

BEIJING ENTERPRISES HOLDINGS LIMITED

STOCK CODE : 392

INTERIM REPORT 2019



北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

CONTENTS

2	Corporate Information
4	Corporate Structure
5	Financial Highlights
6	Management Discussion and Analysis
16	Condensed Consolidated Statement of Profit or Loss
17	Condensed Consolidated Statement of Comprehensive Income
18	Condensed Consolidated Statement of Financial Position
20	Condensed Consolidated Statement of Changes In Equity
22	Condensed Consolidated Statement of Cash Flows
24	Notes to Condensed Interim Consolidated Financial Information
50	Discloseable Information
56	Corporate Governance



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Hou Zibo (*Chairman & Chief Executive Officer*)

Mr. Li Yongcheng (*Vice Chairman*)

Mr. Zhao Xiaodong (*Vice Chairman*)

Mr. E Meng (*Executive Vice President*)

Mr. Jiang Xinhao (*Vice President*)

Mr. Tam Chun Fai

(*Chief Financial Officer & Company Secretary*)

Independent Non-Executive Directors

Mr. Wu Jiesi

Mr. Lam Hoi Ham

Dr. Sze Chi Ching

Dr. Yu Sun Say

Mr. Ma She

AUDIT COMMITTEE

Mr. Wu Jiesi

Mr. Lam Hoi Ham (*Committee Chairman*)

Mr. Ma She

REMUNERATION COMMITTEE

Mr. Hou Zibo

Mr. Wu Jiesi (*Committee Chairman*)

Mr. Lam Hoi Ham

NOMINATION COMMITTEE

Mr. Hou Zibo (*Committee Chairman*)

Mr. Lam Hoi Ham

Mr. Ma She

INVESTMENT COMMITTEE

Mr. Hou Zibo (*Committee Chairman*)

Mr. Jiang Xinhao

Mr. Lam Hoi Ham

Dr. Yu Sun Say

Mr. Ma She

COMPANY SECRETARY

Mr. Tam Chun Fai *CPA CFA*

STOCK CODE

392

WEBSITE

www.behl.com.hk

SHARE REGISTRAR

Tricor Tengis Limited

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183 Queen's Road East,

Hong Kong.

REGISTERED OFFICE

66/F., Central Plaza,

18 Harbour Road,

Wanchai, Hong Kong.

Tel: (852) 2915 2898

Fax: (852) 2857 5084

AUDITORS

Ernst & Young

CORPORATE INFORMATION

LEGAL ADVISERS

Hong Kong Law

Mayer Brown

PRC Law

Haiwen & Partners

PRINCIPAL BANKERS

In Hong Kong

Bank of China, Hong Kong Branch

Bank of Communications, Hong Kong Branch

DBS Bank Ltd., Hong Kong Branch

In Mainland China

Agricultural Bank of China

Bank of China

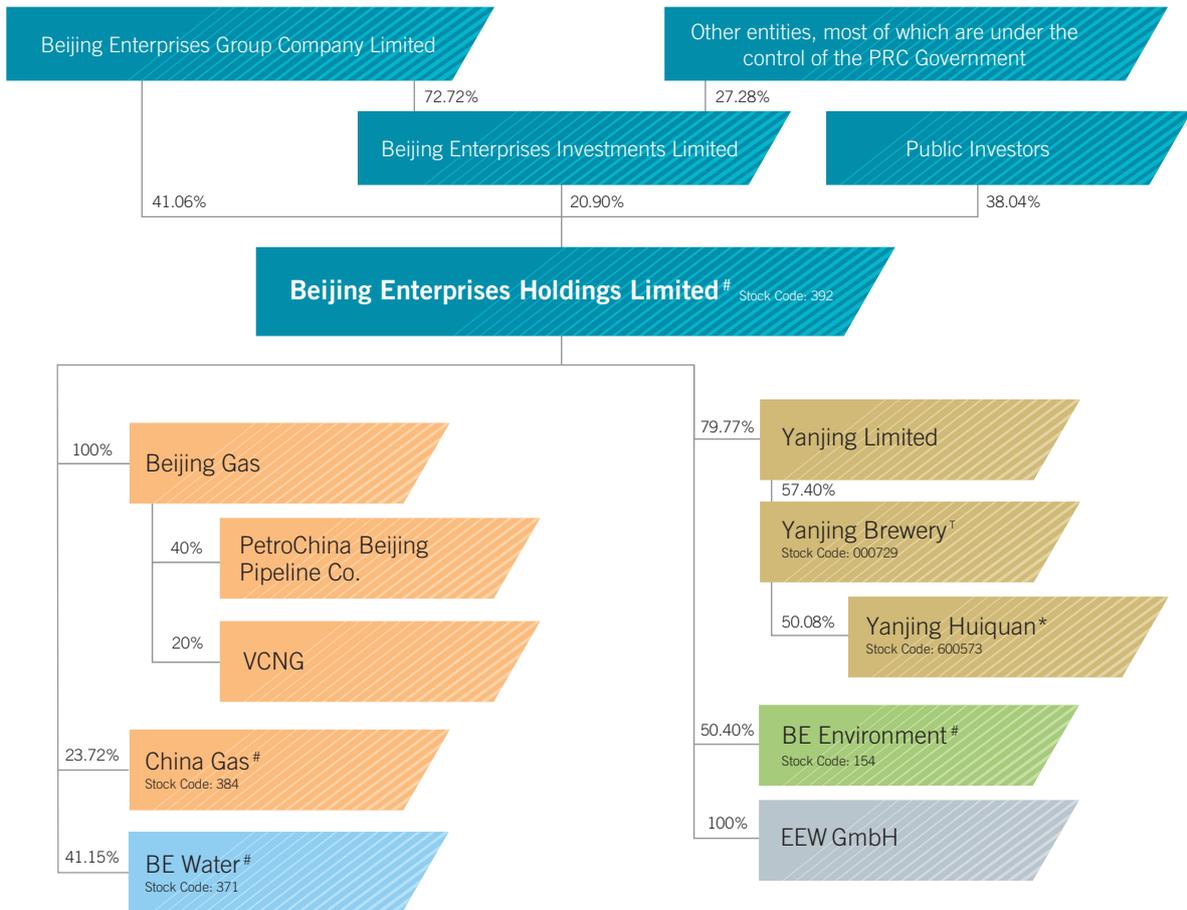
China Construction Bank

The Industrial and Commercial Bank of China

Bank of Beijing

CORPORATE STRUCTURE

As at 30 June 2019



- * Listed on The Shanghai Stock Exchange
- T Listed on The Shenzhen Stock Exchange
- # Listed on The Main Board of The Hong Kong Stock Exchange

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 2019 together with the comparative figures in 2018. The consolidated revenue of the Group for the first half of 2019 was HK\$34.23 billion, which was basically unchanged as compared with that of the corresponding period in last year. Profit attributable to shareholders of the Company was HK\$4.75 billion, representing an increase of 11.2% over the corresponding period in 2018.

Profit after taxation contributed by each business segment during the period was as follows:

	Profit of the Company <i>HK\$'000</i>	Proportion %
Piped gas operation	3,842,347	68.3
Beer operation	582,346	10.3
Water and environmental operations	1,139,796	20.2
Solid waste treatment operation	68,876	1.2
Profit from major operations	5,633,365	100
Corporate and others	(481,917)	
Profit of the Company	5,151,448	
Profit attributable to non-controlling interests	(406,118)	
Profit attributable to shareholders of the Company	4,745,330	

INTERIM DIVIDEND

The Board has resolved to declare an interim cash dividend for the six months ended 30 June 2019 of HK40 cents (2018: HK32 cents) per share, which will be payable on 25 October 2019 to shareholders whose names appear on the register of members of the Company on 27 September 2019.

