

Beijing Enterprises Holdings Limited

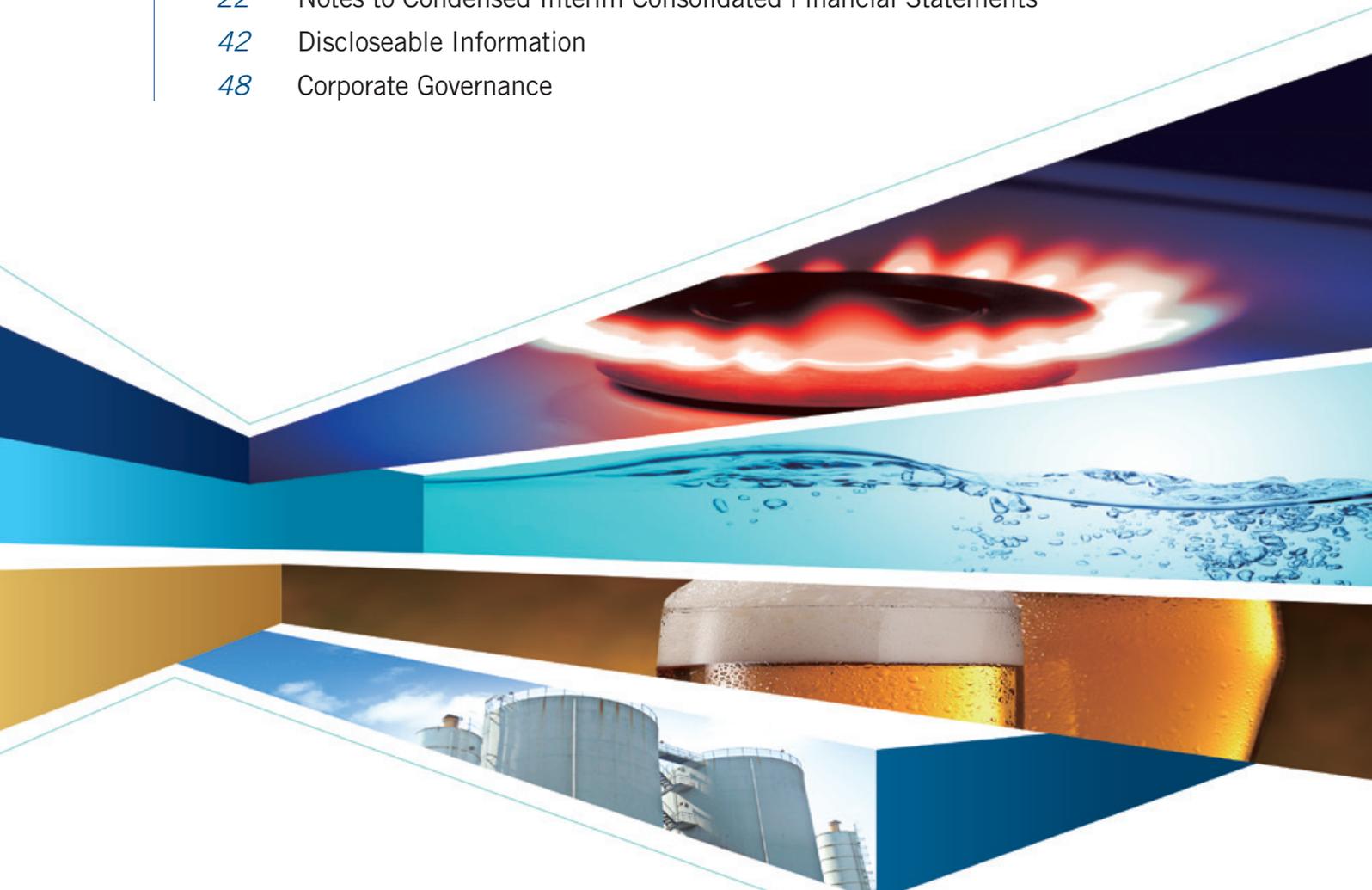
Stock Code : 392

Interim Report 2014



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wang Dong (*Chairman*)
Mr. Hou Zibo (*Vice Chairman*)
Mr. Zhou Si (*Vice Chairman & Chief Executive Officer*)
Mr. Li Fucheng (*Vice Chairman*)
Mr. Li Yongcheng
Mr. Liu Kai
Mr. E Meng (*Executive Vice President*)
Mr. Jiang Xinhao (*Vice President*)
Mr. Tam Chun Fai
(*Chief Financial Officer & Company Secretary*)

Non-Executive Director

Mr. Guo Pujin

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Tam Chun Fai CPA CFA

STOCK CODE

392

WEBSITE

www.behl.com.hk

SHARE REGISTRAR

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

REGISTERED OFFICE

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

AUDITORS

Ernst & Young

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

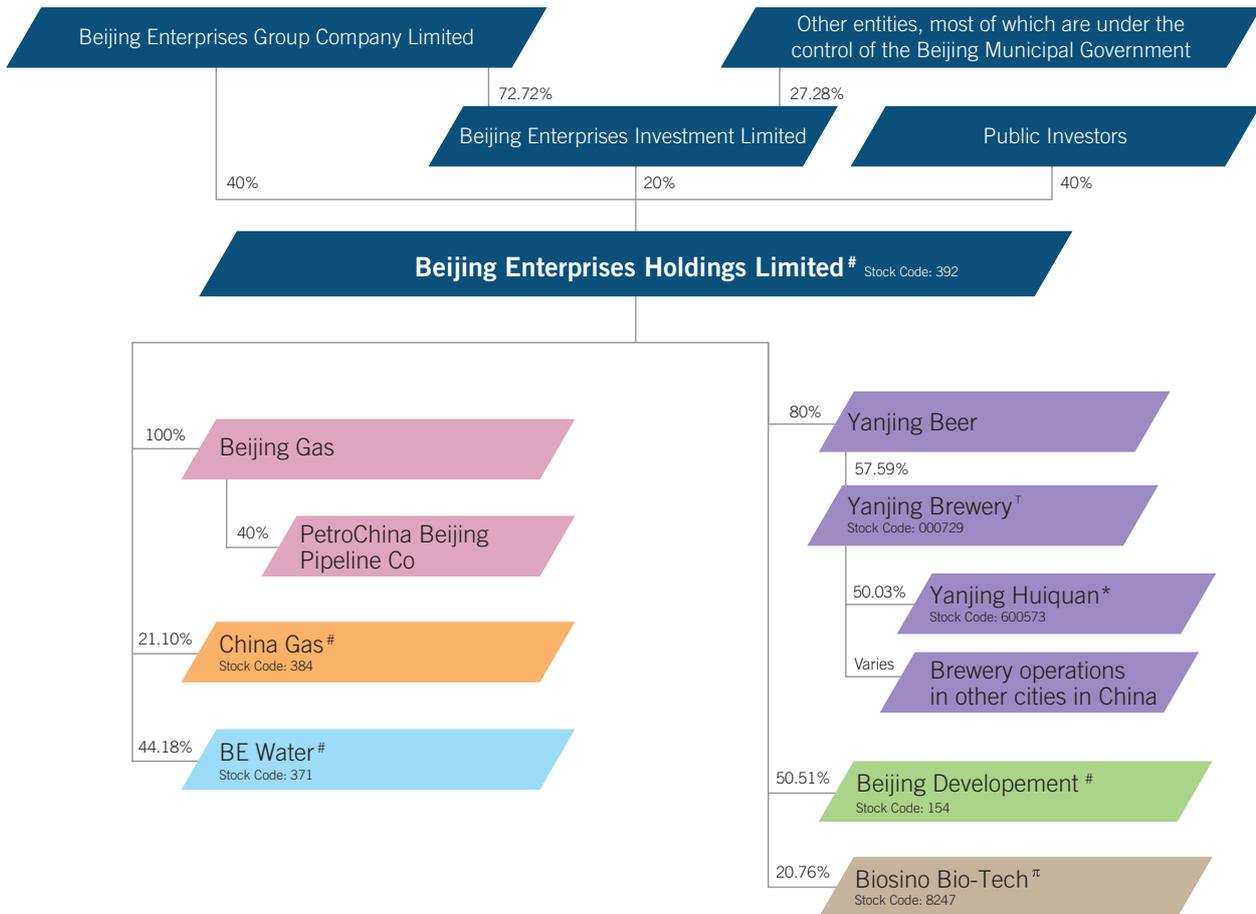
Agricultural Bank of China
Bank of China
China Construction Bank
Guangdong Development Bank
The Industrial and Commercial Bank of China

