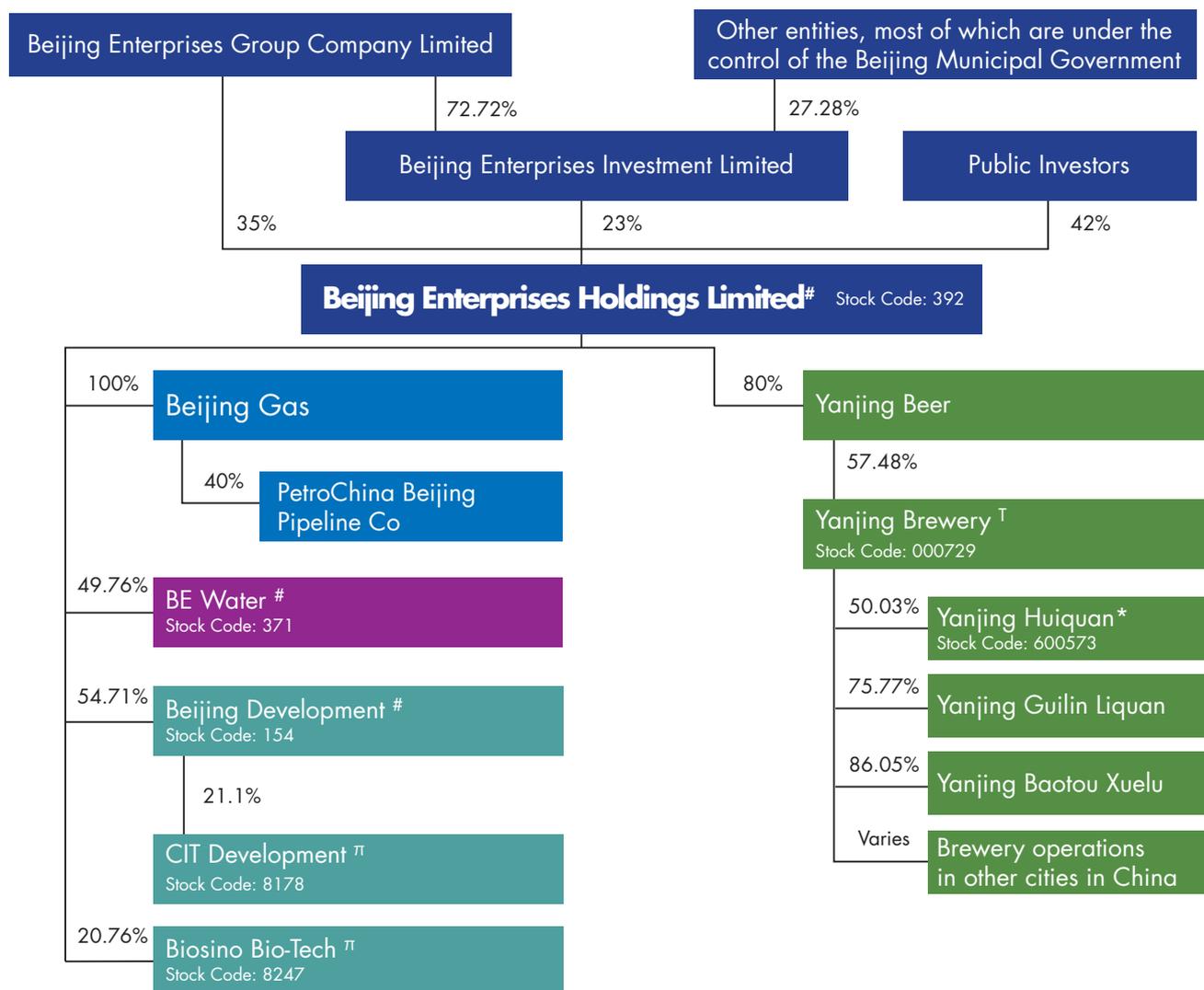
The Industrial and Commercial Bank of China

### ADR DEPOSITORY BANK

The Bank of New York

# CORPORATE STRUCTURE

AS AT 30 AUGUST 2013



\* Listed on The Shanghai Stock Exchange

T Listed on The Shenzhen Stock Exchange

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

II Listed on The Growth Enterprise Market of the Stock Exchange

# SUMMARY

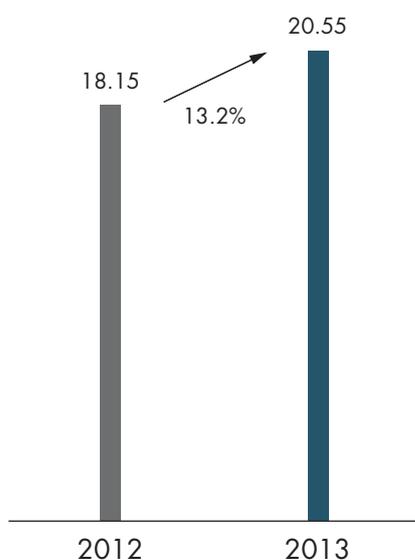
## FINANCIAL HIGHLIGHTS (UNAUDITED)

	Six months ended 30 June		Change
	2013 (HK\$'000)	2012 (HK\$'000) (Restated)	
Revenue	<b>20,549,941</b>	18,154,736	+13.2%
Gross Profit	<b>4,371,375</b>	4,016,283	+8.8%
Profit Attributable to Shareholders of the Company	<b>2,062,080</b>	1,815,116	+13.6%
Basic Earnings Per Share (HK dollar)	<b>1.8</b>	1.6	+12.5%
Interim Dividend (HK cent)	<b>25</b>	25	–

### Revenue

For the six months ended 30 June

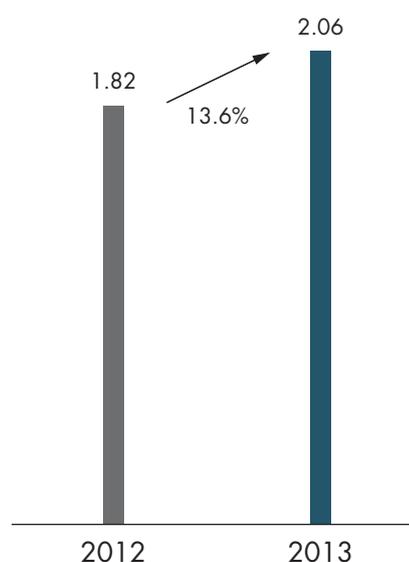
HK\$ billion



### 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 condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 and the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2013 with the comparative figures in 2012. The consolidated revenue of the Group was HK\$20.55 billion for the first half of 2013, increased by 13.2% comparing to the corresponding period in last year. Profit attributable to shareholders of the Company was HK\$2.06 billion, increased by 13.6% compared to the corresponding period in 2012.

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

	<b>Profit attributable to shareholders of the Company HK\$'000</b>	<b>Proportion %</b>
Piped gas operation	1,817,888	76.9
Beer production operation	291,360	12.3
Sewage and water treatment operations	255,916	10.8
Profit from major operations	2,365,164	100
Other operations and headquarter expenses	(362,693)	
Non-operating gains, net	59,609	
Profit attributable to shareholders of the Company	<u>2,062,080</u>	

## INTERIM DIVIDEND

The Board has resolved to declare an interim cash dividend for the six months ended 30 June 2013 of HK25 cents (2012: HK25 cents) per share, which will be payable on about 28 October 2013 to shareholders whose names appear on the register of members of the Company on 8 October 2013.

## CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Friday, 4 October 2013 to Tuesday, 8 October 2013, 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, 3 October 2013.