CLOSURE OF REGISTER OF MEMBERS

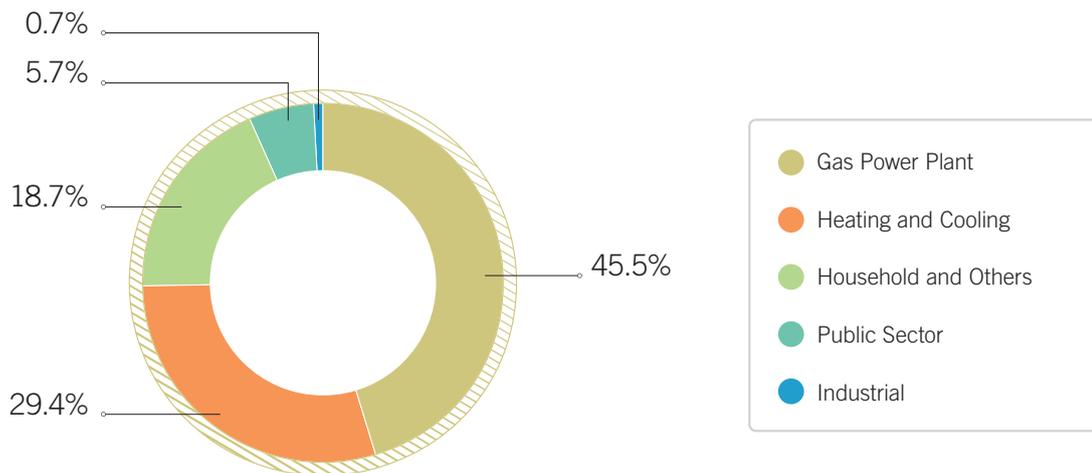
The Company’s register of members will be closed from Wednesday, 25 September 2019 to Friday, 27 September 2019, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 24 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

Natural Gas Distribution Business of Beijing Gas

Beijing Gas Group Company Limited (“Beijing Gas”) recorded a revenue of HK\$24.25 billion in the first half year of 2019. Profit from principal businesses attributable to shareholders of the Company (including natural gas distribution business, natural gas transmission business and VCNG of Rosneft) was HK\$3.01 billion, representing an increase of 5.6% when compared with the same period last year. The gas sales volume was approximately 8.562 billion cubic meters in the first half year, representing a year-on-year decrease of 3.7%, which was mainly due to a decrease in the gas sales volume of the heating segment resulting from the effect of warmer winter. An analysis by subscriber sector is shown as follows:



During the period, Beijing Gas developed approximately 59,000 new household subscribers and 3,208 new public sector subscribers. New heating boiler subscribers with a total capacity of 427 t/h were developed. Up to 30 June 2019, Beijing Gas had a total of approximately 6.31 million piped gas subscribers in Beijing and approximately 23,800 kilometers of natural gas pipelines in operation. Beijing Gas’ capital expenditure in the first half year amounted to approximately HK\$896 million.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Natural Gas Distribution Business of Beijing Gas (Continued)

In the first half of this year, Beijing Gas moved forward the investment projects in markets both within and outside Beijing in an orderly manner and accelerated the establishment of the gas supply security system. While accelerating the takeover of the piped gas assets to expand its market share in Beijing, Beijing Gas proactively participated in the construction of the gas market at Xiong'an New District. In the downstream market, Beijing Gas kept making efforts in pipeline network operation management and continued to propel the construction of several projects such as intelligence gas project of Beijing sub-center, energy center project of Universal Studio.

Natural Gas Transmission Business

PetroChina Beijing Gas Pipeline Co., Ltd. ("PetroChina Beijing Pipeline Co.") recorded a gas transmission volume of 26.46 billion cubic meters in the first half year of 2019, representing a year-on-year growth of 7.5%. During the period, Beijing Gas' share of net profit after taxation was HK\$1.08 billion, which was derived through its 40% equity interests in PetroChina Beijing Pipeline Co., representing an increase of 16.8% when compared with the same period last year. Total capital expenditure of PetroChina Beijing Pipeline Co. in the first half year was approximately HK\$1.02 billion.

VCNG of Rosneft

The PJSC Verkhnechonskneftegaz ("VCNG") project of Rosneft Oil Company achieved its petroleum sales of 3.787 million tons in the first half year of 2019. Beijing Gas's share of net operating profit after taxation was HK\$550 million in the first half year, which was derived through its 20% equity interest in VCNG.

MANAGEMENT DISCUSSION AND ANALYSIS

I. **Business Review** (Continued)

China Gas

The Group's share of profit of China Gas Holdings Limited ("China Gas", stock code: 384) in the first half year of 2019 was HK\$964 million, which was calculated based on the share of profit attributable to shareholders of China Gas for the six months ended 31 March 2019 and representing an increase of 46% when compared with the same period last year. With the continuous expansion of the urban gas business, China Gas has comprehensively constructed an integrated energy ecosystem through the continuous promotion of the "coal to gas conversion" projects in industrial and commercial sectors, striving to develop the quality township "gas for coal replacement" and "beautiful villages" businesses, accelerating the development of new businesses such as LPG sales network, value-added services, LNG trading, thermoelectric power, distributed energy resources. During the 2019 financial year, China Gas achieved a sales volume of 24.66 billion cubic meters in natural gas, representing a year-on-year increase of 32.1%. It achieved a sales volume of 3.99 million tons in LPG, representing a year-on-year decrease of 0.9%. Approximately 5.11 million households were newly connected and the cumulative number of households connected reached approximately 29.68 million as at 31 March 2019.

Beer Business

In the first half year of 2019, Beijing Yanjing Brewery Co., Ltd. ("Yanjing Brewery") comprehensively enhanced its market construction measures and propelled the refined transformation of market management. While optimizing its product structure to improve profitability, Yanjing Brewery strengthened its brand promotion, developed new products of related themes by leveraging on sponsorship rights of the "CFA Cup", the Beijing Winter Olympics and the Basketball World Cup 2019 and so on to enrich the content of Yanjing brand.

During the reporting period, Yanjing Brewery recorded a beer sales volume of 2.58 million kilolitres, of which, the sales volume of Yanjing main brand was 1.76 million kilolitres, and the sales volume of "1+3" brand was 2.38 million kilolitres. The revenue that Beijing Yanjing Brewery Investments Co., Ltd. (北京燕京啤酒投資有限公司) ("Yanjing Limited") recorded was HK\$6.53 billion during the period. Its profit before tax was HK\$753 million. The capital expenditure of Yanjing Limited in the first half year was approximately HK\$360 million.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Water and Environmental Business

Beijing Enterprises Water Group Limited (“BE Water”, stock code: 371) conducted strategic corporation with the China Three Gorges Corporation during the period and had successfully expanded the ecological and environmental protection market in the Yangtze River basin. It jointly established the Yangtze River Green Development Investment Fund with several parties and had effectively improved the quality of existing assets and promoted the digital upgrading of Smart Water operation. The operating revenue of BE Water increased by 28.2% to HK\$12.83 billion due to operating revenue increase from water treatment services and water environmental management and construction services, and profit attributable to shareholders of the company increased by 17.1% to HK\$2.77 billion. The net profit attributable to the Group was HK\$1.14 billion, representing a year-on-year increase of 13.6%.