ADR Depository Bank

The Bank of New York

CORPORATE STRUCTURE

30 June 2014



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

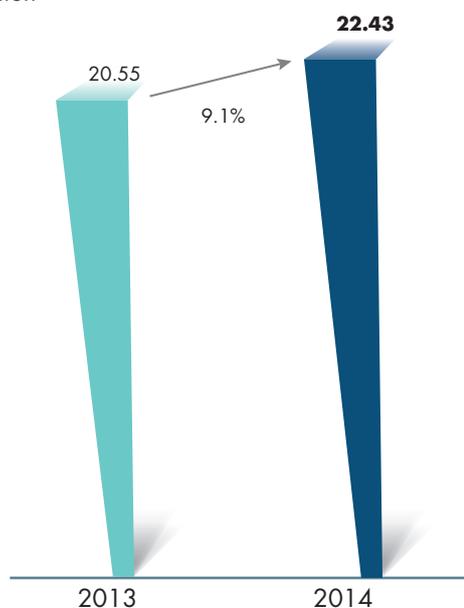
FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2014 Unaudited HK\$'000	2013 Unaudited HK\$'000	
Revenue	22,429,905	20,549,941	+9.1%
Gross Profit	4,750,038	4,371,375	+8.7%
Profit Attributable to Shareholders of the Company	2,813,883	2,062,080	+36.5%
Basic Earnings Per Share (HK dollar)	2.21	1.80	+22.8%
Interim Dividend (HK cent)	28	25	+12.0%

Revenue

For the six months ended 30 June

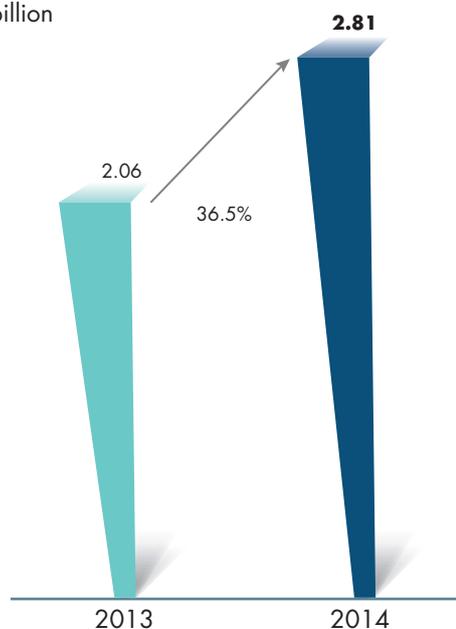
HK\$billion



Profit attributable to shareholders of the Company

For the six months ended 30 June

HK\$billion



FINANCIAL HIGHLIGHTS

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Beijing Enterprises Holdings Limited (the “Company”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2014 and the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2014 with the comparative figures in 2013. The consolidated revenue of the Group for the first half of 2014 was HK\$22.43 billion, representing an increase of 9.1% over the corresponding period of last year. Profit attributable to shareholders of the Company was HK\$2.81 billion, representing an increase of 36.5% over the corresponding period in 2013.

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

	Profit attributable to shareholders of the Company HK\$'000	Proportion %
Piped gas operation	2,197,353	77.0
Beer production operation	339,926	11.9
Sewage and water treatment operations	315,448	11.1
Profit from major operations	2,852,727	100
Other operations and headquarter expenses	(425,224)	
Non-operating gains, net	386,380	
Profit attributable to shareholders of the Company	<u>2,813,883</u>	

INTERIM DIVIDEND

The Board has resolved to declare an interim cash dividend for the six months ended 30 June 2014 of HK28 cents (2013: HK25 cents) per share, which will be payable on about 28 October 2014 to shareholders whose names appear on the register of members of the Company on 9 October 2014.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Tuesday, 7 October 2014 to Thursday, 9 October 2014, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 6 October 2014.

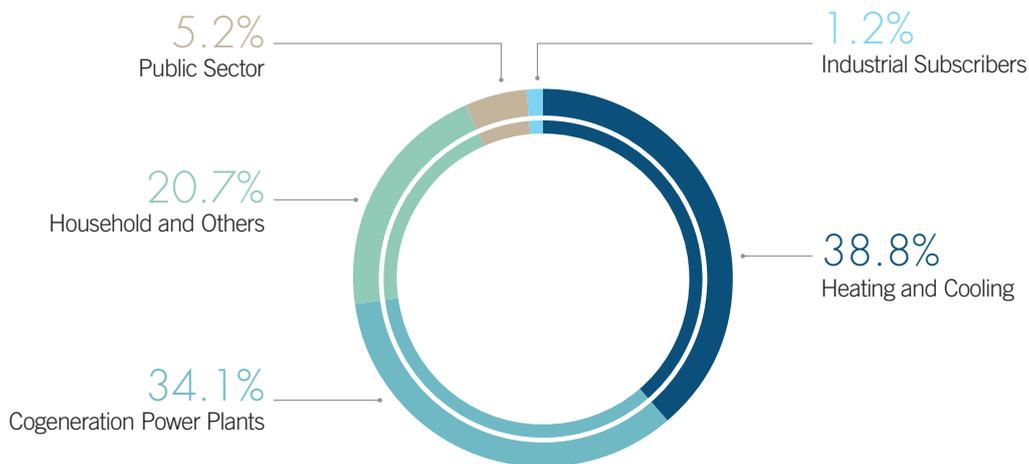
MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

Natural Gas Distribution Business

The natural gas distribution business in Beijing City recorded a revenue of HK\$14.34 billion in the first half of 2014, increased by 14.6% as compared with the same period of last year. Gas sales volume was approximately 4.7 billion cubic meters, remained unchanged as compared with the same period last year, which was mainly attributable to the decrease in demand of gas for heating usage because of the higher average temperature in winter in Beijing.

The gas sales volume of Beijing Gas in the first half of 2014 was approximately 4.7 billion cubic meters. An analysis by subscriber sector is shown as follows:



During the period under review, a total of 97,100 household subscribers and 1,804 public sector subscribers were developed. The heating boiler capacity developed was 1,277.8 t/h steams with a loading of 81.2 t/h steam in summer. Subscriber growth across all user groups 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 5.06 million. Net profit from gas distribution business in the first half year was HK\$838 million, increased by 10% as compared with the corresponding period of last year. The capital expenditure of Beijing Gas in the first half year amounted to approximately HK\$858 million.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Natural Gas Distribution Business (Continued)

During the period, Beijing Gas implemented action plan for clean air in Beijing City and accelerated the progress of clean energy reconstruction works for coal-fired boilers. As at the end of June, we completed the installation of 149 coal-fired boiler rooms covering total user units of 4,766 t/h steams. The Company actively pushed the implementation of major projects during the period and has finalized the ancillary gateway and ground work construction for No. 4 Shaanxi-Beijing Pipeline. The construction of gas pipelines infrastructure for Northwest and Northeast Thermal Power Centre had been completed and put into operation.

For business expansion, during the period, we implemented foreign investments and explored to more corporate development opportunities. We jointly worked with GDF Suez to provide advanced energy resolutions for the distributed energy and comprehensive energy application technology, facilities and services for the science and technology business district at Zhongguancun in Beijing. With this as a starting point, we further expanded the cooperation in the domestic and foreign natural gas sector chain and energy services. During the period, Beijing Gas successfully secured the tender for the operation and construction project of developing the natural gas pipeline network in Tengxian County, Guangxi, achieving a new breakthrough in investment in projects outside the Beijing region. We accelerated industrial chain expansion, developed new profit growth points, and achieved rapid development in our new business segments. We moved forward actively the development of cooling-heating-power supply for the distributed natural gas energy; the full facilitation of the development of vehicle gas market, and for the gas stations that were being built at the end of 2013, 25 of them are currently operational. We promoted the full range development in vehicle market, intensified the development of the vehicle market in suburban regions and counties. During the first half year, we had already developed 1,529 natural gas vehicles (640 urban public buses, 668 driving school vehicles, 200 converted vehicles and 21 other vehicles).