# BUSINESS OVERVIEW

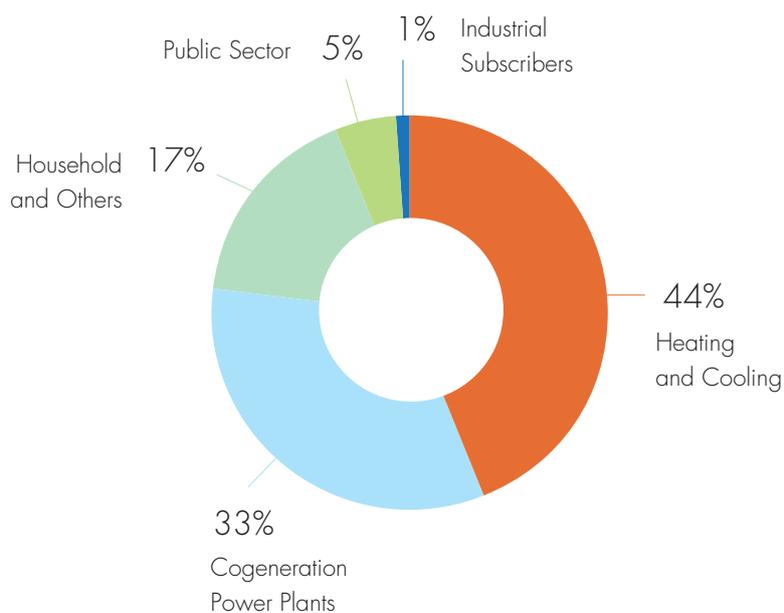
## MANAGEMENT DISCUSSION AND ANALYSIS

### I. BUSINESS REVIEW

#### *Natural Gas Distribution Business*

The natural gas distribution business in Beijing City recorded revenue of HK\$12.51 billion in the first half of 2013, increased by 21.6% as compared with the same period of last year. Gas sales volume was 4.7 billion cubic meters, representing a year-on-year increase of 17.2%, which were mainly attributable to the significant growth of 52% in demand for gas sales volume of co-generation power plants. The volume of gas purchased and electricity generated by Taiyanggong Cogeneration Plant (太陽宮熱電廠) and Huaneng Cogeneration Plant (華能熱電廠) has increased sharply, together with the commencement in operation of Caoqiao Power Plant (草橋電廠) in April further drove the volume of gas purchased. Moreover, business development in rural areas began to achieve results and gas consumption by residential users increased by 24.5% for the same period.

The gas sales volume of Beijing Gas in the first half of 2013 was approximately 4.7 billion cubic meters. An analysis by user sector is shown as follows:



# BUSINESS OVERVIEW

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### I. BUSINESS REVIEW (Continued)

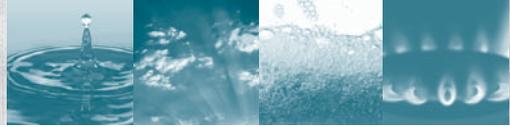
#### *Natural Gas Distribution Business (Continued)*

During the period under review, 91,600 new household subscribers and 1,690 public sector subscribers were developed. The heating equipment capacity developed was 969 t/h steams with a loading of 107 t/h steam in summer. Developing capacity of all types of subscribers maintained a solid growth on a year-on-year basis. As at the end of June, the total number of all types of subscribers was 4.78 million. Net profit from gas distribution business in the first half of the year was HK\$760 million, increased by 15.1% as compared with the corresponding period. The capital expenditure of Beijing Gas in the first half of the year amounted to approximately HK\$1.84 billion.

For market development, Beijing Gas strengthened business in mature market and penetrated the urban market for gas consumption. We implemented action plan for clean air in Beijing city and sped up the construction of projects on shifting coal to gas, with 1,600 t/h steam in operation in the first half of the year.

During the period, Beijing Gas accelerated the development of suburban areas and worked together strategically with counties governments from suburban districts. We reached agreements with those counties governments from Miyun, Pingu, Huairou, Tongzhou and Changping in order to speed up the implementation of strategic cooperation.

The Company actively pushed the implementation of major projects during the period. Preliminary ancillary construction for No. 4 Phase I and the reception facilities of the Datang Coal-to-Gas Conversion Project were progressing. Northwest Thermal Power Centres, together with ancillary gas pipelines and facilities, has been the key construction of Beijing City and in full operation. We boosted the construction of the Northeast Thermal Power Centres and ancillary gas pipelines and facilities in an orderly way, as well as ancillary pipelines for the Tangshan LNG Project.



# BUSINESS OVERVIEW

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### I. BUSINESS REVIEW (Continued)

#### *Natural Gas Distribution Business (Continued)*

Development in vehicle gas market has been accelerated. The construction of the LNG-CNG supply system and natural-gas service stations layout has been expedited, with the plan to build 35 stations, of which 2 stations completed, 3 stations in construction, 5 stations to be built and 25 stations in initial project design and business negotiation. Xiji, Xiaotun LNG emergency reserve stations is under construction and Panjiamiaio LNG emergency reserve stations, Yancun, Shilibao CNG main gas stations have been finalized generally. We strived to boost the development in vehicle gas market through more flexible market strategy. First lot of 300 dual-fueled taxis commenced operation on 30 April and first lot of 460 natural gas training vehicles for Eastern Pioneer Automobile Driving School started to use on 20 June. There are 16 vehicle gas projects in cooperation in the first half of the year and services of 1,500 CNG dual-fueled taxis will be provided. We optimize the service system of vehicle gas operation, increase the capability and level to safeguard and maintain vehicle gas service. The information management system of IC card network for gas vehicle also starts to run.

We vigorously explored the gas market outside Beijing to provide greater development for the Company. First, we actively implemented existing projects. CNG buses under Vehicle gas project in Jinzhou city, of which 70 units served for Jin Zhou World Landscape Art Exposition (錦州世園會), have commenced operation. Wushenqi LNG Project has been in production smoothly. Secondly, in line with the strategic setup of Beijing Gas, efforts were focused on tapping regional urban gas markets. We set up a joint venture with Urumqi Heating Company. Gas pipelines and facilities construction in Urumqi county has started. Beijing Gas has jointly signed a full cooperation framework agreement with Chengmai County in Hainan and 海南生態科技新城公司 (Hainan Shengtai Keji Xincheng Company). We also considered to invest in gas project in Qingan county in Heilongjiang and set to enter the market.

We have enhanced the safety protection standard, increased steadily the service capacity and carried out extensively the gas promotion activities. Firstly, we standardized its inspection service process and carried out the gas safety and inspection service promotion activities. Secondly, we further increased the efforts in gas safety knowledge promotion through the platforms such as 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 12.25 billion cubic meters in the first half of 2013, representing a year-on-year increase of 0.7%. Lower growth in gas transmission volume was mainly attributable to the commencement of new pipelines of natural gas transmission project from West to East China of China Petro in Huabei region, directing part of gas transmission volume in that area. In addition, with the LNG terminal commenced operation, the demand of some regions in the Northeast China declined.

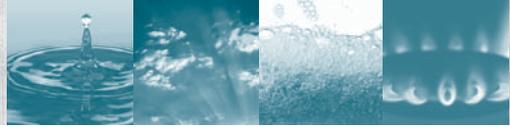
Beijing Gas shared a net profit after tax of HK\$1.06 billion through its 40% equity interests in PetroChina Beijing Pipeline Company in the first half of 2013, representing an increase of 14.8% when compared with the same period of last year. The increase was mainly due to a significant drop in amortisation and depreciation as the useful lives for part of transmission pipelines were extended from 14 years to 30 years. 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 2013, China’s beer industry faced challenges in both complicating situation in China’s economy and unusual climate. Through three major structures adjustments in products, market and brand, Yanjing Brewery increased products’ added value and broadened sales volume, strengthening the competitive advantage in market. Meanwhile, it continued to optimize management procedure within the company to improve management standard and ensured a healthy and stable development.

During the first half year, beer sales volume was 2.95 million thousand-litres, representing a year on-year increase of 5.73%. Yanjing Brewery recorded a revenue of HK\$7.91 billion for the first half of the year. Profit attributable to shareholders of the Company in the first half of the year was HK\$291 million, representing a year-on-year increase of 6.3%. The capital expenditure of Yanjing Brewery in the first half of 2013 was HK\$1.1 billion.

In the first half of 2013, Yanjing Beer adopted an differentiation adjustment strategy by consolidating the actual advantages, such as the characteristics of market region, the corporate competitiveness, the influence of brands, etc. For the advantageous markets and the emerging and developing markets, we continued to adhere the development strategy of committing more resources to better-performing regions, and put more effort in the injection of funds to facilitate the market consolidation and expansion. In regard to the sales slump of enterprises, such as Baotou Xuelu and Fujian Huiquan, in the first half of the year, we paid more attention on them and provide constructive guidelines on their product, brand and sales strategies so as to revive the growth of the enterprises.