As at 30 June 2019, BE Water already participated in 1,047 water plants which are or will be in operation, including 875 sewage treatment plants, 140 water distribution plants, 30 reclaimed water plants and 2 seawater desalination plants, with a total design capacity of 37.76 million tons/day. The net increase in design capacity for the period was 0.937 million tons/day.

Solid Waste Treatment Business

At the end of the first half year, the solid waste treatment business segment of the Group reached a waste incineration and power generation integrated treatment capacity of 26,932 tons/day. During the reporting period, EEW Energy from Waste GmbH (“EEW GmbH”) achieved an operating revenue of HK\$2.61 billion, representing a year-on-year increase of 3.7%. Beijing Enterprises Environment Group Limited (“BE Environment”, stock code: 154) and Beijing Enterprises Holdings Environment Technology Co., Ltd (“BEHET”) together achieved a total operating revenue of HK\$791 million during the period, and their profit attributable to shareholders of the Group amounted to HK\$49 million. The capital expenditure of solid waste related business (domestically and overseas) in the first half year amounted to approximately HK\$979 million.

During the period, EEW GmbH accomplished a waste treatment volume of 2.292 million tons, representing a year-on-year increase of 0.5%, sales of electricity of 844 million KWH, representing a year-on-year increase of 1.7%; The domestic solid waste treatment business segment of the Group completed a waste treatment volume of 2.136 million tons, representing a year-on-year increase of 2.5%. It accomplished an on-grid power generation volume of 596 million KWH, representing a year-on-year increase of 8.4%. Active efforts have been made to explore technological innovation and carry out expansion work for domestic projects so as to cope with new environmental protection and emission standards. The Group further standardized the strategic control, resources integration and professional management intensity of solid waste treatment segment to promote the technology, personal, and management exchange among enterprises as well as cultural integration.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Prospects

Natural Gas Distribution Business of Beijing Gas

The gradual policy implementation in the gas industry has brought new growth opportunities to the domestic natural gas market. Beijing Gas will grasp the development opportunities to expand its market in all directions. In Beijing, Beijing Gas will continue to optimize the business environment to increase subscriber development efficiency. In the area outside Beijing, Beijing Gas will proactively participate in the intelligence energy construction of Xiong'an New District, and will also accelerate the construction of the Tangshan LNG receiving terminal expansion project.

Beer Business

With the competition in the beer industry intensifying and diversified consumer demand, the beer market will greet an era of quality first and value regression in future. Facing the new layout of industry competition, Yanjing Brewery will adopt various measures, focus on market structure adjustment, product structure adjustment, brand structure adjustment and management innovation to strive to realize product upgrade, market upgrade and management upgrade, constantly enhance brand influence and strengthen its market competitiveness.

Water and Environmental Business

BE Water will endeavour to grasp a strategic move heading towards an asset-light enterprise, and drive the growth of both core and emerging businesses according to its comprehensive innovative and ecological strategies by capitalising on its strategic position as an integrated, leading and professional water environment comprehensive service provider that offers services across the industry chain. Moreover, it will continue to expand and strengthen the two core businesses of urban water business and comprehensive water environment treatment through optimised market selection, resources allocation, cash flow management and operating capacity building.

Solid Waste Treatment Business

In terms of solid waste treatment business, the Group will improve the operation and management ability of its domestic projects, strictly control production cost to ensure a steady increase of project income level and improve its market competitiveness of the solid waste treatment business overall. The Group will also accelerate the absorption and introduction of the advanced operation management experience of EEW GmbH and promote the transformation of its achievements.

In the second half of 2019, the Group will proactively evaluate the impact of the internal and external economic situation, macro-policy regulation and industrial market changes on the Company's main business operation. Based on accurate judgment on and adaptation to policies and market changes, the Group will advance all operation and management works with confidence to constantly enhance self-development quality, firmly adhere to strategic direction, foster innovation drivers and promote efficiency growth.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review

Revenue

The Group's revenue from operating activities in the first half year of 2019 was approximately HK\$34.23 billion, which remained broadly stable when compared with the same period last year. The revenue of gas sales was HK\$24.25 billion, the revenue of beer sales was HK\$6.53 billion, the revenue of the solid waste treatment and environment protection businesses was HK\$3.45 billion, which included the revenue of EEW GmbH amounting to HK\$2.61 billion, the revenue of other solid waste treatment businesses was HK\$843 million in total.

Cost of Sales

Cost of sales year-on-year increased by 0.1% to HK\$28.04 billion. Cost of sales of gas distribution business mainly included purchase cost of natural gas as well as depreciation cost of gas pipe-line network. Cost of sales of brewery business included raw materials, wage expenses and absorption of certain direct overheads. Cost of sales of solid waste treatment operation included fuel charges, amortisation and waste collection costs.

Gross Profit Margin

The overall gross profit margin was 18.1% when compared with the 18.5% of the same period last year, which was mainly due to the decrease in gross profit margin of natural gas business that accounted for the largest proportion of total revenue when compared with same period of last year, resulting from the absence of subsidies amounting to RMB204 million during the heating season in the corresponding period of last year.

Gains on Deemed Disposal of Partial Interests in Associates

During the first half of 2019, BE Water issued ordinary shares under the placement and share subscription exercise. The Group recognized a gain of HK\$187 million on the deemed disposal of partial interest in an associate as a result of the dilution in the Group's shareholding in BE Water from this placement and share subscription exercise.

In addition, China Gas issued ordinary shares upon the exercise of share options by its employees during the period. The Group recognised a gain on deemed disposal of the partial interest in an associate of HK\$151 million.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review (Continued) *Other income and gain, net*

Other income and gain, net mainly comprised of interest income amounted to HK\$130 million, dividend income amounted to HK\$49 million, income from disposal of certain fixed assets amounted to HK\$18 million, government grants amounted to HK\$75 million and rental income of HK\$21 million.

Selling and Distribution Expenses

Selling and distribution expenses of the Group in the first half year of 2019 were HK\$1.1 billion, which was basically unchanged as compared with that of corresponding period in last year.

Administrative Expenses

Administrative expenses of the Group in the first half year of 2019 were HK\$2.11 billion, decreased by 11.5% when compared with same period of last year, which was mainly due to the one-off increase in relevant expenses at the beginning of 2018 resulting from the employee benefits improvement under defined benefit plans of Beijing Gas.

Other Operating Expenses, net

Other operating expenses, net mainly included the impairment on certain assets for solid waste business.

Finance Costs

Finance costs of the Group in the first half year of 2019 were HK\$1.05 billion, increased by 14.3% when compared with same period of last year, which was mainly due to the increase in bank loans.

Share of Profits and Losses of Associates

Share of profits and losses of associates mainly included the 40% share of profit attributable to shareholders of PetroChina Beijing Pipeline Co., the 20% share of profit attributable to shareholders of VCNG, the 24.4% share of profit attributable to shareholders of China Gas and the 41.15% share of profit attributable to shareholders of BE Water.

In the first half year of 2019, the Group shared the profit after taxation of PetroChina Beijing Pipeline Co. amounting to HK\$1.08 billion, the Group shared the profit after taxation of VCNG amounting to HK\$550 million, the Group shared the profit after taxation of China Gas amounting to HK\$964 million and the Group shared the net profit of BE Water amounting to HK\$1.14 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review (Continued)

Taxation

The effective income tax rate was 28.9%, lower than the 34.1% in the corresponding period of last year, which was mainly due to the withholding tax expense for certain dividend income in the same period of last year but none in this year.

Profit Attributable to Shareholders of the Company

Profit attributable to shareholders of the Company in the first half year of 2019 was HK\$4.75 billion, increased by 11.2% when compared with the same period of last year.