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 14.7 billion cubic meters in the first half of 2014, representing a year-on-year increase of 20%. The higher growth in gas transmission volume was mainly attributable to a rapid growth in transmission volume in Shandong and Hebei regions.

Beijing Gas shared a net profit after tax of HK\$1.08 billion through its 40% equity interests in PetroChina Beijing Pipeline Company in the first half of 2014, representing an increase of 2% when compared with the same period of last year. The increase in profit was less than the increase in gas transmission volume, which was mainly due to an average decrease of 13.6% in the pipeline transmission tariff recognised upon settlement and lower pipeline transmission tariff in Shandong region which achieved higher growth in gas transmission volume during the first half year. During the period, Beijing Gas reinforced its strategic co-operation with PetroChina, promoted actively the preparatory construction work of the long haul No. 4 Shaanxi-Beijing Pipeline and the construction of the underground gas storage in Dagang. The capital expenditure was HK\$820 million in the first half year.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review (Continued)

China Gas

The Company completed its acquisition of the 21.13% equity interests in China Gas Holdings Limited (stock code: 384) (“China Gas”), and issued 98,100,000 new shares of the Company to our holding company for this transaction at the end of 2013. The Group commenced to consolidate the relevant profit attributable to its equity interests in China Gas from 1 January 2014. In the first half year, the Group’s share of profit of China Gas was HK\$273 million, which was based on the profit attributable to shareholders of China Gas for the six months ended 31 March 2014.

Beer Business

During the first half of 2014, China’s brewery industry still faced the challenge of continuous slowdown in China’s economy. Yanjing Brewery grasped the strategic opportunity to focus on three key structural adjustment missions in market, products and branding, strengthened its position in market competition, maintained Yanjing Brewery’s healthy development in the dominant markets in Beijing and Guangxi. At the same time, with Sichuan Yanjing’s stable operation and Xinjiang Yanjing’s measures in fitting local conditions, Yanjing Brewery has gradually established its presence in the mid-western market. Fujian Huiquan continued to adjust its operating strategies with market position gradually improving. We intensified the promotion efforts of the principal brands of Yanjing Brewery, further improved brands’ concentration and image. We perfected the concentrated-sourcing platform for bulk raw and auxiliary materials one by one, established the Group’s integrated knowledge and technology platform, as well as the Group’s internal benchmarking platform to improve the management standard and economies of scale of the Group, and continued to enhance the management and control capabilities of the Group. While promoting various technology upgrade and expansion projects in an orderly manner to further increase its production capability, we also created favourable conditions for improving efficiency and quality.

During the first half year, beer sales volume was 3.07 million thousand-litres, representing a year-on-year increase of 4.19%. Yanjing Brewery recorded a revenue of HK\$7.95 billion for the first half year. Profit attributable to shareholders of the Company in the first half year was HK\$340 million, representing a year-on-year increase of 16.7%. Its profit before tax was HK\$1.01 billion, representing a year-on-year increase of 13.5%, maintaining a good trend of the increase in profit that out-performed the increase in sales revenue and sales volume. The capital expenditure of Yanjing Brewery in the first half of 2014 was approximately HK\$422 million.

The Company continued to optimize its product mix, gradually forming the production lines to be represented by draft beer for its high-end beer, draught beer for its mid-end beer and fresh beer for its ordinary beer. At the same time, it had researched and developed protoplasmic white beer, dark beer and alcohol free beer to meet the personalized taste of consumers. The product mix is more rational. During the reporting period, the sales volume of the Company’s medium-high end beer was up by 11.8%, representing 37.6% of its total sales volume, or an increase of 2.55 percentage points.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review *(Continued)*

Beer Business (Continued)

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 2.12 million thousand-litres, representing a year-on-year increase of 8.65%. The brand concentration of Yanjing reached 69%. Not only had the brand strategy of “1+3” of the Company 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 2014. Its turnover increased 38% to HK\$3.82 billion as a result of the increase in income from water treatment service. Profit attributable to shareholders of BE Water increased 39% to HK\$714 million, of which HK\$320 million was attributable to the Company, representing a year-on-year increase of 23.3%. As at the end of June 2014, BE Water entered into service concession arrangements for total 301 water plants, which including 234 sewage treatment plants, 61 water treatment plants, 5 reclaimed water plants and 1 desalination plant. Its total designed capacity reached 18.16 million tons/day, increased by 9%. Its operation capacity was 11.62 million tons/day, and the capacity under development was 6.53 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.

Environmental Treatment and Power Generation Business for Solid Waste

In the first half year, we achieved an increase in solid waste operation capacity of 3,400 tons/day. Of which, Beijing Enterprises Holdings Environment Technology Co., Ltd (“BEHE”) achieved an operating revenue of HK\$54.25 million, and realised an operating profit of HK\$4.2 million. The newly acquired solid waste treatment projects of Beijing Development (Hong Kong) Limited (Stock Code: 154) (“Beijing Development”) achieved an operating revenue of HK\$24.39 million, with an operating profit of HK\$4.09 million in the first half year.

In the first half year, the 6 projects in Wenchang, Taian, Changde, Siping, Shuangqi and Hengyang had been put into operation and trial operation respectively. During the first half year, actual waste treatment volume was 407,000 tons, actual on-grid power generation volume was 93,160,000 KWH, and actual hazardous waste disposal volume in the half year was 3,570 tons. The medical waste disposal area scope for the project in Hengyang was further expanded, 60 contracts for medical waste disposal were executed, and medical waste of 1,506 tons were collected and transported. The above had significantly alleviated the difficult situation in medical waste disposal in Hunan Province and was well recognised by local government. At the same time, the Company studied the market situation in depth, adhered to the dual marketing strategies of conducting mergers and acquisitions in the industry while securing orders in the primary market. We adjusted the market layout appropriately, focused on tapping into emerging solid waste market segment, the solid waste markets in mid-western region and third-tier and fourth-tier cities, actively conducted project reserve, and achieved a key breakthrough in various business sectors like hazardous waste disposal, kitchen waste treatment and sewage disposal. We further expanded the solid waste industry chain of the Company and created a new value growth point for the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Prospects

Natural Gas Distribution Business

The coal-to-gas conversion projects of four largest thermal power centres in Beijing are progressing smoothly. Beijing Gas has basically completed pipeline facilities related construction to cope with the development of relevant projects and the gas sales volume to co-generation power plants will see a significant growth in the coming years. Southeast and Southwest Thermal Power Centres were operating, Datang International's 1,350 MW gas turbine at Northeast Thermal Power Centre has commenced trial operation in July, natural gas demand for power generation will be increased in the second half year, and furthermore, Jingneng's Jingxi 1,305 MW and Gaoantun 845 MW gas turbine will also be put into operation by the end of the year.

Natural Gas Transmission Business

The construction work of No. 3 Shaanxi-Beijing Pipeline has basically completed, and there is still much room for growth of its current utilization rate. 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 23 billion cubic metres per annum.

Beer Business

"Yanjing" is 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.

Solid Waste Treatment Business and Power Generation Business

Recently, there has been great support in the PRC for the development of environmental business, and small, medium and large size cities in the PRC are all actively planning for new solid waste treatment facilities, which including waste-to-energy related facilities. The Group has commenced such business and will seek related business opportunities in the foreseeable futures, as well as developing such business actively to become the leading operator in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review

Revenue

The revenue of the Group's operations in the first half of 2014 was approximately HK\$22.43 billion, increased by 9.1% when compared to the corresponding period of last year. Gas sales revenue was HK\$14.34 billion, representing a year-on-year increase of 14.6%. Beer sales revenue was HK\$7.95 billion. Other businesses contributed an aggregate of not more than 1% of the total revenue.

Cost of Sales

Cost of sales increased by 9.3% to HK\$17.68 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 labour cost, consumables and depreciation.

Gross Profit Margin

Overall gross profit margin was 21.2% compared to 21.3% in corresponding period of last year. The overall gross profit margin remained stable.