# 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 strengthen the sales efforts of medium end products. It established product lines, including medium end flagship products like Yanjing Draught Beer (燕京鮮啤) and canned beers. It increased market shares of medium end products and therefore improved its competitiveness.

While effectively carrying out the Southwest market strategy, we undertook some measurements for consolidating the Greater Northern China market to aid the deployment of science resource and upgrade the strength of the region as a whole. We strengthened the brand management of the Yanjing brand nationwide, unified the product images in terms of trademark and packing, standardized the product promotion strategies, emphasized the leading brand image of Yanjing and enhanced the consumer recognition and appreciation. According to statistics, in the first half year, the total sales volume of medium-high end products reached 1.0322 million kiloliters, representing a year-on-year increase of 17.45%, accounted for 35.02% of the total sales, up 3% as compared with the corresponding period of last year. Of which, canned beers products reached 0.339 million kiloliters, representing a year-on-year increase of 34.69%, accounted for 11.50% of total sales, up 2% as compared with the corresponding period last year.

Yanjing Brewery continued to promote the “1+3” brand strategy with the brand concentration of “1+3” reaching 89% during the period. Of which, sales volume of Yanjing reached 1.95 million thousand-litres. The brand concentration of Yanjing reached 66%. 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).

#### *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 2013. Its turnover increased 97% to HK\$2.76 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 33% to HK\$514 million, of which HK\$256 million was attributable to the Company. As at the end of June 2013, BE Water already participated in 204 water plants which are or will be in operation, including 158 sewage treatment plants, 41 water treatment plants, 4 reclaimed water plants and 1 desalination plant. Its total designed capacity reached 12.63 million tons/day, increased by 20.4%. Its operation capacity was 8.13 million tons/day, and the capacity under development was 4.5 million tons/day. The projects developed by BE Water are located in different regions in the PRC and it has developed into a leading water treatment company nationwide.

# BUSINESS OVERVIEW

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 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 saw 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 active promotion of vehicle gas will increase the demand for natural gas, reduce the emission of carbon dioxide and improve the air quality in Beijing.

In addition, the coal-to-gas conversion projects of four largest thermal power centres in Beijing are progressing smoothly. Beijing Gas positively invests in pipeline facilities related construction 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.

On 23 August, the Beijing Municipal Commission of Development and Reform officially announced the new price of natural gas for non-residential and gate price. The downstream gas price is basically passed on with an increase of RMB0.39 per cubic meter.

#### *Natural Gas Transmission Business*

The construction work of No. 3 Shaanxi-Beijing Pipeline has basically completed. The integrated gas transmission capacity of the first three pipelines has reached 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 15 billion cubic metres per annum.

#### *Beer Business*

“Yanjing” will remain one of the leading domestic 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 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 3 years.



# BUSINESS OVERVIEW

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### III. FINANCIAL REVIEW

#### *Revenue*

The revenue of the Group's operations in the first half of 2013 was approximately HK\$20.55 billion, increased by 13.2% when compared to the corresponding period of last year. Gas sales revenue was HK\$12.51 billion, representing a year-on-year increase of 21.6%. Beer sales revenue was HK\$7.91 billion, 3.4% higher than that of the corresponding period of last year. Other businesses contributed an aggregate of not more than 1% of the total revenue.

#### *Cost of Sales*

Cost of sales increased by 14.4% to HK\$16.18 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 21.3% compared to 22.1% in corresponding period of last year. The slight decrease in overall gross profit margin was attributable to the increase in cost of sales more than the increase in revenue.

#### *Other Income and Gain, net*

Other income and gain, net, of the Group mainly included the gain of HK\$60 million arising from capital injection to BE Water, interest income of HK\$74 million and government aid of HK\$48 million, gain on disposal of available-for-sale investments of HK\$95 million and exchange gain of HK\$41 million.

#### *Selling and Distribution Expenses*

Selling and distribution costs of the Group in the first half of 2013 increased by 15.9% to HK\$1.256 billion due to the faster development of natural gas distribution business in rural areas.

#### *Administration Expenses*

Administration expenses of the Group in the first half of 2013 was HK\$1.498 billion, increased by 11.2% when compared to the corresponding period of last year. The increase was less than the increase in revenue.

#### *Finance Costs*

Finance costs of the Group in the first half of 2013 was HK\$553 million, increased by 9.2% when compared to the corresponding period in last year, which was mainly due to the issue of bonds amounting to US\$800 million in April in the first half of last year and interest expenses were incurred for the six months of the first half of this year.

#### *Share of Profits and Losses of Associates*

The share significant increase was due to 40% share of net profits to PetroChina Beijing Pipeline Company increased by 14.8% to HK\$1.06 billion for the first half of this year, and the remaining balance mainly represented the 49.8% share of the net profits of BE Water for the first half of this year.

# BUSINESS OVERVIEW

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### III. FINANCIAL REVIEW (Continued)

#### *Income Tax*

The effective income tax rate was 21.9%, lower than the 23.7% in the corresponding period of last year, which was mainly because part of other income in the first half of 2013 are not subject to income tax.

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

The net book value of property, plant and equipment increased by HK\$3.49 billion, which was mainly attributable to the investment in the high pressure pipeline projects for three new cogeneration power plants by the gas distribution business, urban ancillary construction of No.4 Shaanxi-Beijing Pipeline and ancillary pipeline construction of Datang Coal-to-Gas Project, and the additional bottling production line of Yanjing Brewery in expanding its production capacity.

Investments in associates increased by HK\$2.58 billion, which was mainly due to its share of profit of PetroChina Beijing Pipeline Company for the first half of this year and its share of profit of BE Water in the first half and increase in interests arising from capital injection to BE Water.

Amounts due from contract customers increased due to the commencement of solid waste treatment projects in Hanyang and Harbin and long term receivable from operating concession.

The balance of prepayments, deposits and other receivables decreased by HK\$257 million, which was mainly due to the recovery of HK\$610 million by Yanjing Brewery as the guarantee deposit to acquire certain beer assets and deduction for part of construction prepayments of Beijing Gas.

The balance of trade and bills receivables increased by HK\$1.393 billion, which was mainly because account receivables from Huaneng Cogeneration Plant (華能熱電廠), Caoqiao Power Plant (草橋電廠) and Beijing District Heating Group due to Beijing Gas delayed as subsidies from the municipal government was not in place and additional credit term was granted to distributors by Yanjing Brewery for promotion during the peak season.

The balance of the convertible bonds decreased by HK\$1.246 billion, which was mainly due to a principal of HK\$1.258 billion was exercised in a total of HK\$2.175 billion convertible bonds issued by the Company.

The balance of trade and bills payables increased by HK\$762 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 other payables and accruals increased by HK\$2.646 billion, 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 2013, cash and bank deposits held by the Group amounted to HK\$13 billion, representing an increase of HK\$702 million as compared to the end of 2012.

The Group's bank and other borrowings, convertible bonds and guaranteed senior notes amounted to HK\$25.05 billion as at 30 June 2013, 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\$1.02 billion.

#### *Liquidity and Capital Resources*

As at the period end date, the Group had a strong net working capital of HK\$4.67 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 2013, the issued capital of the Company was 1,166,490,067 shares and equity attributable to shareholders of the Company was HK\$43.8 billion. Total equity was HK\$53.39 billion when compared to HK\$47.67 billion as at the end of 2012. Gearing ratio, which is interest-bearing bank borrowings and the guaranteed senior notes divided by the sum of total equity, interest-bearing bank borrowings and the guaranteed senior notes, was 31% (31 December 2012: 33%).

## EMPLOYEE

At 30 June 2013, the Group had approximately 49,000 employees. The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group's employee remuneration policy and package are periodically reviewed by the management. Apart from pension funds, discretionary bonuses are awarded to certain employees according to the assessment of individual performance.