Changes of major items in the Interim Condensed Consolidated Statement of Financial Position

Non-current Assets

The net book value of property, plant and equipment increased by HK\$1.32 billion as compared with the end of 2018, which was mainly attributable to the increase in the number of Beijing Gas' natural gas related construction projects.

Other intangible assets were mainly from EEW GmbH.

Under the new lease standard HKFRS 16, which has come into effect on 1 January 2019, right-of-use assets represent the Group (as lessee) shall recognise a lease as a right-of-use asset in the balance sheet in accordance with the new standard.

The balance of prepaid land premiums was nil as the new lease standard HKFRS 16 which has come into effect on 1 January 2019. Prepaid land premiums have been reclassified as right-of-use assets.

Investments in associates increased by HK\$2.94 billion, which was mainly due to the Group's sharing of the first half profit of VCNG, PetroChina Beijing Pipeline Company, BE Water and China Gas.

The equity investments at fair value through other comprehensive income mainly represented the fair value of Beijing Gas' investment in CNPC Capital Company Limited.

The balance of receivables under a finance lease was from the relevant balance of EEW GmbH.

Financial asset at fair value through profit or loss mainly represented the fair value of Beijing Gas' investment in PetroChina Pipelines Co., Ltd.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review *(Continued)*

Changes of major items in the Interim Condensed Consolidated Statement of Financial Position (Continued)

Current Assets

The balance of inventories increased by HK\$315 million, which was mainly due to the increase in inventories of Yanjing Brewery.

The balance of trade receivables mainly represented the account receivables of Beijing Gas for selling gas during the heating season.

Cash balance was HK\$18.0 billion, which remained broadly stable as compared with the balance at the end of 2018.

Non-current Liabilities

The balance of bank and other borrowings increased by HK\$2.13 billion, which was mainly due to the combining of the balance of bank and other borrowings as a result of the projects acquired by Beijing Gas during the period.

There were no additional guaranteed bonds and notes during the period, the balance of which remained broadly stable on a year-on-year basis.

Lease liabilities are under the new lease standard HKFRS 16 which has come into effect on 1 January 2019, which represent that the Group (as lessee) shall recognise a lease as a lease liability in the balance sheet according to the new standard.

The onerous contracts and major overhauls were mainly from EEW GmbH.

Current Liabilities

The balance of trade and bills payables decreased by HK\$464 million, which was mainly due to the natural gas payment made by Beijing Gas during the period.

Other payables, accruals and contract liabilities decreased by HK\$855 million, which was mainly due to a decrease in the receipts in advance resulting from the decline of natural gas sales volume in summer.

The balance of bank and other borrowings increased by HK\$597 million, which was mainly due to the combining of the balance of bank and other borrowings as a result of the projects acquired by Beijing Gas during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Financial Position of the Group

Cash and Bank Borrowings

As at 30 June 2019, cash and bank deposits held by the Group amounted to HK\$18.0 billion, the amount of which remained broadly stable as compared with the balance at the end of 2018.

The Group's total borrowings amounted to HK\$62.27 billion as at 30 June 2019, which comprised guaranteed bonds and notes of US\$2.5 billion in total, Euro guaranteed bonds amounting to EUR1.3 billion, medium and long-term loans amounting to HK\$16.94 billion.

Liquidity and Capital Resources

As at 30 June 2019, the Group had net current assets of HK\$5.85 billion. The Group maintains sufficient banking facilities both in Hong Kong and Mainland China for its working capital requirements and has abundant cash resources to finance its capital expenditures in the foreseeable future.

As at 30 June 2019, the issued capital of the Company was 1,262,053,268 shares and equity attributable to shareholders of the Company was HK\$72.15 billion. Total equity was HK\$84.02 billion when compared with HK\$81.02 billion as at the end of 2018. The gearing ratio, being interest-bearing bank borrowings, guaranteed bonds and notes divided by the sum of total equity, interest-bearing bank borrowings, guaranteed bonds and notes, was 42.6% (31 December 2018: 42.4%).

Foreign Exchange Exposure

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

By order of the Board

Hou Zibo

Chairman and Chief Executive Officer

Hong Kong, 29 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	<i>Notes</i>	Unaudited HK\$'000	Unaudited HK\$'000
REVENUE	3	34,233,316	34,345,042
Cost of sales		(28,040,708)	(28,001,513)
Gross profit		6,192,608	6,343,529
Gains on deemed disposal of partial interests in associates		338,115	330,394
Other income and gain, net	4	498,361	500,333
Selling and distribution expenses		(1,102,126)	(1,077,789)
Administrative expenses		(2,113,875)	(2,388,842)
Other operating expenses, net		(636,764)	(524,445)
PROFIT FROM OPERATING ACTIVITIES	5	3,176,319	3,183,180
Finance costs	6	(1,048,102)	(917,062)
Share of profits and losses of:			
Joint ventures		5,826	(22,134)
Associates		3,633,160	3,257,021
PROFIT BEFORE TAX		5,767,203	5,501,005
Income tax	7	(615,755)	(772,664)
PROFIT FOR THE PERIOD		5,151,448	4,728,341
ATTRIBUTABLE TO:			
Shareholders of the Company		4,745,330	4,267,378
Non-controlling interests		406,118	460,963
		5,151,448	4,728,341
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	9		
Basic and diluted		HK\$3.76	HK\$3.38

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	5,151,448	4,728,341
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(1,079,824)	(38,160)
Share of other comprehensive income/(loss) of associates	(494,074)	421,683
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	(1,573,898)	383,523
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Defined benefit plans:		
Actuarial losses	(97,688)	(108,425)
Income tax effect	30,275	27,106
	(67,413)	(81,319)
Equity investments at fair value through other comprehensive income:		
Changes in fair value	222,684	(591,602)
Income tax effect	(82,261)	122,061
	140,423	(469,541)
Share of other comprehensive income of associates	7,430	3,919
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	80,440	(546,941)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(1,493,458)	(163,418)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,657,990	4,564,923
ATTRIBUTABLE TO:		
Shareholders of the Company	3,322,357	4,107,094
Non-controlling interests	335,633	457,829
	3,657,990	4,564,923

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	<i>Notes</i>	30 June 2019 Unaudited HK\$'000	31 December 2018 Audited HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment	10	53,036,587	51,717,563
Investment properties		1,142,757	1,147,395
Right-of-use assets		2,244,696	–
Prepaid land premiums		–	1,469,087
Goodwill		16,770,790	16,553,016
Operating concessions		3,286,316	2,981,150
Other intangible assets		3,207,180	3,272,196
Investments in joint ventures		303,919	358,475
Investments in associates		56,312,287	53,375,575
Equity investments at fair value through other comprehensive income		3,113,210	2,908,338
Financial asset at fair value through profit or loss		2,290,991	2,301,452
Receivables under service concession arrangements	11	1,803,403	1,807,792
Receivables under a finance lease		796,212	846,572
Prepayments, other receivables and other assets		542,043	1,538,539
Deferred tax assets		1,365,866	1,423,522
Total non-current assets		146,216,257	141,700,672
Current assets:			
Prepaid land premiums		–	38,342
Inventories		5,454,040	5,138,624
Receivables under a finance lease		84,134	81,260
Receivables under service concession arrangements	11	92,834	123,605
Trade receivables	12	5,581,325	5,216,897
Prepayments, other receivables and other assets		4,576,318	3,611,879
Other taxes recoverable		486,128	609,522
Restricted cash and pledged deposits		40,361	39,983
Cash and cash equivalents		17,987,481	17,935,496
Total current assets		34,302,621	32,795,608
TOTAL ASSETS		180,518,878	174,496,280