Gain on Deemed Disposal of Partial Interest in an Associate

During the first half of 2014, BE Water issued approximately 220,000,000 ordinary shares, the Group recognised a gain on deemed disposal of partial interest in an associate of HK\$327 million.

Other Income and Gains, net

Other income and gains, net, of the Group mainly included interest income of HK\$69 million, government grant of HK\$169 million and gain on disposal of available-for-sale investments of HK\$61 million.

Selling and Distribution Expenses

Selling and distribution costs of the Group in the first half of 2014 increased by 0.3% to HK\$1.26 billion due to enhancement of marketing efficiency and effective control of expenses.

Administration Expenses

Administration expenses of the Group in the first half of 2014 was HK\$1.65 billion, increased by 9.8% when compared to the corresponding period of last year. The increase was comparable with the increase in revenue.

Finance Costs

Finance costs of the Group in the first half of 2014 was HK\$562 million, increased by 1.5% when compared to the corresponding period in last year.

The indebtedness of the Group mainly comprises of long term debts and are all with fixed interest rates, only a small part of syndicated loans and working capital loans are with floating interest rates.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review *(Continued)*

Share of Profits and Losses of Associates

The amount increased significantly for the first half year was due to the share of 21.1% of the net profit of China Gas amounting to HK\$273 million from 1 September 2013 to 31 March 2014, the remaining balance mainly represented the 40% share of net profit of PetroChina Beijing Pipeline Company and the 44.18% share of net profit of BE Water for the first half of this year.

Taxation

The effective income tax rate was 18.9%, lower than the 21.9% in the corresponding period of last year, which was mainly due to the proportion of other income not subject to income tax in the first half of 2014 was higher than that in the corresponding period of last year.

Changes of Major Items in the Interim Condensed Consolidated Statement of Financial Position

The net book value of property, plant and equipment decreased by HK\$111 million, which was mainly attributable to current depreciation and amortisation beyond the newly purchased fixed assets and capital expenditure.

Investments in associates increased by HK\$219 million, which was mainly due to its share of profit of PetroChina Beijing Pipeline Company for the first half year, its share of profit of BE Water for the first half year and its share of profit of China Gas for the first half year.

Operating concessions increased due to the consolidation of solid waste treatment projects acquired by Beijing Development in Changde and Taian.

Other intangible assets increased by HK\$364 million, which was mainly due to the original remaining balance in the acquisition of projects in Changde and Taian by Beijing Development.

The balance of trade and bills receivables decreased by HK\$462 million, which was mainly because Beijing Gas strengthened the collection of accounts receivable from gas power plants for their purchase of gas.

The balance of prepayments, deposits and other receivables increased by HK\$506 million, which was mainly due to the significant increase of dividend receivable from PetroChina Beijing Pipeline Co..

The balance of other taxes recoverable significantly increased by HK\$2.23 billion, which was mainly due to the significant increase of gas purchase value added tax invoices settlement in the first half year, resulting in a significant increase in the balance of deductible value added tax credit.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review *(Continued)*

Changes of Major Items in the Interim Condensed Consolidated Statement of Financial Position (Continued)

The balance of trade and bills payables increased by HK\$4.17 billion, which was mainly due to certain gas purchase balances were not paid by Beijing Gas at the end of the period. Subsequent to the period, Beijing Gas has paid relevant payables of approximately HK\$2.08 billion.

Other payables and accruals increased by HK\$280 million, which was mainly due to the completion and settlement of construction projects by Beijing Gas during the period affected the payment progress.

The balance of the convertible bonds included in current liabilities decreased to HK\$Nil, which was mainly due to a full exercise of HK\$2.175 billion convertible bonds issued by the Company.

IV. Financial Position of the Group

Cash and Bank Borrowings

As at 30 June 2014, cash and bank deposits held by the Group amounted to HK\$13.16 billion, representing an increase of HK\$2.3 billion as compared to the end of 2013.

The Group's bank and other borrowings, convertible bonds and guaranteed senior notes amounted to HK\$25.88 billion as at 30 June 2014, which mainly comprised the 10-year and 30-year US dollar guaranteed senior notes of HK\$13.87 billion, syndicated loans amounting to HK\$4 billion and short-term loans amounting to HK\$6.67 billion.

Liquidity and Capital Resources

As at the period end date, the Group had a strong net working capital of HK\$2.71 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 2014, the issued capital of the Company was 1,284,350,268 shares and equity attributable to shareholders of the Company was HK\$55.64 billion. Total equity was HK\$66.22 billion when compared to HK\$64.07 billion as at the end of 2013. Gearing ratio, being 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 28% (31 December 2013: 27%).

By order of the Board

Wang Dong

Chairman

Hong Kong, 29 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 Unaudited HK\$'000	2013 Unaudited HK\$'000
REVENUE	3	22,429,905	20,549,941
Cost of sales		(17,679,867)	(16,178,566)
Gross profit		4,750,038	4,371,375
Gain on deemed disposal of partial interest in an associate		326,908	–
Other income and gains, net	4	511,340	478,976
Selling and distribution expenses		(1,260,048)	(1,255,704)
Administrative expenses		(1,645,579)	(1,498,155)
Other operating expenses, net		(163,168)	(61,871)
PROFIT FROM OPERATING ACTIVITIES	5	2,519,491	2,034,621
Finance costs	6	(561,507)	(553,354)
Share of profits and losses of:			
Joint ventures		2,360	(8,243)
Associates		1,678,402	1,321,255
PROFIT BEFORE TAX		3,638,746	2,794,279
Income tax	7	(369,835)	(325,032)
PROFIT FOR THE PERIOD		3,268,911	2,469,247
ATTRIBUTABLE TO:			
Shareholders of the Company		2,813,883	2,062,080
Non-controlling interests		455,028	407,167
		3,268,911	2,469,247
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	9		
Basic		HK\$2.21	HK\$1.80
Diluted		HK\$2.19	HK\$1.76

Details of interim dividend declared are disclosed in note 8.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014 Unaudited HK\$'000	2013 Unaudited HK\$'000
PROFIT FOR THE PERIOD	3,268,911	2,469,247
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	(110,418)	313,107
Reclassification adjustments for gain on disposal included in the consolidated statement of profit or loss	(60,587)	(94,923)
Income tax effect	–	15,276
	(171,005)	233,460
Exchange differences:		
Translation of foreign operations	(1,316,664)	1,384,706
Reclassification adjustments for gain on disposal of interests in subsidiaries included in the consolidated statement of profit or loss	–	(12,378)
Reclassification adjustments for gain on deemed disposal of partial interest in an associate included in the consolidated statement of profit or loss	(8,305)	–
	(1,324,969)	1,372,328
Share of other comprehensive loss of associates	(74,205)	–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	(1,570,179)	1,605,788
Items not to be reclassified to profit or loss in subsequent periods:		
Defined benefit plans:		
Actuarial gains	18,186	–
Income tax effect	(4,546)	–
	13,640	–
Share of other comprehensive income of associates	1,594	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	15,234	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX	(1,554,945)	1,605,788
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,713,966	4,075,035
ATTRIBUTABLE TO:		
Shareholders of the Company	1,502,282	3,478,346
Non-controlling interests	211,684	596,689
	1,713,966	4,075,035

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

	<i>Notes</i>	30 June 2014 Unaudited HK\$'000	31 December 2013 Audited HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment	10	38,886,194	38,996,767
Investment properties		703,932	719,968
Prepaid land premiums		1,873,432	1,785,609
Goodwill		7,643,249	7,659,735
Operating concessions		919,672	606,292
Other intangible assets		428,443	64,120
Investments in joint ventures		214,206	217,350
Investments in associates		29,402,960	29,184,338
Available-for-sale investments		1,118,558	1,315,859
Amounts due from contract customers		896,354	947,102
Prepayments, deposits and other receivables	13	1,305,153	1,316,771
Deferred tax assets		555,507	601,056
Total non-current assets		83,947,660	83,414,967
Current assets:			
Prepaid land premiums		36,530	53,509
Inventories		5,727,600	5,661,492
Amounts due from contract customers		21,253	28,599
Receivables under service concession arrangements	11	684,043	701,582
Trade and bills receivables	12	3,930,925	4,393,374
Prepayments, deposits and other receivables	13	4,796,738	4,290,561
Other taxes recoverable		2,446,019	219,169
Restricted cash and pledged deposits		151,994	63,104
Cash and cash equivalents		13,007,221	10,795,467
Total current assets		30,802,323	26,206,857
TOTAL ASSETS		114,749,983	109,621,824