By order of the Board  
**Wang Dong**  
Chairman

Hong Kong, 30 August 2013

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

		For the six months ended 30 June	
		2013	2012
		Unaudited	Unaudited (Restated)
	Notes	HK\$'000	HK\$'000
REVENUE	3	<b>20,549,941</b>	18,154,736
Cost of sales		<b>(16,178,566)</b>	(14,138,453)
Gross profit		<b>4,371,375</b>	4,016,283
Other income and gains, net	4	<b>478,976</b>	313,283
Fair value gain on the derivative component of convertible bonds		-	2,042
Selling and distribution expenses		<b>(1,255,704)</b>	(1,083,053)
Administrative expenses		<b>(1,498,155)</b>	(1,347,640)
Other operating expenses, net		<b>(61,871)</b>	8,642
PROFIT FROM OPERATING ACTIVITIES	5	<b>2,034,621</b>	1,909,557
Finance costs	6	<b>(553,354)</b>	(506,548)
Share of profits and losses of:			
Joint ventures		<b>(8,243)</b>	(106)
Associates		<b>1,321,255</b>	1,088,989
<b>PROFIT BEFORE TAX</b>		<b>2,794,279</b>	2,491,892
Income tax	7	<b>(325,032)</b>	(332,857)
<b>PROFIT FOR THE PERIOD</b>		<b>2,469,247</b>	2,159,035
<b>ATTRIBUTABLE TO:</b>			
Shareholders of the Company		<b>2,062,080</b>	1,815,116
Non-controlling interests		<b>407,167</b>	343,919
		<b>2,469,247</b>	2,159,035
<b>EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>	9		
Basic		<b>HK\$1.80</b>	HK\$1.60
Diluted		<b>HK\$1.76</b>	HK\$1.56

Details of interim dividend declared are disclosed in note 8.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>Unaudited</b>	Unaudited (Restated)
	<b>HK\$'000</b>	HK\$'000
<b>PROFIT FOR THE PERIOD</b>	<b>2,469,247</b>	2,159,035
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Items to be reclassified to the consolidated income statement in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	<b>313,107</b>	32,919
Reclassification adjustments for gain on disposal included in the consolidated income statement	<b>(94,923)</b>	–
Income tax effect	<b>15,276</b>	–
	<b>233,460</b>	32,919
Exchange differences:		
Reclassification adjustments for gain on disposal of interests in subsidiaries included in the consolidated income statement	<b>(12,378)</b>	–
Translation of foreign operations	<b>1,384,706</b>	(586,100)
	<b>1,372,328</b>	(586,100)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX</b>	<b>1,605,788</b>	(553,181)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>4,075,035</b>	1,605,854
<b>ATTRIBUTABLE TO:</b>		
Shareholders of the Company	<b>3,478,346</b>	1,358,091
Non-controlling interests	<b>596,689</b>	247,763
	<b>4,075,035</b>	1,605,854

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

		<b>30 June 2013 Unaudited</b>	31 December 2012 Unaudited (Restated)
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
<b>ASSETS</b>			
Non-current assets:			
Property, plant and equipment	10	<b>36,292,306</b>	32,805,468
Investment properties		<b>704,559</b>	665,144
Prepaid land premiums		<b>1,642,758</b>	1,640,194
Goodwill		<b>7,616,124</b>	7,549,326
Operating concessions		<b>429,852</b>	419,238
Other intangible assets		<b>60,961</b>	19,650
Investments in joint ventures		<b>152,272</b>	136,706
Investments in associates		<b>17,704,804</b>	15,120,306
Available-for-sale investments		<b>1,033,727</b>	883,170
Amounts due from contract customers		<b>1,681,639</b>	769,559
Receivables under service concession arrangements	11	-	505,248
Prepayments, deposits and other receivables	13	<b>1,385,069</b>	1,139,600
Deferred tax assets		<b>615,513</b>	552,926
		<b>69,319,584</b>	62,206,535
Current assets:			
Prepaid land premiums		<b>59,135</b>	43,643
Property held for sale		-	28,511
Inventories		<b>6,207,424</b>	5,913,959
Amounts due from contract customers		<b>26,970</b>	16,441
Receivables under service concession arrangements	11	<b>1,032,878</b>	1,007,375
Trade and bills receivables	12	<b>3,796,409</b>	2,403,154
Prepayments, deposits and other receivables	13	<b>3,489,748</b>	3,992,633
Other taxes recoverable		<b>138,091</b>	203,152
Available-for-sale investments		<b>126,582</b>	-
Restricted cash and pledged deposits		<b>63,172</b>	60,953
Cash and cash equivalents		<b>12,936,781</b>	12,236,964
		<b>27,877,190</b>	25,906,785
Non-current asset and assets of disposal groups classified as held for sale		-	1,385,301
Total current assets		<b>27,877,190</b>	27,292,086
<b>TOTAL ASSETS</b>		<b>97,196,774</b>	89,498,621

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

	Notes	30 June 2013 Unaudited HK\$'000	31 December 2012 Unaudited (Restated) HK\$'000
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to shareholders of the Company			
Issued capital	14	116,649	113,757
Reserves		43,386,915	38,951,411
Dividends declared/proposed		291,658	572,286
		<b>43,795,222</b>	39,637,454
Non-controlling interests		9,592,990	8,030,221
<b>TOTAL EQUITY</b>		<b>53,388,212</b>	47,667,675
Non-current liabilities:			
Bank and other borrowings	15	4,574,168	4,224,787
Guaranteed senior notes	16	13,877,878	13,853,502
Liability component of convertible bonds	17	1,013,344	2,259,313
Derivative component of convertible bonds	17	9,666	9,428
Defined benefit plans		534,529	507,148
Provision for major overhauls		30,158	29,414
Other non-current liabilities		363,408	244,060
Deferred tax liabilities		194,144	375,979
Total non-current liabilities		<b>20,597,295</b>	21,503,631
Current liabilities:			
Trade and bills payables	18	3,378,397	2,616,491
Amounts due to contract customers		250,955	177,874
Receipts in advance		3,538,153	3,418,479
Other payables and accruals		9,597,684	6,951,842
Income tax payables		499,684	504,624
Other taxes payables		375,544	240,517
Bank and other borrowings	15	5,570,850	6,276,941
		<b>23,211,267</b>	20,186,768
Liabilities directly associated with the assets of disposal groups classified as held for sale		-	140,547
Total current liabilities		<b>23,211,267</b>	20,327,315
<b>TOTAL LIABILITIES</b>		<b>43,808,562</b>	41,830,946
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>97,196,774</b>	89,498,621

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2013

	Attributable to shareholders of the Company													
	Issued capital Unaudited	Share premium account Unaudited	Capital redemption reserve Unaudited	Capital reserve Unaudited	Available-for-sale investment revaluation reserve Unaudited	Property revaluation reserve Unaudited	Exchange fluctuation reserve Unaudited	PRC reserve funds Unaudited	Defined benefit plans reserve Unaudited (restated)	Retained profits Unaudited (restated)	Dividends declared/proposed Unaudited	Total Unaudited (restated)	Non-controlling interests Unaudited	Total equity Unaudited (restated)
	HK\$'000	HK\$'000	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 2013:														
As previously reported	113,757	20,738,291	238	516,641	(98,385)	33,980	4,808,479	4,178,529	-	8,745,649	572,286	39,609,465	8,030,221	47,639,686
Effect of adoption of HKAS 19 (2011)	-	-	-	-	-	-	-	-	107,213	(79,224)	-	27,989	-	27,989
As restated	113,757	20,738,291	238	516,641	(98,385)	33,980	4,808,479	4,178,529	107,213	8,666,425	572,286	39,637,454	8,030,221	47,667,675
Profit for the period	-	-	-	-	-	-	-	-	-	2,062,080	-	2,062,080	407,167	2,469,247
Other comprehensive income/(loss) for the period:														
Available-for-sale investments:														
Change in fair value	-	-	-	-	321,933	-	-	-	-	-	-	321,933	(8,826)	313,107
Reclassification adjustments for gain on disposal included in the consolidated income statement	-	-	-	-	(75,938)	-	-	-	-	-	-	(75,938)	(18,985)	(94,923)
Income tax effect	-	-	-	-	12,221	-	-	-	-	-	-	12,221	3,055	15,276
Exchange differences:														
Reclassification adjustments for gain on disposal of interests in subsidiaries included in the consolidated income statement	-	-	-	-	-	-	(12,378)	-	-	-	-	(12,378)	-	(12,378)
Translation of foreign operations	-	-	-	-	-	-	1,170,428	-	-	-	-	1,170,428	214,278	1,384,706
Total comprehensive income for the period	-	-	-	-	258,216	-	1,158,050	-	-	2,062,080	-	3,478,346	596,689	4,075,035
Capital contribution by non-controlling equity holders	-	-	-	(8,577)	-	-	-	-	-	-	-	(8,577)	861,496	852,919
Conversion of convertible bonds	2,892	1,253,859	-	-	-	-	-	-	-	-	-	1,256,751	-	1,256,751
Acquisition of subsidiaries	-	-	-	(2,568)	-	-	-	-	-	-	-	(2,568)	563,031	560,463
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(642)	(642)
Disposal of a subsidiary	-	-	-	(19,961)	-	-	-	-	-	-	-	(19,961)	(162,091)	(182,052)
Share of reserves of associates	-	-	-	16,328	-	8,057	-	175	1,503	-	-	26,063	-	26,063
Final 2012 dividend	-	-	-	-	-	-	-	-	-	(572,286)	(572,286)	-	-	(572,286)
Interim 2013 dividend declared (note 8)	-	-	-	-	-	-	-	-	-	291,658	291,658	-	-	-
Dividend paid to non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	-	-	(295,714)	(295,714)
Transfer to reserves	-	-	-	(2,276)	-	-	-	122,966	-	(120,690)	-	-	-	-
At 30 June 2013	116,649	21,992,150*	238*	499,587*	159,831*	42,037*	5,966,529*	4,301,670*	108,716*	10,316,157*	291,658	43,795,222	9,592,990	53,388,212