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	<i>Notes</i>	30 June 2019 Unaudited HK\$'000	31 December 2018 Audited HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	<i>13</i>	30,401,883	30,401,883
Reserves		41,747,647	39,270,734
		72,149,530	69,672,617
Non-controlling interests		11,871,232	11,342,755
TOTAL EQUITY		84,020,762	81,015,372
Non-current liabilities:			
Bank and other borrowings	<i>14</i>	29,083,702	26,958,501
Guaranteed bonds and notes	<i>15</i>	31,046,373	31,024,807
Lease liabilities		482,346	–
Defined benefit plans		2,168,665	2,011,333
Provision for onerous contracts and major overhauls		343,094	341,974
Other non-current liabilities		2,617,892	1,708,842
Deferred tax liabilities		2,300,230	2,250,422
		68,042,302	64,295,879
Current liabilities:			
Trade and bills payables	<i>16</i>	4,040,403	4,504,712
Other payables, accruals and contract liabilities		20,559,154	21,413,851
Provision for onerous contracts		50,944	50,944
Income tax payables		955,138	1,227,743
Other taxes payables		541,818	448,372
Bank and other borrowings	<i>14</i>	2,136,886	1,539,407
Lease liabilities		171,471	–
		28,455,814	29,185,029
TOTAL LIABILITIES		96,498,116	93,480,908
TOTAL EQUITY AND LIABILITIES		180,518,878	174,496,280

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2019

	Attributable to shareholders of the Company										
	Share capital	Capital reserve	Investment revaluation reserve	Property revaluation reserve	Defined benefits plans reserve	Exchange fluctuation reserve	PRC reserve funds	Retained profits	Total	Non-controlling interests	Total equity
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019	30,401,883	1,278,748*	(76,284)*	84,707*	(88,523)*	(3,013,799)*	11,151,013*	29,934,872*	69,672,617	11,342,755	81,015,372
Profit for the period	-	-	-	-	-	-	-	4,745,330	4,745,330	406,118	5,151,448
Other comprehensive income/(loss) for the period:											
Equity investments at fair value through other comprehensive income:											
Changes in fair value	-	-	222,684	-	-	-	-	-	222,684	-	222,684
Income tax effect	-	-	(82,261)	-	-	-	-	-	(82,261)	-	(82,261)
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,010,647)	-	-	(1,010,647)	(69,177)	(1,079,824)
Defined benefit plans:											
Actuarial losses	-	-	-	-	(95,956)	-	-	-	(95,956)	(1,732)	(97,688)
Income tax effect	-	-	-	-	29,851	-	-	-	29,851	424	30,275
Share of other comprehensive income/(loss) of associates	-	-	13,036	(4,010)	(1,596)	(494,074)	-	-	(486,644)	-	(486,644)
Total comprehensive income/(loss) for the period	-	-	153,459	(4,010)	(67,701)	(1,504,721)	-	4,745,330	3,322,357	335,633	3,657,990
Capital contribution from non-controlling equity holders	-	-	-	-	-	-	-	-	-	16,463	16,463
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	439,963	439,963
Share of reserves of associates	-	75,855	-	-	-	-	-	-	75,855	-	75,855
Final 2018 dividend	-	-	-	-	-	-	-	(921,299)	(921,299)	-	(921,299)
Dividends paid to non-controlling equity holders	-	-	-	-	-	-	-	-	-	(263,582)	(263,582)
Transfer to reserves	-	-	-	-	-	-	474,911	(474,911)	-	-	-
At 30 June 2019	30,401,883	1,354,603*	77,175*	80,697*	(156,224)*	(4,518,520)*	11,625,924*	33,283,992*	72,149,530	11,871,232	84,020,762

* These reserve accounts comprise the consolidated reserves of HK\$41,747,647,000 (unaudited) (31 December 2018: HK\$39,270,734,000 (audited)) in the condensed consolidated statement of financial position as at 30 June 2019.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2018

	Attributable to shareholders of the Company										Non-controlling interests	Total equity
	Share capital	Capital reserve	Investment revaluation reserve	Property revaluation reserve	Defined benefits plans reserve	Exchange fluctuation reserve	PRC reserve funds	Retained profits	Total			
	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 2018	30,401,883	967,094	546,304	84,051	(166,174)	964,337	9,853,215	24,917,340	67,568,050	11,604,955	79,173,005	
Profit for the period	-	-	-	-	-	-	-	4,267,378	4,267,378	460,963	4,728,341	
Other comprehensive income/(loss) for the period:												
Equity investments at fair value through other comprehensive income:												
Changes in fair value	-	-	(591,602)	-	-	-	-	-	(591,602)	-	(591,602)	
Income tax effect	-	-	122,061	-	-	-	-	-	122,061	-	122,061	
Exchange differences on translation of foreign operations	-	-	-	-	-	(35,026)	-	-	(35,026)	(3,134)	(38,160)	
Defined benefit plans:												
Actuarial losses	-	-	-	-	(108,425)	-	-	-	(108,425)	-	(108,425)	
Income tax effect	-	-	-	-	27,106	-	-	-	27,106	-	27,106	
Share of other comprehensive income/(loss) of associates	-	-	(8,339)	(1,288)	3,919	431,310	-	-	425,602	-	425,602	
Total comprehensive income/(loss) for the period	-	-	(477,880)	(1,288)	(77,400)	396,284	-	4,267,378	4,107,094	457,829	4,564,923	
Capital contribution from non-controlling equity holders	-	-	-	-	-	-	-	-	-	1,531	1,531	
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	47,010	47,010	
Share of reserves of associates	-	29,070	-	-	-	-	-	-	29,070	-	29,070	
Final 2017 dividend	-	-	-	-	-	-	-	(858,196)	(858,196)	-	(858,196)	
Dividends paid to non-controlling equity holders	-	-	-	-	-	-	-	-	-	(254,029)	(254,029)	
Transfer to reserves	-	-	-	-	-	-	602,282	(602,282)	-	-	-	
At 30 June 2018	30,401,883	996,164	68,424	82,763	(243,574)	1,360,621	10,455,497	27,724,240	70,846,018	11,857,296	82,703,314	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	2,342,882	2,591,090
Mainland China income tax paid	(790,086)	(608,890)
Overseas income tax paid	(48,726)	(113,426)
Net cash flows from operating activities	1,504,070	1,868,774
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(2,433,622)	(2,711,459)
Receipt of government grants for property, plant and equipment	922,774	–
Acquisition of/increase in investments in associates	(548,038)	(1,000,000)
Acquisition of subsidiaries	821,298	–
Dividends received from associates	93,193	845,174
Proceeds from disposal items of property, plant and equipment	229,898	24,408
Decrease/(increase) in time deposits with maturity of more than three months	(1,417)	829,788
Other cash flows from investing activities	59,260	127,906
Net cash flows used in investing activities	(856,654)	(1,884,183)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions from non-controlling equity holders	16,463	1,531
New loans	1,245,163	2,580,488
Repayment of loans	(518,271)	(1,895,632)
Interest paid	(1,029,538)	(909,277)
Other cash flows used in financing activities	(266,540)	(254,029)
Net cash flows used in financing activities	(552,723)	(476,919)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Net increase/(decrease) in cash and cash equivalents	94,693	(492,328)
Cash and cash equivalents at beginning of period	17,909,131	16,959,763
Effect of foreign exchange rate changes, net	(43,973)	(35,351)
Cash and cash equivalents at end of period	17,959,851	16,432,084
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances:		
Placed in banks	9,184,895	9,590,552
Placed in a financial institution, which is an associate	715,015	927,061
Time deposits:		
Placed in banks	6,065,204	4,106,615
Placed in a financial institution, which is an associate	2,062,728	1,891,669
Less: Restricted cash and pledged deposits	(40,361)	(41,633)
	17,987,481	16,474,264
Less: Time deposits with maturity of more than three months when acquired	(27,630)	(42,180)
	17,959,851	16,432,084

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited.