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

	<i>Notes</i>	30 June 2014 Unaudited HK\$'000	31 December 2013 Audited HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital	14	30,401,883	127,019
Reserves		24,880,316	53,130,524
Dividends declared/proposed		359,618	763,695
		55,641,817	54,021,238
Non-controlling interests		10,581,353	10,046,841
TOTAL EQUITY		66,223,170	64,068,079
Non-current liabilities:			
Bank and other borrowings	15	5,236,284	4,519,636
Guaranteed senior notes	16	13,872,609	13,866,081
Liability component of convertible bonds	17	91,748	93,501
Derivative component of convertible bonds	17	8,630	8,851
Defined benefit plans		527,088	535,655
Provision for major overhauls		30,544	30,544
Other non-current liabilities		357,972	361,859
Deferred tax liabilities		305,488	233,462
Total non-current liabilities		20,430,363	19,649,589
Current liabilities:			
Trade and bills payables	18	6,555,592	2,383,225
Amounts due to contract customers		244,739	325,794
Receipts in advance		4,311,634	5,690,597
Other payables and accruals		9,294,668	9,014,718
Income tax payables		385,181	378,319
Other taxes payables		630,640	821,418
Liability component of convertible bonds	17	–	673,054
Bank and other borrowings	15	6,673,996	6,617,031
Total current liabilities		28,096,450	25,904,156
TOTAL LIABILITIES		48,526,813	45,553,745
TOTAL EQUITY AND LIABILITIES		114,749,983	109,621,824

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2014

	Attributable to shareholders of the Company														Total equity Unaudited HK\$'000
	Notes	Issued capital	Share premium account	Capital redemption reserve	Capital reserve	Available for-sale investment revaluation reserve	Property revaluation reserve	Defined benefits plans reserve	Exchange fluctuation reserve	PRC reserve funds	Retained profits	Dividends declared/proposed	Total	Non-controlling interests	
		Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	
At 1 January 2014		127,019	29,607,291	238	532,479	379,645	41,439	113,646	6,453,339	4,636,007	11,366,440	763,695	54,021,238	10,046,841	64,068,079
Profit for the period		-	-	-	-	-	-	-	-	-	2,813,883	-	2,813,883	455,028	3,268,911
Other comprehensive income/(loss) for the period:															
Available-for-sale investments:															
Change in fair value		-	-	-	-	(109,109)	-	-	-	-	-	-	(109,109)	(1,309)	(110,418)
Reclassification adjustments for gain on disposals included in the consolidated statement of profit or loss		-	-	-	-	(60,587)	-	-	-	-	-	-	(60,587)	-	(60,587)
Exchange differences:															
Translation of foreign operations		-	-	-	-	-	-	-	(1,074,629)	-	-	-	(1,074,629)	(242,035)	(1,316,664)
Reclassification adjustments for gain on deemed disposal of partial interest in an associate included in the consolidated statement of profit or loss		-	-	-	-	-	-	-	(8,305)	-	-	-	(8,305)	-	(8,305)
Defined benefits plan:															
Actuarial gain		-	-	-	-	-	-	18,186	-	-	-	-	18,186	-	18,186
Income tax effect		-	-	-	-	-	-	(4,546)	-	-	-	-	(4,546)	-	(4,546)
Share of other comprehensive income/(loss) of associates		-	-	-	-	-	-	1,594	(74,205)	-	-	-	(72,611)	-	(72,611)
Total comprehensive income/(loss) for the period		-	-	-	-	(169,696)	-	15,234	(1,157,139)	-	2,813,883	-	1,502,282	211,684	1,713,966
Capital contribution from non-controlling equity holders		-	-	-	-	-	-	-	-	-	-	-	-	19,810	19,810
Conversion of convertible bonds to ordinary shares	14	667,335	-	-	-	-	-	-	-	-	-	-	667,335	-	667,335
Acquisition of subsidiaries		-	-	-	29,082	-	-	-	-	-	-	-	29,082	-	29,082
Acquisition of non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	(19,583)	(19,583)
Disposal of subsidiaries		-	-	-	(9,334)	-	-	-	-	-	-	-	(9,334)	(2,334)	(11,668)
Deemed disposal of partial interest in a subsidiary		-	-	-	230,239	-	-	-	(3,213)	-	-	-	227,026	596,444	823,470
Transfer to issued capital	14	29,607,529	(29,607,291)	(238)	-	-	-	-	-	-	-	-	-	-	-
Shares repurchased under the new Hong Kong Companies Ordinance	14	-	-	-	-	-	-	-	-	-	(69,162)	-	(69,162)	-	(69,162)
Share of reserve of associates		-	-	-	36,533	-	512	-	-	-	-	-	37,045	-	37,045
Final 2013 dividend		-	-	-	-	-	-	-	-	-	(763,695)	(763,695)	(763,695)	-	(763,695)
Interim 2014 dividend declared	8	-	-	-	-	-	-	-	-	-	(359,618)	359,618	-	-	-
Dividend paid to non-controlling equity holders		-	-	-	-	-	-	-	-	-	-	-	-	(271,509)	(271,509)
Transfer to reserves		-	-	-	(887)	-	-	-	-	687,897	(687,010)	-	-	-	-
At 30 June 2014		30,401,883	-*	-*	818,112*	209,949*	41,951*	128,880*	5,292,987*	5,323,904*	13,064,533*	359,618	55,641,817	10,581,353	66,223,170

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2013

	Attributable to shareholders of the Company													
	Issued capital	Share premium account	Capital redemption reserve	Capital reserve	Available for-sale investment revaluation reserve	Property revaluation reserve	Defined benefit plans reserve	Exchange fluctuation reserve	PRC reserve funds	Retained profits	Dividends declared/proposed	Total	Non-controlling interests	Total equity
	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:	113,757	20,738,291	238	516,641	(98,385)	33,980	107,213	4,808,479	4,178,529	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 statement of profit or loss	-	-	-	-	(75,938)	-	-	-	-	-	-	(75,938)	(18,985)	(94,923)
Income tax effect	-	-	-	-	12,221	-	-	-	-	-	-	12,221	3,055	15,276
Exchange differences:														
Translation of foreign operations	-	-	-	-	-	-	-	1,170,428	-	-	-	1,170,428	214,278	1,384,706
Reclassification adjustments for gain on disposal of interests in subsidiaries included in the consolidated statement of profit or loss	-	-	-	-	-	-	-	(12,378)	-	-	-	(12,378)	-	(12,378)
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 to ordinary shares	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	1,503	-	175	-	-	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	108,716	5,966,529	4,301,670	10,316,157	291,658	43,795,222	9,592,990	53,388,212

* These reserve accounts comprise the consolidated reserves of HK\$24,880,316,000 (unaudited) (31 December 2013: HK\$53,130,524,000 (audited)) in the condensed consolidated statement of financial position as at 30 June 2014.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Operating activities		
Cash generated from operations	5,037,456	4,296,919
Dividends received from joint ventures and associates	714,188	843,733
Mainland China income tax paid	(305,418)	(410,268)
Net cash flows from operating activities	5,446,226	4,730,384
Investing activities		
Purchases of items of property, plant and equipment	(1,362,603)	(3,550,076)
Increase in investments in joint ventures and associates	(751,925)	–
Other cash flows arising from/(used in) investing activities	(222,022)	485,614
Net cash flows used in investing activities	(2,336,550)	(3,064,462)
Financing activities		
Capital contributions from non-controlling equity holders	18,284	852,919
New loans	2,559,965	2,685,323
Repayment of loans	(1,586,295)	(3,475,438)
Interest paid	(553,405)	(184,204)
Dividends paid	(763,695)	(572,286)
Other cash flows used in financing activities	(352,381)	(295,723)
Net cash flows used in financing activities	(677,527)	(989,409)
Net increase in cash and cash equivalents	2,432,149	676,513
Cash and cash equivalents at beginning of period	10,132,463	11,515,682
Effect of foreign exchange rate changes, net	(192,046)	253,516
Cash and cash equivalents at end of period	12,372,566	12,445,711
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	11,598,869	8,470,120
Time deposits	1,560,346	4,529,833
Less: Restricted cash and pledged deposits	(151,994)	(63,172)
	13,007,221	12,936,781
Less: Time deposits with maturity of more than three months when acquired	(634,655)	(491,070)
	12,372,566	12,445,711

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with the applicable disclosure provisions of The Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The accounting policies and basis of preparation used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the Group’s annual consolidated financial statements for the year ended 31 December 2013, 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. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial period and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in Sections 76 to 87 of Schedule 11 to that Ordinance.