Six months ended 30 June 2012

	Attributable to shareholders of the Company													
	Issued capital Unaudited	Share premium account Unaudited	Capital redemption reserve Unaudited	Capital reserve Unaudited	Available-for-sale investment revaluation reserve Unaudited	Property revaluation reserve Unaudited	Exchange fluctuation reserve Unaudited	PRC reserve funds Unaudited	Defined benefit plans reserve Unaudited (restated)	Retained profits Unaudited (restated)	Dividends declared/proposed Unaudited	Total Unaudited (restated)	Non-controlling interests Unaudited	Total equity Unaudited (restated)
	HK\$'000	HK\$'000	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 2012:														
As previously reported	113,757	20,738,291	238	877,842	(113,803)	33,980	5,124,354	3,623,668	-	6,699,433	511,907	37,609,667	7,587,062	45,196,729
Effect of adoption of HKAS 19 (2011)	-	-	-	-	-	-	-	-	191,319	(11,590)	-	179,729	-	179,729
As restated	113,757	20,738,291	238	877,842	(113,803)	33,980	5,124,354	3,623,668	191,319	6,687,843	511,907	37,789,396	7,587,062	45,376,458
Profit for the period, as restated	-	-	-	-	-	-	-	-	-	1,815,116	-	1,815,116	343,919	2,159,035
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)	-	-	1,815,116	-	1,358,091	247,763	1,605,854
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, as restated	113,757	20,738,291	238	871,168	(87,647)	33,980	4,641,173	3,738,671	191,319	8,102,335	284,393	38,627,678	8,287,042	46,914,720

\* These reserve accounts comprise the consolidated reserves of HK\$43,386,915,000 (unaudited) (31 December 2012: HK\$38,951,411,000 (unaudited)) in the consolidated statement of financial position as at 30 June 2013.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2013

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
Net cash flows from operating activities	<b>4,730,384</b>	1,765,361
Net cash flows used in investing activities	<b>(3,064,462)</b>	(8,282,489)
Net cash flows from/(used in) financing activities	<b>(989,409)</b>	5,364,586
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	<b>676,513</b>	(1,152,542)
Cash and cash equivalents at beginning of period	<b>11,515,682</b>	11,077,445
Effect of foreign exchange rate changes, net	<b>253,516</b>	(92,564)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<b><u>12,445,711</u></b>	<u>9,832,339</u>
 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>8,470,120</b>	9,905,390
Time deposits	<b>4,529,833</b>	5,417,378
Less: Restricted cash and pledged deposits	<b>(63,172)</b>	(101,830)
	<hr/>	<hr/>
	<b>12,936,781</b>	15,220,938
Less: Time deposits with maturity of more than three months when acquired	<b>(491,070)</b>	(5,388,599)
	<hr/>	<hr/>
	<b><u>12,445,711</u></b>	<u>9,832,339</u>

# NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

## 1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2013 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 "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 2012, 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 new and revised HKFRSs as disclosed in note 2 below.

## 2. EFFECT OF CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs. The adoption of the HKFRSs which are effective for the Group's annual accounting periods beginning on 1 January 2013 has no material impact on the Group's results and financial position except for the following changes made to the interim condensed consolidated financial statements:

- presentation of the interim condensed consolidated statement of comprehensive income has been modified to meet the requirements of HKAS 1 (Amendments) *Presentation of Items of Other Comprehensive Income*; and
- "jointly-controlled entities" has been superseded by "joint ventures" following the adoption of HKFRS 11 *Joint Arrangements*.

# NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

## 2. EFFECT OF CHANGES IN ACCOUNTING POLICIES (Continued)

However, the adoption of HKAS 19 (2011) *Employee Benefits* which is effective for annual accounting periods beginning on 1 January 2013 has a material impact on the Group's accounting policy and retrospective application is required. The financial impact of the adoption of HKAS 19 (2011) on the interim condensed consolidated financial statements is summarised as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>Unaudited</b>	Unaudited
Increase in administrative expenses	<b>(4,572)</b>	(5,557)
Decrease in income tax	<b>1,142</b>	1,390
	<hr/>	<hr/>
Decrease in profit for the period, profit attributable to shareholders of the Company and total comprehensive income attributable to shareholders of the Company	<b><u>(3,430)</u></b>	<b><u>(4,167)</u></b>

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>30 June 2013</b>	31 December 2012
	<b>HK\$'000</b>	HK\$'000
	<b>Unaudited</b>	Unaudited
Decrease in deferred tax assets	<b>(1,143)</b>	(9,330)
Decrease in defined benefit plans	<b>33,213</b>	37,319
	<hr/>	<hr/>
Increase in net assets	<b><u>32,070</u></b>	<b><u>27,989</u></b>
	<hr/>	<hr/>
Increase in reserves and total equity	<b><u>32,070</u></b>	<b><u>27,989</u></b>

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

# NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

## 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 2013 and 2012, respectively.

### For the six months ended 30 June 2013

	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	12,514,879	7,913,960	-	-	121,102	-	20,549,941
Cost of sales	(10,846,981)	(5,234,390)	-	-	(97,195)	-	(16,178,566)
Gross profit	<u>1,667,898</u>	<u>2,679,570</u>	<u>-</u>	<u>-</u>	<u>23,907</u>	<u>-</u>	<u>4,371,375</u>
Profit/(loss) from operating activities	1,002,480	989,955*	-	-	87,300	(45,114)	2,034,621
Finance costs	(87,107)	(99,525)	-	-	(411,836)	45,114	(553,354)
Share of profits and losses of:							
Joint ventures	(979)	-	-	-	(7,264)	-	(8,243)
Associates	1,056,166	(1,003)	255,916	-	10,176	-	1,321,255
Profit/(loss) before tax	1,970,560	889,427	255,916	-	(321,624)	-	2,794,279
Income tax	(142,675)	(177,566)	-	-	(4,791)	-	(325,032)
<b>Profit/(loss) for the period</b>	<u>1,827,885</u>	<u>711,861</u>	<u>255,916</u>	<u>-</u>	<u>(326,415)</u>	<u>-</u>	<u>2,469,247</u>
<b>Segment profit/(loss) attributable to shareholders of the Company</b>	<u>1,817,888</u>	<u>291,360</u>	<u>255,916</u>	<u>-</u>	<u>(303,084)</u>	<u>-</u>	<u>2,062,080</u>

# NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

## 3. OPERATING SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2012

	Piped gas operation Unaudited (Restated) 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 (Restated) 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	856,312	940,283*	92,694	(14,501)	80,132	(45,363)	1,909,557
Finance costs	(59,438)	(156,872)	(79)	(2,558)	(332,964)	45,363	(506,548)
Share of profits and losses of:							
Joint ventures	(106)	-	-	-	-	-	(106)
Associates	920,242	(523)	170,491	-	(1,221)	-	1,088,989
Profit/(loss) before tax	1,717,010	782,888	263,106	(17,059)	(254,053)	-	2,491,892
Income tax	(133,077)	(174,432)	(22,564)	(1,613)	(1,171)	-	(332,857)
<b>Profit/(loss) for the period</b>	<u>1,583,933</u>	<u>608,456</u>	<u>240,542</u>	<u>(18,672)</u>	<u>(255,224)</u>	<u>-</u>	<u>2,159,035</u>
<b>Segment profit/(loss) attributable to shareholders of the Company</b>	<u>1,582,034</u>	<u>274,151</u>	<u>240,542</u>	<u>(17,903)</u>	<u>(263,708)</u>	<u>-</u>	<u>1,815,116</u>

\* The amount included (i) a fair value gain on the derivative component of convertible bonds of HK\$Nil (six months ended 30 June 2012: HK\$2,042,000), 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 in redemption of convertible bonds of HK\$Nil (six months ended 30 June 2012: HK\$30,660,000).

# NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

## 3. OPERATING SEGMENT INFORMATION (Continued)

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

	<b>30 June 2013 Unaudited HK\$'000</b>	31 December 2012 Unaudited (Restated) HK\$'000
<b>Total assets:</b>		
Piped gas operations	<b>49,378,462</b>	44,511,225
Brewery operation	<b>26,333,774</b>	23,973,359
Sewage and water treatment operations	<b>8,704,439</b>	7,032,770
Expressway and toll road operations	<b>535,374</b>	1,991,483
Corporate and others	<b>15,503,775</b>	16,262,690
Eliminations	<b>(3,259,050)</b>	(4,272,906)
	<b><u>97,196,774</u></b>	<u>89,498,621</u>
<b>Total liabilities:</b>		
Piped gas operations	<b>15,953,362</b>	13,604,124
Brewery operation	<b>11,814,040</b>	10,949,960
Sewage and water treatment operations	<b>800,758</b>	1,002,626
Expressway and toll road operations	<b>229,718</b>	539,759
Corporate and others	<b>18,269,734</b>	20,007,383
Eliminations	<b>(3,259,050)</b>	(4,272,906)
	<b><u>43,808,562</u></b>	<u>41,830,946</u>

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 2013 and 2012, 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 2013

## 4. OTHER INCOME AND GAINS, NET

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
<b>Other income</b>		
Bank interest income	<b>74,458</b>	94,224
Rental income	<b>9,197</b>	12,946
Government grants	<b>47,670</b>	29,772
Transfer of assets from customers	<b>15,505</b>	85,647
Others	<b>135,898</b>	89,952
	<b>282,728</b>	312,541
<b>Gains, net</b>		
Gain on disposal of items of property, plant and equipment, net	<b>761</b>	742
Gain on disposal of interests in subsidiaries	<b>13,110</b>	–
Gain on disposal of receivables under service concession arrangements	<b>46,499</b>	–
Gain on disposal of an available-for-sale investment carried at fair value, net	<b>94,923</b>	–
Foreign exchange differences, net	<b>40,955</b>	–
	<b>196,248</b>	742
Other income and gains, net	<b>478,976</b>	313,283

# NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

## 5. PROFIT FROM OPERATING ACTIVITIES

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

	For the six months ended 30 June	
	2013 Unaudited HK\$'000	2012 Unaudited HK\$'000
Depreciation	1,015,351	955,146
Amortisation of operating concessions*	-	25,644
Amortisation of computer software**	3,915	3,258
	<u>1,019,266</u>	<u>984,048</u>

\* 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	
	2013 Unaudited HK\$'000	2012 Unaudited HK\$'000
Interest on bank loans and other loans wholly repayable within five years	163,192	181,772
Interest on guaranteed senior notes	360,774	269,497
Interest on convertible bonds	29,388	52,721
	<u>553,354</u>	<u>503,990</u>
Total interest expense	553,354	503,990
Increase in discounted amount of provision for major overhauls arising from the passage of time	-	2,558
	<u>-</u>	<u>2,558</u>
Total finance costs	<u>553,354</u>	<u>506,548</u>

# NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

## 7. INCOME TAX

	For the six months ended 30 June	
	2013	2012
	Unaudited	Unaudited (Restated)
	HK\$'000	HK\$'000
Current – Mainland China	<b>395,481</b>	339,634
Deferred	<b>(70,449)</b>	(6,777)
Total tax expense for the period	<b><u>325,032</u></b>	<u>332,857</u>

No provision for Hong Kong profits tax has been made during the period ended 30 June 2013 as the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2012: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company's subsidiaries enjoy income tax exemptions and reductions.

## 8. INTERIM DIVIDEND

On 30 August 2013, the Board declared an interim cash dividend of HK25 cents per share (six months ended 30 June 2012: HK25 cents per share), totalling HK\$291,658,000 (six months ended 30 June 2012: HK\$284,393,000).

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amount 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, 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 the period.



# NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired property, plant and equipment with a total cost of HK\$3,550,076,000 (six months ended 30 June 2012: HK\$3,495,000,000), excluding property, plant and equipment acquired through transfer of assets from customers with a total deemed cost of HK\$15,505,000 (six months ended 30 June 2012: 85,647,000) (note 4).

Property, plant and equipment with an aggregate carrying amount of HK\$6,049,000 (six months ended 30 June 2012: HK\$35,539,000) were disposed of by the Group during the six months ended 30 June 2013, resulting in a net gain on disposal of HK\$761,000 (six months ended 30 June 2012: HK\$742,000) (note 4).

## 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:

	<b>30 June 2013 Unaudited HK\$'000</b>	31 December 2012 Unaudited HK\$'000
Billed:		
Within one year	-	327,484
One to two years	<b>335,775</b>	1,685
Two to three years	<b>1,728</b>	372,102
Over three years	<b>695,375</b>	306,104
	<hr/>	<hr/>
	<b>1,032,878</b>	1,007,375
Unbilled	-	505,248
	<hr/>	<hr/>
	<b>1,032,878</b>	1,512,623
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

## 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:

	<b>30 June 2013 Unaudited HK\$'000</b>	31 December 2012 Unaudited HK\$'000
Billed:		
Within one year	<b>2,901,238</b>	1,027,936
One to two years	<b>89,765</b>	24,639
Two to three years	<b>20,806</b>	13,269
Over three years	<b>11,173</b>	17,742
	<b>3,022,982</b>	1,083,586
Unbilled	<b>773,427</b>	1,319,568
	<b>3,796,409</b>	2,403,154

Included in the Group's trade and bills receivables as at 30 June 2013 was an aggregate amount of HK\$41,019,000 (31 December 2012: HK\$33,765,000) due from certain fellow subsidiaries of the Group arising from transactions carried out in the ordinary course of business of the Group. The balances are unsecured, interest-free and are repayable within credit periods similar to those offered by the Group to its major customers.

# NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

## 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		<b>30 June 2013</b>	31 December 2012
		<b>Unaudited</b>	Unaudited
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
Prepayments		<b>339,485</b>	961,971
Deposits and other debtors	<i>(a)</i>	<b>3,110,852</b>	1,938,753
Dividends receivable from associates	<i>(b)</i>	-	843,733
Due from holding companies	<i>(c)</i>	<b>314,814</b>	312,658
Due from fellow subsidiaries	<i>(c)</i>	<b>1,112,439</b>	1,147,320
Due from related parties	<i>(c)</i>	<b>61,851</b>	3,354
		<b>4,939,441</b>	5,207,789
Impairment of deposits and other debtors		<b>(64,624)</b>	(75,556)
		<b>4,874,817</b>	5,132,233
Portion classified as current assets		<b>(3,489,748)</b>	(3,992,633)
		<b>1,385,069</b>	1,139,600

*Notes:*

- (a) The Group's deposits and other debtors as at 30 June 2013 included, inter alia, the following:
- (i) investment deposits of HK\$626,583,000 (31 December 2012: HK\$20,522,000) in total paid for the incorporation or acquisition of subsidiaries in Mainland China. The deposits are classified as non-current assets; and
  - (ii) certain deposits of HK\$188,809,000 (31 December 2012: HK\$450,493,000) in total paid for the construction of buildings and purchase of pipelines, equipment and machinery. The deposits are classified as non-current assets.
- (b) The balance represented the dividends declared to the Group by 中石油北京天然氣管道有限公司 ("PetroChina Beijing Gas"), an associate of the Group, in respect of the financial year ended 31 December 2012. The amount was settled by PetroChina Beijing Gas during the six months ended 30 June 2013.
- (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 2013

## 14. SHARE CAPITAL

	<b>30 June 2013 Unaudited HK\$'000</b>	31 December 2012 Unaudited HK\$'000
<i>Authorised:</i>		
2,000,000,000 ordinary shares of HK\$0.1 each	<u><b>200,000</b></u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
1,166,490,067 (31 December 2012: 1,137,571,000) ordinary shares of HK\$0.1 each	<u><b>116,649</b></u>	<u>113,757</u>

## 15. BANK AND OTHER BORROWINGS

- (a) As at 30 June 2013, the bank loans of the Group included a five-year HK\$3 billion syndicated loan facility obtained by the Company in 2010, which bears interest at HIBOR+0.85% and is fully payable on 2 August 2015.

The loan 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 2013 and as at the date of approval of these financial statements.

- (b) HK\$455,695,000 (31 December 2012: HK\$1,469,138,000) of the Group's unsecured bank loans as at 30 June 2013 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 2013

## 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 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.

## 17. CONVERTIBLE BONDS

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

### Group

	<b>Guaranteed Convertible Bonds</b> <i>(note (a))</i>	<b>Yanjing Brewery Convertible Bonds</b> <i>(note (b))</i>
Issuance date	2/6/2009	15/10/2010
Maturity date	1/6/2014	14/10/2015
Original principal amount: (HK\$'000)	2,175,000	N/A
(RMB'000)	N/A	429,804
Coupon rate	2.25%	0.5% – 1.4%
Conversion price per ordinary share of (HK\$) :		
– The Company (HK\$)	43.5	N/A
– Beijing Yanjing Brewery Company Limited ("Yanjing Brewery") (RMB)	N/A	7.47

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 2013

## 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:

	<b>Guaranteed Convertible Bonds Unaudited</b> HK\$'000 <i>(note (a))</i>	<b>Yanjing Brewery Convertible Bonds Unaudited</b> HK\$'000 <i>(note (b))</i>	<b>Total Unaudited</b> HK\$'000
<b>Principal amount outstanding</b>			
At 1 January 2013	2,175,000	102,935	2,277,935
Conversion to ordinary shares of the Company	(1,257,980)	–	(1,257,980)
Conversion to ordinary shares of Yanjing Brewery	–	(9)	(9)
Exchange realignment	–	2,606	2,606
	<u>917,020</u>	<u>105,532</u>	<u>1,022,552</u>
At 30 June 2013	<u>917,020</u>	<u>105,532</u>	<u>1,022,552</u>
<b>Liability component</b>			
At 1 January 2013	2,165,206	94,107	2,259,313
Interest expense	26,858	366	27,224
Imputed interest expense	–	2,164	2,164
Conversion to ordinary shares of the Company	(1,256,751)	–	(1,256,751)
Conversion to ordinary shares of Yanjing Brewery	–	(9)	(9)
Interest paid	(21,011)	–	(21,011)
Exchange realignment	–	2,414	2,414
	<u>914,302</u>	<u>99,042</u>	<u>1,013,344</u>
At 30 June 2013	<u>914,302</u>	<u>99,042</u>	<u>1,013,344</u>
<b>Derivative component</b>			
At 1 January 2013	–	9,428	9,428
Conversion to ordinary shares of Yanjing Brewery	–	(1)	(1)
Exchange realignment	–	239	239
	<u>–</u>	<u>9,666</u>	<u>9,666</u>
At 30 June 2013	<u>–</u>	<u>9,666</u>	<u>9,666</u>

# NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

## 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 the convertible bond subscription agreement dated 25 April 2009, the convertible bonds are guaranteed by the Company, bear interest at the rate of 2.25% per annum and are convertible into ordinary shares of the Company at an initial conversion price of HK\$43.5 per share of the Company, subject to adjustments in certain events. The outstanding principal amount of the convertible bonds, if not converted, will be repaid on the maturity date of 2 June 2014 at 100% of the outstanding amount. 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 26 March 2012, 7 June 2012 and 17 May 2013, the conversion price of the Yanjing Brewery Convertible Bonds was changed from RMB21.86 to RMB15.37, from RMB15.37 to RMB7.58 and from RMB7.58 to RMB7.47, respectively, further details of which are set out in the announcements of Yanjing Brewery published in the website of the Shenzhen Stock Exchange on 24 March 2012, 31 March 2012 and 9 May 2013, 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 condensed consolidated statement of financial position at fair value with any changes in fair value recognised in the condensed consolidated income statement.

The fair value of the derivative component of the Yanjing Brewery Convertible Bonds as at 31 December 2012 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:

	31 December 2012
Share price of Yanjing Brewery	RMB5.64
Exercise price	RMB7.58
Remaining life of the derivative	2.79 years
Risk-free rate	3.11%
Expected volatility	28.52%
Expected dividend yield	1.86%

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.

Since the fair value of the derivative component of the Yanjing Brewery Convertible Bonds as at 30 June 2013 is not significant, no valuation was performed by independent professionally qualified valuers.

# NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

## 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:

	<b>30 June 2013 Unaudited HK\$'000</b>	31 December 2012 Unaudited HK\$'000
Within one year	<b>3,303,198</b>	2,546,259
One to two years	<b>60,316</b>	48,430
Two to three years	<b>4,810</b>	7,485
Over three years	<b>10,073</b>	14,317
	<b><u>3,378,397</u></b>	<u>2,616,491</u>

Included in the Group's trade and bills payables as at 30 June 2013 are amounts of HK\$37,894,000 (31 December 2012: HK\$14,177,000) and HK\$27,404,000 (31 December 2012: HK\$71,021,000) due to related companies and an associate, respectively, arising from transactions carried out in the ordinary course of business of the Group. The balances are unsecured, interest-free and are repayable within credit periods similar to those offered by the related companies and the associate to their major customers.

## 19. CONTINGENT LIABILITY

	<b>30 June 2013 Unaudited HK\$'000</b>	31 December 2012 Unaudited HK\$'000
Guarantee over a bank facility granted to a shareholder of an associate	<b><u>450,000</u></b>	<u>450,000</u>

# NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

## 20. CAPITAL COMMITMENTS

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

	<b>30 June 2013 Unaudited HK\$'000</b>	31 December 2012 Unaudited HK\$'000
Contracted, but not provided for:		
Buildings	<b>199,149</b>	155,989
Plant and machinery	<b>1,007,832</b>	1,132,390
Acquisition of a subsidiary	<b>39,241</b>	–
Capital contribution to an associate	<b>1,127,173</b>	1,099,342
	<b>2,373,395</b>	2,387,721
Authorised, but not contracted for:		
Plants and machinery	<b>960,759</b>	–
Acquisition of a subsidiary	<b>193,671</b>	2,519
Capital contribution to a joint venture	<b>19,367</b>	–
Capital contribution to an associate	<b>761,443</b>	–
	<b>1,935,240</b>	2,519
Total capital commitments	<b>4,308,635</b>	2,390,240

# NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

## 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	
			2013 Unaudited HK\$'000	2012 Unaudited HK\$'000
<i>Fellow subsidiaries:</i>				
北京北燃實業有限公司 and its subsidiaries	Sale of gas <sup>#</sup>	(i)	<b>21,121</b>	57,905
	Engineering service income <sup>#</sup>	(ii)	<b>9,237</b>	5,873
	Comprehensive service income <sup>#</sup>	(ii)	<b>20,642</b>	6,202
	Sale of goods <sup>#</sup>	(iii)	<b>141,935</b>	84,660
	Purchase of goods <sup>#</sup>	(iv)	<b>35,074</b>	39,070
	Building rental expenses <sup>#</sup>	(iv)	<b>46,026</b>	38,441
	Engineering service expenses <sup>#</sup>	(ii)	<b>97,832</b>	47,180
Comprehensive service expenses <sup>#</sup>	(ii)	<b>6,890</b>	-	
<i>Associate:</i>				
PetroChina Beijing Gas	Natural gas transmission fee expenses	(i)	<b>2,516,539</b>	2,362,730
<i>Joint venture partners of subsidiaries and their associates:</i>				
Yanjing Beer Group and its associates	Purchase of bottle labels <sup>γ</sup>	(v)	<b>73,630</b>	81,980
	Purchase of bottle caps <sup>γ</sup>	(v)	<b>48,381</b>	49,522
	Canning service fees paid <sup>γ</sup>	(vi)	<b>20,642</b>	23,794
	Comprehensive support service fees paid <sup>γ</sup>	(vii)	<b>9,839</b>	9,596
	Land rent expenses <sup>γ</sup>	(viii)	<b>685</b>	1,142
	Trademark licensing fees paid <sup>γ</sup>	(ix)	<b>34,280</b>	39,491
	Less: Refund for advertising subsidies <sup>γ</sup>	(ix)	<b>(3,920)</b>	(4,379)
				<b>2,516,539</b>

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 2013

## 21. RELATED PARTY DISCLOSURES (Continued)

### (A) (Continued)

Notes:

- (i) The selling price of gas and the gas transmission fee were prescribed by the PRC government.
- (ii) 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.
- (iii) The selling prices of goods were determined on a cost-plus basis.
- (iv) The purchase prices of goods and the building rentals were determined by reference to the then prevailing market rates.
- (v) 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.
- (vi) 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.
- (vii) 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.
- (viii) The land rent expenses were charged at a mutually agreed amount.
- (ix) 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 from Yanjing Brewery for the use by Yanjing Brewery to develop and promote the “Yanjing” trademark.
- # 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

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
Salaries, allowances and benefits in kind	<b>9,305</b>	9,550
Pension scheme contributions	<b>11</b>	10
	<hr/>	<hr/>
Total compensation paid to key management personnel	<b>9,316</b>	9,560
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

## 22. EVENTS AFTER THE REPORTING PERIOD

On 29 July 2013, Hong Mao Developments Limited ("Hong Mao", a direct wholly-owned subsidiary of the Company) entered into the sale and purchase agreement, pursuant to which Hong Mao agreed to acquire and Beijing Enterprises Group (BVI) Company Limited (a direct wholly-owned subsidiary of Beijing Enterprises Group Company Limited) agreed to sell 1,054,088,132 shares of China Gas Holdings Limited ("China Gas", the shares of which are listed on the Main Board of the Stock Exchange) (representing approximately 22.01% of the issued share capital in China Gas as of the date of agreement) with a consideration of HK\$7.80 per each share, aggregating a total consideration of HK\$8,221,887,430, to be settled by the payment of the cash consideration in the amount of HK\$2 billion and the issue of 113,125,226 ordinary shares of the Company with the issue price of HK\$55 per share.

This transaction constitutes a connected and discloseable acquisition of the Company under Chapter 14 and 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Further details of this transaction are set out in the Company's announcement dated 30 July 2013. At the date of approval of these condensed interim consolidated financial statements, this transaction has not yet been completed.

## 23. FAIR VALUE MEASUREMENT

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. In addition, certain available-for-sale investments of the Group are not stated at fair value but at cost less any accumulated impairment losses because fair values of which cannot be reasonable assessed and therefore, no disclosure of the fair values of these financial instruments is made.

For other non-current financial assets and liabilities, their carrying amounts are not significantly different to their respective fair values, therefore no disclosure of the fair values of these financial instruments is made.

## 24. OTHER FINANCIAL INFORMATION

The net current assets and total assets less current liabilities of the Group as at 30 June 2013 amounted to HK\$4,665,923,000 (unaudited) (31 December 2012: HK\$6,964,771,000 (unaudited)) and HK\$73,985,507,000 (unaudited) (31 December 2012: HK\$69,171,306,000, as restated (unaudited)), respectively.

## 25. COMPARATIVE AMOUNTS

As further explained in note 2, due to the adoption of revised HKFRSs during the current reporting period, the accounting treatment and presentation of certain items and balances in the interim condensed consolidated financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and, certain comparative amounts have been reclassified and restated to conform to the current period's presentation and accounting treatment.



# DISCLOSEABLE INFORMATION

## BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION

During the period under review, on 28 March 2013:

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

Changes in directors' information since the date of the Company's 2012 annual report are set out below:

	<b>Appointment (effective)</b>
<b>Mr. Zhou Si</b> <ul style="list-style-type: none"><li>• China Gas Holdings Limited (<i>Note 1</i>) – Chairman of the Board of Directors and Executive Director</li></ul>	23 August 2013
<b>Mr. Wu Jiesi</b> <ul style="list-style-type: none"><li>• China Citic Bank International Limited – Independent Non-executive Director</li><li>• China Merchants Securities Co., Ltd. (<i>Note 2</i>) – Independent Director</li></ul>	5 August 2013 8 August 2013

Notes:

(1) a company listed on The Stock Exchange of Hong Kong Limited (stock code: 384).

(2) a company listed on the Shanghai Stock Exchange (stock code: 600999).

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

Save as disclosed above, since the issue date of the Company's 2012 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 2013, 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	0.018%
Li Fucheng	12,000	0.001%
E Meng	30,000	0.003%
Jiang Xinhao	20,000	0.002%

### (B) LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

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

### (C) LONG POSITIONS IN SHARES OF ASSOCIATED CORPORATIONS

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

<sup>®</sup> All interests in these associated corporations owned by the Company are indirectly held.

## DISCLOSEABLE INFORMATION

### (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)	
Zhou Si	7,000,000	5,000,000	12,000,000	24,000,000
Zhang Honghai	6,000,000	5,000,000		11,000,000
Liu Kai	5,000,000	5,000,000		10,000,000
Lei Zhengang	5,000,000	7,000,000		12,000,000
E Meng	5,000,000	3,600,000		8,600,000
Jiang Xinhao	5,000,000	3,300,000	6,000,000	14,300,000

### Long positions in share options in Beijing Development<sup>®</sup> (a subsidiary of the Company):

Director	Note	Number of share options directly beneficially owned			At 30 June 2013
		At 1 January 2013	Granted during the period	Exercised during the period	
Zhang Honghai	(d)	6,770,000	–	–	6,770,000
E Meng	(d)	6,770,000	–	–	6,770,000

#### Notes:

- (a) These share options were granted on 28 October 2011 at an exercise price of HK\$0.465 per share. These share options may be exercised at any time commencing on 28 October 2011, and if not otherwise exercised, will lapse on 27 October 2021.
- (b) These share options were granted on 1 June 2012 at an exercise price of HK\$0.41 per share. These share options may be exercised at any time commencing on 1 June 2012, and if not otherwise exercised, will lapse on 31 May 2022.
- (c) These share options were granted on 24 May 2013 at an exercise price of HK\$0.574 per share. These share options may be exercised at any time commencing on 24 May 2013, and if not otherwise exercised, will lapse on 23 May 2023.
- (d) These share options were granted on 21 June 2011 at an exercise price of HK\$1.25 per ordinary share 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. 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.

<sup>®</sup> All interests in this associated corporation are indirectly held by the Company.

Save as disclosed above, as at 30 June 2013, 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 2013, 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.

# DISCLOSEABLE INFORMATION

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

At 30 June 2013, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### LONG POSITIONS:

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	8.58%
Beijing Enterprises Investments Limited ("BEIL")	163,730,288	100,050,000 <sup>(a)</sup>	263,780,288	22.61%
Beijing Enterprises Group (BVI) Company Limited ("BE Group BVI")	411,250,000	263,780,288 <sup>(b)</sup>	675,030,288	57.87%
Beijing Enterprises Group Company Limited ("BE Group")	–	675,030,288 <sup>(c)</sup>	675,030,288	57.87%

#### Notes:

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

Save as disclosed above, as at 30 June 2013, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or 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 2013, 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

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 2013.

## 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 2013.

## 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 2013 and considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.