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

The accounting policies and basis of preparation used in the preparation of the unaudited interim condensed consolidated financial information are consistent with those adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, except for the adoption of the new and revised HKFRSs, as disclosed in note 2 below.

The financial information relating to the year ended 31 December 2018 that is included in this unaudited interim condensed consolidated financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to those statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on the consolidated financial statements of the Company for the year ended 31 December 2018. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

This interim condensed consolidated financial information has not been audited, but has been reviewed by the Company’s audit committee.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

2. 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 unaudited interim condensed consolidated financial information:

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

- (a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

New definition of a lease (Continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land, buildings and machinery. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except an elective exemption for short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on the straight-line basis over the lease term.

Impacts on transition

Lease liabilities as at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2019 and were separately presented on the face of the condensed consolidated statement of financial position as at 30 June 2019.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the leases recognised in the condensed consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the condensed consolidated statement of financial position.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The Group has used the following elective practical expedients when applying HKFRS 16 as at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	(Unaudited) HK\$'000
Assets	
Decrease in property, plant and equipment	(57,068)
Increase in right-of-use assets	2,096,000
Decrease in prepaid land premiums	(1,507,429)
Decrease in prepayments, other receivables and other assets	(1,418)
Increase in total assets	530,085
Liabilities	
Increase in lease liabilities	570,048
Decrease in other liabilities	(39,963)
Increase in total liabilities	530,085

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon the adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on the straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed lease payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

Amounts recognised in the condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movements during the period are as follow:

	Right-of-use assets				Total HK\$'000	Lease liabilities HK\$'000
	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Prepaid land premiums HK\$'000	Land and buildings HK\$'000		
At 1 January 2019	57,068	–	1,507,428	531,505	2,096,001	570,048
Additions	14,544	12,501	–	268,833	295,878	200,078
Depreciation charge	(4,329)	(2,439)	(19,565)	(112,390)	(138,723)	–
Interest expense	–	–	–	–	–	17,807
Payments	–	–	–	–	–	(129,201)
Exchange realignment	(23)	(22)	(3,673)	(4,742)	(8,460)	(4,915)
At 30 June 2019	67,260	10,040	1,484,190	683,206	2,244,696	653,817

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

- (c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any significant impact on the Group’s interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

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

Segment assets and liabilities of each of the reportable operating segments are separately managed by each of the individual operating segments.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

3. OPERATING SEGMENT INFORMATION *(Continued)*

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2019 and 2018, respectively.

Six months ended 30 June 2019

	Piped gas operation Unaudited HK\$'000	Brewery operation Unaudited HK\$'000	Water and environmental operations Unaudited HK\$'000	Solid waste treatment operation Unaudited HK\$'000	Corporate and others Unaudited HK\$'000	Inter- segment elimination Unaudited HK\$'000	Consolidated Unaudited HK\$'000
Segment revenue and disaggregated revenue information	24,253,763	6,525,919	-	3,453,634	-	-	34,233,316
Cost of sales	(21,468,474)	(3,991,019)	-	(2,581,215)	-	-	(28,040,708)
Gross profit	2,785,289	2,534,900	-	872,419	-	-	6,192,608
Profit/(loss) from operating activities	1,905,001	748,366	-	295,582	299,602	(72,232)	3,176,319
Finance costs	(252,906)	(10,528)	-	(78,118)	(778,782)	72,232	(1,048,102)
Share of profits and losses of:							
Joint ventures	5,826	-	-	-	-	-	5,826
Associates	2,465,498	14,850	1,139,796	13,016	-	-	3,633,160
Profit/(loss) before tax	4,123,419	752,688	1,139,796	230,480	(479,180)	-	5,767,203
Income tax	(281,072)	(170,342)	-	(161,604)	(2,737)	-	(615,755)
Profit/(loss) for the period	3,842,347	582,346	1,139,796	68,876	(481,917)	-	5,151,448

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

3. OPERATING SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2018

	Piped gas operation Unaudited HK\$'000	Brewery operation Unaudited HK\$'000	Water and environmental operations Unaudited HK\$'000	Solid waste treatment operation Unaudited HK\$'000	Corporate and others Unaudited HK\$'000	Inter- segment elimination Unaudited HK\$'000	Consolidated Unaudited HK\$'000
Segment revenue and disaggregated revenue information	24,450,180	6,636,053	–	3,258,809	–	–	34,345,042
Cost of sales	(21,371,686)	(4,130,795)	–	(2,499,032)	–	–	(28,001,513)
Gross profit	3,078,494	2,505,258	–	759,777	–	–	6,343,529
Profit/(loss) from operating activities	1,873,072	806,470	–	233,244	339,529	(69,135)	3,183,180
Finance costs	(187,455)	(9,986)	–	(78,356)	(710,400)	69,135	(917,062)
Share of profits and losses of:							
Joint ventures	(22,240)	–	–	106	–	–	(22,134)
Associates	2,230,437	12,935	1,003,708	9,941	–	–	3,257,021
Profit/(loss) before tax	3,893,814	809,419	1,003,708	164,935	(370,871)	–	5,501,005
Income tax	(385,237)	(186,342)	–	(197,118)	(3,967)	–	(772,664)
Profit/(loss) for the period	3,508,577	623,077	1,003,708	(32,183)	(374,838)	–	4,728,341

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

3. OPERATING SEGMENT INFORMATION *(Continued)*

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

	30 June 2019 Unaudited HK\$'000	31 December 2018 Audited HK\$'000
Total assets:		
Piped gas operations	105,781,496	101,546,818
Brewery operation	22,483,324	20,854,542
Water and environmental operations	12,126,280	11,272,105
Solid waste treatment operation	33,038,309	32,975,497
Corporate and others	14,754,561	15,759,422
Eliminations	(7,665,092)	(7,912,104)
	180,518,878	174,496,280
Total liabilities:		
Piped gas operations	31,786,662	31,508,724
Brewery operation	7,665,634	6,399,511
Solid waste treatment operation	16,780,500	16,225,400
Corporate and others	47,930,412	47,259,377
Eliminations	(7,665,092)	(7,912,104)
	96,498,116	93,480,908

During each of the six months ended 30 June 2019 and 2018, none of the Group's individual customers contributed 10% or more of the Group's revenue.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

4. OTHER INCOME AND GAIN, NET

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
OTHER INCOME		
Interest income	130,398	151,487
Rental income	20,864	19,656
Investment income from an equity investment at fair value through other comprehensive income	49,255	–
Government grants	74,874	83,404
Transfer of assets from customers	17,004	10,818
Others	187,746	229,675
	480,141	495,040
GAIN, NET		
Gain on disposal of items of property, plant and equipment, net	18,220	5,293
Other income and gain, net	498,361	500,333

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

5. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	1,753,123	1,623,128
Depreciation of right-of-use assets	138,723	–
Amortisation of prepaid land premium	–	20,266
Amortisation of operating concession*	72,490	42,698
Amortisation of customer contracts*	115,713	144,895
Amortisation of operating right*	2,407	1,742
Amortisation of patents*	830	590
Amortisation of computer software**	23,419	26,781
Foreign exchange differences, net	502	4,565