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

2. EFFECT OF CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

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

3. OPERATING SEGMENT INFORMATION

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

3. OPERATING SEGMENT INFORMATION *(Continued)*

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

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2014 and 2013, respectively.

For the six months ended 30 June 2014

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

3. OPERATING SEGMENT INFORMATION *(Continued)*

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	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	1,667,898	2,679,570	–	23,907	–	4,371,375
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)
Profit/(loss) for the period	1,827,885	711,861	255,916	(326,415)	–	2,469,247
Segment profit/(loss) attributable to shareholders of the Company	1,817,888	291,360	255,916	(303,084)	–	2,062,080

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

3. OPERATING SEGMENT INFORMATION *(Continued)*

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

	30 June 2014 Unaudited HK\$'000	31 December 2013 Audited HK\$'000
Total assets:		
Piped gas operations	68,746,059	64,223,753
Brewery operation	25,778,179	24,934,992
Sewage and water treatment operations	9,852,479	9,492,533
Expressway and toll road operations	541,531	541,531
Corporate and others	13,769,507	14,332,614
Eliminations	(3,937,772)	(3,903,599)
	114,749,983	109,621,824
Total liabilities:		
Piped gas operations	20,553,370	19,444,955
Brewery operation	10,146,403	9,424,766
Sewage and water treatment operations	698,756	766,389
Expressway and toll road operations	232,651	232,646
Corporate and others	20,833,405	19,588,588
Eliminations	(3,937,772)	(3,903,599)
	48,526,813	45,553,745

Geographical information

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

Information about major customers

During each of the six months ended 30 June 2014 and 2013, 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 2014

4. OTHER INCOME AND GAINS, NET

	For the six months ended 30 June	
	2014 Unaudited HK\$'000	2013 Unaudited HK\$'000
Other income		
Bank interest income	68,950	74,458
Rental income	12,299	9,197
Government grants	169,085	47,670
Transfer of assets from customers	35,390	15,505
Others	162,072	135,898
	447,796	282,728
Gains, net		
Gain on disposal of items of property, plant and equipment, net	–	761
Gain on disposal of interests in subsidiaries	–	13,110
Gain on disposal of receivables under service concession arrangements	–	46,499
Gain on disposal of an available-for-sale investment carried at fair value, net	60,587	94,923
Foreign exchange differences, net	2,957	40,955
	63,544	196,248
Other income and gains, net	511,340	478,976

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

5. PROFIT FROM OPERATING ACTIVITIES

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

	For the six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Depreciation	1,066,485	1,015,351
Amortisation of prepaid land premium	18,721	14,490
Amortisation of operating concession*	6,518	–
Amortisation of patents**	250	–
Amortisation of computer software**	7,349	3,915

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

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

6. FINANCE COSTS

	For the six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest on bank loans and other loans wholly repayable within five years	191,321	163,192
Interest on guaranteed senior notes	361,447	360,774
Interest on convertible bonds	8,739	29,388
Total interest costs	561,507	553,354

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

7. INCOME TAX

	For the six months ended 30 June	
	2014 Unaudited HK\$'000	2013 Unaudited HK\$'000
Current – Mainland China	345,026	395,481
Deferred	24,809	(70,449)
Total tax expense for the period	369,835	325,032

No provision for Hong Kong profits tax has been made during the period ended 30 June 2014 as the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2013: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company's subsidiaries enjoy income tax exemptions and reductions.

8. INTERIM DIVIDEND

On 29 August 2014, the Board declared an interim cash dividend of HK28 cents per share (six months ended 30 June 2013: HK25 cents per share), totalling HK\$359,618,000 (six months ended 30 June 2013: HK\$291,658,000).

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 2014

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(Continued)

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

	For the six months ended 30 June	
	2014 Unaudited HK\$'000	2013 Unaudited HK\$'000
Earnings:		
Profit for the period attributable to shareholders of the Company, used in the basic earnings per share calculation	2,813,883	2,062,080
Interest expense for the period relating to the liability component of the dilutive convertible bonds of the Group	6,118	23,447
Profit for the period attributable to shareholders of the Company, used in the diluted earnings per share calculation	2,820,001	2,085,527
Number of ordinary shares:		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	1,274,472,627	1,145,995,102
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	11,198,373	41,575,898
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	1,285,671,000	1,187,571,000

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment with a total cost of HK\$1,362,603,000 (six months ended 30 June 2013: HK\$3,550,076,000), excluding property, plant and equipment acquired through transfer of assets from customers with a total deemed cost of HK\$35,390,000 (six months ended 30 June 2013: 15,505,000 (*note 4*)).

Property, plant and equipment with an aggregate carrying amount of HK\$112,863,000 (six months ended 30 June 2013: HK\$6,049,000) were disposed of by the Group during the six months ended 30 June 2014, resulting in a net loss on disposal of HK\$30,641,000 (six months ended 30 June 2013: gain on disposal of HK\$761,000 (*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:

	30 June 2014 Unaudited HK\$'000	31 December 2013 Audited HK\$'000
One to two years	–	358,585
Two to three years	349,621	342,997
Over three years	334,422	–
	684,043	701,582

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

12. TRADE AND BILLS RECEIVABLES

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

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

	30 June 2014 Unaudited HK\$'000	31 December 2013 Audited HK\$'000
Billed:		
Within one year	2,494,369	2,260,699
One to two years	63,898	66,176
Two to three years	48,960	34,955
Over three years	32,980	28,804
	2,640,207	2,390,634
Unbilled	1,290,718	2,002,740
	3,930,925	4,393,374

Included in the Group's trade and bills receivables as at 30 June 2014 was an aggregate amount of HK\$36,326,000 (31 December 2013: HK\$73,324,000) due from certain fellow subsidiaries of the Group arising from transactions carried out in the ordinary course of business of the Group. The balances are unsecured, interest-free and are repayable within credit periods similar to those offered by the Group to its major customers.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<i>Notes</i>	30 June 2014 Unaudited HK\$'000	31 December 2013 Audited HK\$'000
Prepayments		1,060,563	788,039
Deposits and other debtors	<i>(a)</i>	2,548,407	3,569,085
Dividend receivable from an associate	<i>(b)</i>	2,001,531	695,538
Due from holding companies	<i>(c)</i>	303,712	303,646
Due from fellow subsidiaries	<i>(c)</i>	142,468	227,778
Due from joint ventures	<i>(c)</i>	51,258	53,559
Due from related parties	<i>(c)</i>	111,093	82,672
		6,219,032	5,720,317
Impairment		(117,141)	(112,985)
		6,101,891	5,607,332
Portion classified as current assets		(4,796,738)	(4,290,561)
		1,305,153	1,316,771

Notes:

- (a) The Group's deposits and other debtors as at 30 June 2014 included, inter alia, the following:
- (i) certain deposits of HK\$240,668,000 (31 December 2013: HK\$222,295,000) in total paid for the construction of buildings and purchase of pipelines, equipment and machinery. The deposits are classified as non-current assets; and
 - (ii) an amount of RMB600,000,000 (equivalent to approximately HK\$750,000,000) (31 December 2013: RMB600,000,000 (equivalent to approximately HK\$769,231,000)) advanced to a local government authority for an investment in a wastage treatment plant project in Haidian district in Beijing, the PRC. The amount is unsecured, bears interest at 8.5% per annum and is fully repayable in April 2016 and was classified as a non-current asset.
- (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 Pipeline Company"), an associate of the Group, in respect of the financial year ended 31 December 2013 and 31 December 2012, respectively,
- (c) The amounts due from holding companies, fellow subsidiaries, joint ventures and related parties are unsecured, interest-free and have no fixed terms of repayment.