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

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and other loans	462,680	340,427
Interest on guaranteed bonds and notes	566,858	568,850
Interest on lease liabilities	17,807	–
Total interest expenses	1,047,345	909,277
Increase in discounted amounts of provision for major overhauls arising from the passage of time	7,212	7,785
Total finance costs	1,054,557	917,062
Less: Interest capitalised in construction in progress	(6,455)	–
	1,048,102	917,062

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

7. INCOME TAX

	Six months ended 30 June 2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Current:		
Mainland China	381,471	607,028
Germany	182,124	194,890
Deferred	52,160	(29,254)
Total tax expense for the period	615,755	772,664

No provision for Hong Kong profits tax has been made during the six months ended 30 June 2019 as the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2018: 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 2019, the Board declared an interim cash dividend of HK40 cents per share (six months ended 30 June 2018: HK32 cents per share), totalling HK\$504,821,000 (six months ended 30 June 2018: HK\$403,857,000).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount was based on the profit attributable to shareholders of the Company, and the weighted average number of ordinary shares of 1,262,053,268 (2018: 1,262,053,268) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2019 and 2018 for a dilution as the Group had no potentially dilutive ordinary shares in issue during each of the six months ended 30 June 2019 and 2018.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment with a total cost of HK\$2,183,875,000 (six months ended 30 June 2018: HK\$2,711,459,000), excluding property, plant and equipment acquired through transfer of assets from customers with a total deemed cost of HK\$17,004,000 (six months ended 30 June 2018: HK\$10,818,000 (note 4)) and acquisition of subsidiaries of HK\$1,780,215,000.

Property, plant and equipment with an aggregate carrying amount of HK\$211,678,000 (six months ended 30 June 2018: HK\$19,115,000) were disposed of by the Group during the six months ended 30 June 2019, resulting in a net gain on disposal of HK\$18,220,000 (six months ended 30 June 2018: HK\$5,293,000 (note 4)).

11. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

The Group's receivables under service concession arrangements represented the Group's unconditional right to receive cash or another financial asset for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service under service concession arrangements. They were all unbilled as at 30 June 2019 and 31 December 2018.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

12. TRADE RECEIVABLES

The various group companies have different credit policies, depending on the requirements of their markets and the businesses which they operate. Ageing analysis of trade receivables are prepared and closely monitored in order to minimise any credit risk associated with receivables. The Group does not hold any collateral or other credit enhancement over its trade receivables.

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

	30 June 2019 Unaudited HK\$'000	31 December 2018 Audited HK\$'000
Billed:		
Within one year	4,919,854	2,907,189
One to two years	184,182	73,721
Two to three years	27,569	31,788
Over three years	81,613	53,455
	5,213,218	3,066,153
Unbilled	368,107	2,150,744
	5,581,325	5,216,897

Included in the Group's trade receivables as at 30 June 2019 was an aggregate amount of HK\$34,025,000 (31 December 2018: HK\$35,251,000) and HK\$87,302,000 (31 December 2018: HK\$55,227,000) due from certain fellow subsidiaries and a joint venture of the Group arising from transactions carried out in the ordinary course of business of the Group, respectively. 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 INFORMATION

30 June 2019

13. SHARE CAPITAL

	30 June 2019 Unaudited HK\$'000	31 December 2018 Audited HK\$'000
Issued and fully paid:		
1,262,053,268 ordinary shares	30,401,883	30,401,883

14. BANK AND OTHER BORROWINGS

	30 June 2019 Unaudited HK\$'000	31 December 2018 Audited HK\$'000
	<i>Notes</i>	
Bank loans:		
Secured	873,933	856,929
Unsecured	(a) 28,588,974	25,834,006
	29,462,907	26,690,935
Other loans:		
Unsecured	(b) 1,757,681	1,806,973
Total bank and other borrowings	31,220,588	28,497,908
Portion classified as current liabilities	(2,136,886)	(1,539,407)
Non-current portion	29,083,702	26,958,501

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

14. BANK AND OTHER BORROWINGS *(Continued)*

(a) The loan agreements in respect of certain loans outstanding as at 30 June 2019 include certain conditions imposing specific performance obligations on the Company's holding companies, among which the following events would constitute events of default on the loan facilities:

- (i) if Beijing Enterprises Group does not or ceases to own, directly or indirectly, at least 40% or 50% of the beneficiary interest of the Company; and
- (ii) if Beijing Enterprises Group ceases to be controlled and supervised by the Beijing Municipal Government.

Below is a summary of these bank loans as at 30 June 2019:

	Obtained in	Bear annual interest at	Fully repayable on
Five-year HK\$4 billion term loan	2015	HIBOR+1.15%	27 November 2020
Five-year HK\$3 billion term loan	2016	HIBOR+0.68%	22 November 2021
Five-year HK\$1.94 billion term loan	2016	HIBOR+1.06%	7 December 2021
Five-year HK\$4 billion term loan	2016	HIBOR+0.88%	24 June 2021
Five-year US\$290 million syndicated loan	2017	LIBOR+0.825%	15 May 2022
Five-year HK\$4 billion term loan	2017	HIBOR+0.62%	17 July 2022
Five-year EUR350 million loan	2018	EURIBOR+1.09%	17 July 2023

To the best knowledge of the directors of the Company, none of the above default events took place during the period ended 30 June 2019 and as at the date of approval of this financial information.

(b) Included in the Group's other borrowings as at 30 June 2019 is an aggregate amount of HK\$300 million (31 December 2018: HK\$300 million) and RMB788,330,000 (equivalent to HK\$895,830,000) (31 December 2018: RMB742,000,000 (equivalent to HK\$847,000,000)) due to Beijing Enterprises Group Finance Co., Ltd ("BE Group Finance", an associate of the Group), which bears interest at rates ranging from HIBOR plus 1.05% to 5.32% per annum. Interest expenses of RMB25,918,000 (equivalent to HK\$30,137,000) (six months ended 30 June 2018: RMB26,286,000 (equivalent to HK\$30,924,000)) were recognised in profit or loss during the period in respect of the loans.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

15. GUARANTEED BONDS AND NOTES

	Principal at original currency 'million	Contractual interest rate (%) per annum	Maturity	30 June 2019 Unaudited HK\$'000	31 December 2018 Audited HK\$'000
2011 First Senior Notes	US\$600	5%	2021	4,649,868	4,647,003
2011 Second Senior Notes	US\$400	6.375%	2041	3,099,912	3,098,002
2012 Senior Notes	US\$800	4.5%	2022	6,222,278	6,218,602
2015 EUR Bonds	EUR500	1.435%	2020	4,493,994	4,488,860
2015 US Bonds	US\$200	4.99%	2040	1,521,218	1,521,040
2017 EUR Bonds	EUR800	1.3%	2022	7,159,020	7,154,680
2017 Guaranteed Notes	US\$500	2.75%	2022	3,900,083	3,896,620
				31,046,373	31,024,807

Except for the 2017 Guaranteed Notes which is guaranteed by Beijing Gas Group Company Limited ("Beijing Gas"), a wholly-owned subsidiary of the Company, all the above bonds and notes are guaranteed by the Company.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

16. TRADE AND BILLS PAYABLES

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

	30 June 2019 Unaudited HK\$'000	31 December 2018 Audited HK\$'000
Billed:		
Within one year	2,427,005	2,529,803
One to two years	47,009	70,757
Two to three years	7,885	11,123
Over three years	18,661	24,034
	2,500,560	2,635,717
Unbilled	1,539,843	1,868,995
	4,040,403	4,504,712