The balances with fellow subsidiaries, 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 2014

14. SHARE CAPITAL

A summary of the movements in the Company's issued share capital during the six months ended 30 June 2014 is as follows:

	Number of ordinary shares in issue	Issued capital (Unaudited) HK\$'000
At 1 January 2014	1,270,193,509	127,019
Transfer from share premium account (<i>note</i>)	–	29,607,291
Transfer from capital redemption reserve (<i>note</i>)	–	238
Conversion of convertible bonds into shares (<i>note 17</i>)	15,208,259	667,335
Shares repurchased under the new Hong Kong Companies Ordinance	(1,051,500)	–
At 30 June 2014	1,284,350,268	30,401,883

Note:

Pursuant to the transitional provisions for the abolition of the nominal value of share capital included in the new Hong Kong Companies Ordinance (Cap. 622) which became effective on 3 March 2014, the balances of share premium account and capital redemption reserve as at 3 March 2014 have been transferred to issued capital.

15. BANK AND OTHER BORROWINGS

- (a) As at 30 June 2014, the bank loans of the Group included a five-year HK\$3 billion syndicated loan facility and a five year HK\$1 billion syndicated loan facility obtained by the Company in 2010 and 2014, respectively. These syndicated loans bear interest at HIBOR+0.85% and HIBOR + 1.7%, respectively, and are fully payable on 2 August 2015 and 29 May 2019, respectively.

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

- (i) if Beijing Enterprises Group does not or ceases to own, directly or indirectly, at least 40% of the beneficiary interest of the Company; and
- (ii) if Beijing Enterprises Group ceases to be controlled and supervised by the Beijing Municipal Government.

Within the best knowledge of the directors, none of the above events took place during the period ended 30 June 2014 and as at the date of approval of these financial statements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

15. BANK AND OTHER BORROWINGS *(Continued)*

- (b) Included in the Group's bank and other borrowings as at 30 June 2014 is an amount of RMB250,000,000 (equivalent to HK\$312,500,000) (31 December 2013: RMB250,000,000 (equivalent to HK\$320,513,000)) due to Beijing Enterprises Group Finance Co., Ltd ("BE Group Finance"), an associate of the Group, which bears interest at 5.54% per annum.
- (c) HK\$262,500,000 (31 December 2013: HK\$333,333,000) of the Group's unsecured bank loans as at 30 June 2014 were guaranteed by the equity holders of a PRC subsidiary of the Group.

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:

	Guaranteed Convertible Bonds <i>(note (a))</i>	Yanjing Brewery Convertible Bonds <i>(note (b))</i>
Issuance date	2 June 2009	15 October 2010
Maturity date	1 June 2014	14 October 2015
Original principal amount:		
<i>(HK\$'000)</i>	2,175,000	N/A
<i>(RMB'000)</i>	N/A	429,804
Coupon rate	2.25%	0.5% – 1.4%
Conversion price per ordinary share of:		
– The Company <i>(HK\$)</i>	43.5	N/A
– Beijing Yanjing Brewery Company Limited ("Yanjing Brewery") <i>(RMB)</i>	N/A	7.22

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 2014

17. CONVERTIBLE BONDS *(Continued)*

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

	Guaranteed Convertible Bonds Unaudited HK\$'000 <i>(note (a))</i>	Yanjing Brewery Convertible Bonds Unaudited HK\$'000 <i>(note (b))</i>	Total Unaudited HK\$'000
Principal amount outstanding			
At 1 January 2014	673,270	96,636	769,906
Conversion to ordinary shares of the Company	(661,560)	–	(661,560)
Conversion to ordinary shares of Yanjing Brewery	–	(1,511)	(1,511)
Redemption of convertible bonds	(11,710)	–	(11,710)
Exchange realignment	–	(2,416)	(2,416)
At 30 June 2014	–	92,709	92,709
Liability component			
At 1 January 2014	673,054	93,501	766,555
Interest expense	6,118	798	6,916
Imputed interest expense	–	1,823	1,823
Conversion to ordinary shares of the Company <i>(note 14)</i>	(667,335)	–	(667,335)
Conversion to ordinary shares of Yanjing Brewery	–	(1,526)	(1,526)
Interest paid	(127)	(510)	(637)
Redemption of convertible bonds	(11,710)	–	(11,710)
Exchange realignment	–	(2,338)	(2,338)
At 30 June 2014	–	91,748	91,748
Derivative component			
At 1 January 2014	–	8,851	8,851
Exchange realignment	–	(221)	(221)
At 30 June 2014	–	8,630	8,630

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

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 Stock Exchange on 12 October 2010.

On 26 March 2012, 7 June 2012, 17 May 2013, 6 June 2013 and 23 May 2014, the conversion price of the Yanjing Brewery Convertible Bonds was changed from RMB21.86 to RMB15.37, from RMB15.37 to RMB7.58, from RMB7.58 to RMB7.47, from RMB7.47 to RMB7.30 and from RMB7.30 to RMB7.22, 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, 9 May 2013, 5 June 2013 and 15 May 2014, 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 statement of profit or loss.

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. In the opinion of the directors, since the fair value movement of the Yanjing Brewery Convertible Bonds and the related financial impact to the Group's financial statements is expected to be insignificant during the six months ended 30 June 2014, no external valuation was performed on the fair value of the Yanjing Brewery Convertible Bonds as at 30 June 2014.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

18. TRADE AND BILLS PAYABLES

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

	30 June 2014 Unaudited HK\$'000	31 December 2013 Audited HK\$'000
Within one year	6,207,055	1,920,092
One to two years	123,083	437,011
Two to three years	211,469	9,378
Over three years	13,985	16,744
	6,555,592	2,383,225

Included in the Group's trade and bills payables as at 30 June 2014 are amounts of HK\$45,226,000 (31 December 2013: HK\$41,028,000) and HK\$13,326,000 (31 December 2013: HK\$19,629,000) due to related companies and an associate, respectively, arising from transactions carried out in the ordinary course of business of the Group. The balances are unsecured, interest-free and are repayable within credit periods similar to those offered by the related companies and the associate to their major customers.

19. CONTINGENT LIABILITY

	30 June 2014 Unaudited HK\$'000	31 December 2013 Audited HK\$'000
Guarantee in respect of a banking facility granted to a third party	151,333	151,333

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

20. CAPITAL COMMITMENTS

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

	30 June 2014 Unaudited HK\$'000	31 December 2013 Audited HK\$'000
Authorised, but not contracted for:		
Acquisition of interests in subsidiaries	19,125	64,359
Contracted, but not provided for:		
Buildings	378,000	178,288
Plant and machinery	457,758	507,624
Service concession arrangements on a Build-Own-Transfer basis	273,898	–
Service concession arrangements on a Build-Own-Operate basis	54,235	–
Capital contribution to an associate	–	771,205
	1,163,891	1,457,117
Total capital commitments	1,183,016	1,521,476

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

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	
			2014 Unaudited HK\$'000	2013 Unaudited HK\$'000
Non-controlling equity holders of subsidiaries and their associates				
Yanjing Beer Group and its associates	Purchase of bottle labels ^γ	(i)	65,248	73,630
	Purchase of bottle caps ^γ	(i)	48,375	48,381
	Canning service fees paid ^γ	(ii)	18,614	20,642
	Comprehensive support service fees paid ^γ	(iii)	9,716	9,839
	Land rent expenses ^γ	(iv)	1,090	685
	Trademark licensing fees paid ^γ	(v)	38,821	34,280
	Less: Refund for advertising subsidies ^γ	(v)	(2,106)	(3,920)
Fellow subsidiaries:				
北京北燃實業有限公司 and its subsidiaries	Sale of gas [#]	(vi)	46,500	21,121
	Engineering service income [#]	(vii)	4,818	9,237
	Comprehensive service income [#]	(vii)	5,998	20,642
	Sale of goods [#]	(viii)	91,071	141,935
	Purchase of goods [#]	(ix)	64,840	35,074
	Building rental expenses [#]	(ix)	49,008	46,026
	Engineering service expenses [#]	(vii)	75,963	97,832
	Comprehensive service expenses [#]	(vii)	6,096	6,890
Associates:				
PetroChina Beijing Pipeline Company	Natural gas transmission fee expenses	(vi)	–	2,516,539
BE Group Finance	Interest expenses	(x)	8,344	–

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

21. RELATED PARTY DISCLOSURES *(Continued)*

(A) *(Continued)*

Notes:

- (i) The purchase prices for bottle labels and bottle caps were determined by reference to the agreed prices for the preceding year and an annual adjustment determined by reference to the price index in Beijing for the preceding year.
 - (ii) The canning service fees were charged at a rate equal to the costs of the canning services incurred by Yanjing Beer Group plus a mutually agreed profit margin.
 - (iii) The comprehensive support service fees paid included the following:
 - fees for security and canteen services which were determined based on the annual cost of labour, depreciation and maintenance for the preceding year and an annual adjustment by reference to the price index in Beijing; and
 - rental expenses, related to the premises occupied and used by Yanjing Brewery as its office, canteen and staff dormitories, which were determined by reference to the prevailing market rentals at the time when the relevant agreements were entered into.
 - (iv) The land rent expenses were charged at a mutually agreed amount.
 - (v) 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 at a rate of RMB0.008 per bottle of beer sold by the subsidiaries of Yanjing Brewery. Yanjing Beer Group would refund 20% of the trademark licensing fees received from Yanjing Brewery for the use by Yanjing Brewery to develop and promote the “Yanjing” trademark.
 - (vi) The selling price of gas and the gas transmission fee were prescribed by the PRC government.
 - (vii) The service fees were determined by reference to the then prevailing market rates and set at prices not higher than the guidance prices set by the PRC government.
 - (viii) The selling prices of goods were determined on a cost-plus basis.
 - (ix) The purchase prices of goods and the building rentals were determined by reference to the then prevailing market rates.
 - (x) The interest was charged to the Group on a borrowing from BE Group Finance. Details of the terms of the relevant borrowing are set out in note 15(b) to the financial statements.
- ^r These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules that are exempted from the reporting, announcement and independent shareholders’ approval requirements.
- [#] These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules that are exempted from the independent shareholders’ approval requirement but are subject to the reporting and announcement requirements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

21. RELATED PARTY DISCLOSURES *(Continued)*

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	Six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	10,585	9,305
Pension scheme contributions	13	11
Total compensation paid to key management personnel	10,598	9,316

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities which are due to be received or settled within one year are reasonable approximation of their respective fair values, and accordingly, no disclosure of the fair values of these financial instruments is made.

The listed equity investments of the Group are stated at fair value based on their quoted market prices (as categorised within Level 1 of the fair value hierarchy); whilst the unlisted equity investments of the Group are stated at cost less any accumulated impairment losses because fair values of which cannot be reasonably assessed and therefore, no disclosure of the fair values of these financial instruments is made.

As disclosed in note 17(b) to the financial statements, the conversion option of the Yanjing Brewery Convertible Bonds is classified as a derivative financial instrument (a financial liability at fair value through profit or loss). In the opinion of the directors, since the financial impact of the fair value of the financial instrument is insignificant to the Group, no disclosure in respect of the valuation assumptions and their related effects on this financial instrument is made.

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

23. OTHER FINANCIAL INFORMATION

The net current assets and total assets less current liabilities of the Group as at 30 June 2014 amounted to HK\$2,705,873,000 (unaudited) (31 December 2013: HK\$302,701,000 (audited)) and HK\$86,653,533,000 (unaudited) (31 December 2013: HK\$83,717,668,000 (audited)), respectively.

DISCLOSEABLE INFORMATION

BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION

During the period under review:

On 31 March 2014:

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

On 28 April 2014:

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

Changes in directors' information since the date of the Company's 2013 annual report are set out below:

	Resignation (effective)
Mr. Zhou Si <ul style="list-style-type: none">• Beijing Gas Group Company Limited (<i>Note 1</i>) – Chairman of the Board & Director	7 July 2014
Mr. Wu Jiesi <ul style="list-style-type: none">• China Merchants Securities Co., Ltd. (<i>Note 2</i>) – Independent Director	8 August 2014

Note: (1) a wholly-owned subsidiary of the Company

(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 2013 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 2014, the interests and short positions of the Company's directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), were as follows:

(A) LONG POSITIONS IN SHARES OF THE COMPANY

Director	Number of ordinary shares directly beneficially owned	Percentage of the Company's issued share capital
Zhou Si	210,500	0.016%
Li Fucheng	12,000	0.001%
E Meng	30,000	0.002%
Jiang Xinhao	20,000	0.002%

(B) LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

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

(C) LONG POSITIONS IN SHARES OF ASSOCIATED CORPORATIONS

Director	Associated corporation	Number of ordinary shares directly beneficially owned	Percentage of the associated corporations' issued share capital
Li Fucheng	Beijing Yanjing Brewery Company Limited [®]	82,506	0.003%
E Meng	Beijing Development (Hong Kong) Limited [®]	601,000	0.040%

[®] As at 30 June 2014, all interests in this 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)	Note (d)	
Zhou Si	7,000,000	5,000,000	12,000,000		24,000,000
Liu Kai	5,000,000	5,000,000			10,000,000
E Meng	5,000,000	3,600,000			8,600,000
Jiang Xinhao	5,000,000	3,300,000	6,000,000	4,000,000	18,300,000

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

Director	Note	Number of share options directly beneficially owned			At 30 June 2014
		At 1 January 2014	Granted during the period	Exercised during the period	
E Meng	(e)	6,770,000	–	–	6,770,000

Long positions in share options in China Gas Holdings Limited[®] (an associate of the Company):

At 30 June 2014, Mr. Zhou Si directly beneficially owned 4,000,000 share options of China Gas Holdings Limited (“China Gas”). These share options were granted on 16 April 2014 at an exercise price of HK\$12.4 per ordinary share of China Gas with an exercise period commencing from 16 April 2017 to 15 April 2019.

Notes:

- (a) These share options were granted on 28 October 2011 at an exercise price of HK\$0.465 per share. These share options may be exercised at any time commencing on 28 October 2011, and if not otherwise exercised, will lapse on 27 October 2021.
- (b) These share options were granted on 1 June 2012 at an exercise price of HK\$0.41 per share. These share options may be exercised at any time commencing on 1 June 2012, and if not otherwise exercised, will lapse on 31 May 2022.
- (c) These share options were granted on 24 May 2013 at an exercise price of HK\$0.574 per share. These share options may be exercised at any time commencing on 24 May 2013, and if not otherwise exercised, will lapse on 23 May 2023.
- (d) These share options were granted on 31 March 2014 at an exercise price of HK\$0.94 per share. These share options may be exercised at any time commencing on 31 March 2014, and if not otherwise exercised, will lapse on 30 March 2024.
- (e) 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.

[®] As at 30 June 2014, all interests in this associated corporations owned by the Company are indirectly held.

DISCLOSEABLE INFORMATION

Save as disclosed above, as at 30 June 2014, none of the directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

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

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

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

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

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 2014, 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 2014, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

LONG POSITIONS:

Name	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Others	Total	
Modern Orient Limited	100,050,000	–	100,050,000	7.79%
Beijing Enterprises Investments Limited (“BEIL”)	163,730,288	100,050,000 ^(a)	263,780,288	20.54%
Beijing Enterprises Group (BVI) Company Limited (“BE Group BVI”)	509,350,000	263,780,288 ^(b)	773,130,288	60.20%
Beijing Enterprises Group Company Limited (“BE Group”)	–	773,130,288 ^(c)	773,130,288	60.20%

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 2014, no person, other than the directors of the Company, whose interests are set out in the section “Directors’ and chief executive’s interests and short positions in shares and underlying shares” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DISCLOSEABLE INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2014, the Company bought back a total of 1,051,500 ordinary shares of the Company on the Stock Exchange and these shares were subsequently cancelled by the Company. Details of the buy-backs of such ordinary shares are as follows:

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

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

EMPLOYEE

At 30 June 2014, 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.

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 2014.

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 2014.

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 2014 and considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.