Included in the Group's trade and bills payables as at 30 June 2019 are amounts of HK\$18,343,000 (31 December 2018: HK\$48,993,000) due to fellow subsidiaries, 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 parties to their major customers.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

17. BUSINESS COMBINATIONS

The provisional fair values of the identifiable assets and liabilities of the subsidiaries acquired during the period ended 30 June 2019 as at their respective dates of acquisition were as follows:

	Six months ended 30 June 2019 Unaudited HK\$'000 <i>(note)</i>
Net assets acquired:	
Property, plant and equipment	1,780,215
Other intangible assets	429
Inventories	7,711
Trade receivables	283,909
Prepayments, other receivables and other assets	1,239,914
Income tax recoverable	7,099
Cash and cash equivalents	821,298
Bank and other borrowings	(2,065,581)
Other non-current liabilities	(339,182)
Trade and bills payables	(30,858)
Other payables and accruals	(644,343)
Total identifiable net assets at fair value	1,060,611
Non-controlling interests	(439,963)
	620,648
Goodwill on acquisition	309,585
	930,233
Satisfied by capital contribution to the acquiree	930,233

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

17. BUSINESS COMBINATIONS *(Continued)*

The Group has elected to measure the non-controlling interests in the subsidiaries acquired at the non-controlling interests' proportionate share of the identifiable net assets of the subsidiaries acquired.

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

	Six months ended 30 June 2019 Unaudited <i>HK\$'000</i> <i>(note)</i>
Cash and cash equivalents acquired	821,298
Net inflow of cash and cash equivalents included in cash flows from investing activities	821,298

Note:

In March 2019, Beijing Gas acquired a 60% equity interest in 唐山市天然氣有限公司 and its subsidiaries (the "Tangshan Group") by way of capital contribution of RMB800,000,000 (equivalent to HK\$930,233,000). Tangshan Group is principally engaged in the distribution and sale of piped natural gas in Hebei province, the PRC.

18. CAPITAL COMMITMENTS

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

	30 June 2019 Unaudited <i>HK\$'000</i>	31 December 2018 Audited <i>HK\$'000</i>
Contracted, but not provided for:		
Buildings	2,659	4,731
Gas pipelines and plant and machinery	1,540,430	2,464,989
New service concession arrangements	233,608	188,746
Total capital commitments	1,776,697	2,658,466

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

19. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in this condensed interim consolidated financial information, 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	
			2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Non-controlling equity holders of subsidiaries and their associates:				
Yanjing Beer Group and its associates	Purchase of bottle labels ^γ	(i)	15,990	11,500
	Purchase of bottle caps ^γ	(i)	25,539	7,800
	Canning service fees paid ^γ	(ii)	17,508	6,033
	Comprehensive support service fees paid ^γ	(iii)	9,038	9,145
	Land rent expenses ^γ	(iv)	1,031	1,159
	Trademark licensing fees paid ^γ	(v)	31,788	35,960
	Less: refund for advertising subsidies ^γ	(v)	(3,192)	(3,236)
Fellow subsidiaries:				
Beiran Enterprises and its subsidiaries	Sale of gas [#]	(vi)	221,942	105,883
	Engineering service income [#]	(vii)	8,109	10,250
	Comprehensive service income [#]	(vii)	738	4,490
	Sale of goods [#]	(viii)	27,151	39,072
	Purchase of goods [#]	(ix)	18,545	52,920
	Building rental expenses [#]	(ix)	4,019	10,961
	Building rental income [#]	(ix)	3	2
	Engineering service expenses [#]	(vii)	70,952	69,576
	Comprehensive service expenses [#]	(vii)	19,682	17,738
Associate:				
Beijing Enterprises Group Finance Co., Ltd.	Interest income	(x)	18,137	16,578
	Interest expenses	(x)	30,137	30,924

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 INFORMATION

30 June 2019

19. RELATED PARTY DISCLOSURES *(Continued)*

(a) *(Continued)*

Notes:

- (i) The purchase prices for bottle labels and bottle caps were determined by reference to the agreed prices for the preceding year and an annual adjustment determined by reference to the price index in Beijing in the preceding year.
- (ii) The canning service fees were charged at a rate equal to the costs of the canning services incurred by Yanjing Beer Group plus a mutually-agreed profit margin.
- (iii) The comprehensive support service fees paid included the following:
 - fees for security and canteen services which were determined based on the annual cost of labour, depreciation and maintenance for the preceding year and an annual adjustment by reference to the price index in Beijing; and
 - rental expenses, related to the premises occupied and used by Yanjing Brewery as its office, canteen and staff dormitories, which were determined by reference to the prevailing market rentals at the time when the relevant agreements were entered into.
- (iv) The land rent expenses were charged at a mutually-agreed amount of RMB1,849,000 (2018: RMB1,849,000) per annum.
- (v) The trademark licensing fees paid were for the use of “Yanjing” trademark and were determined based on 1% (six months ended 30 June 2018: 0.94%) of the annual sales of beer and mineral water products made by Yanjing Brewery and at a rate of RMB0.008 per bottle of beer sold by the subsidiaries of Yanjing Brewery. Yanjing Beer Group would refund 20% of the trademark licensing fees received from Yanjing Brewery for the use by Yanjing Brewery to develop and promote the “Yanjing” trademark.
- (vi) The selling price of gas and the gas transmission fee were prescribed by the PRC government.
- (vii) The service fees were determined by reference to the then prevailing market rates and set at prices not higher than the guidance prices set by the PRC government.
- (viii) The selling prices of goods were determined on a cost-plus basis.
- (ix) The purchase prices of goods and the building rentals were determined by reference to the then prevailing market rates.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

19. RELATED PARTY DISCLOSURES *(Continued)*

(a) *(Continued)*

Notes: (Continued)

- (x) BE Group Finance is a 38.78% owned associate of the Group and also a subsidiary of Beijing Enterprises Group. BE Group Finance was established to act as platform for members of Beijing Enterprises Group for the provision of intra-group facilities through financial products including deposit-taking, money-lending and custodian services.

On 30 December 2016, the Company and BE Group Finance entered into the 2017 Deposit Agreement (the "Deposit Agreement") whereby the Company and BE Group Finance will continue to carry out the transactions under the Deposit Services Master Agreement for three years from 1 January 2017 to 31 December 2019, with terms and conditions substantially the same as those under the Deposit Services Master Agreement. The revised daily aggregate of deposits placed by the Group with BE Group Finance (including any interest accrued thereon) during the term of the Deposit Agreement will not exceed HK\$2,200 million.

On 19 October 2017, the Company and BE Group Finance entered into the Supplementary Agreement (the "Supplementary Agreement") whereby the annual cap shall be replaced by the revised annual cap during the remaining term of the Deposit Agreement. The revised daily aggregate of deposits placed by the Group with BE Group Finance (including any interest accrued thereon) during the remaining term of the Deposit Agreement from 19 October 2017 to 31 December 2019 will not exceed HK\$2,900 million.

The deposit services provided by BE Group Finance constitute continuing connected transactions that are subject to the announcement, reporting and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

The aggregate amount of deposits placed by the Group with BE Group Finance as at 30 June 2019 amounted to RMB2,445 million (equivalent to HK\$2,778 million) (31 December 2018: RMB2,443 million (equivalent to HK\$2,789 million)).

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

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

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

19. RELATED PARTY DISCLOSURES *(Continued)*

(b) Compensation of key management personnel of the group

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	4,895	9,911
Pension scheme contributions	14	14
Total compensation paid to key management personnel	4,909	9,925

20. 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). The fair values of the unlisted equity investments of the Group are estimated by using market approach (as categorised within Level 3 of the fair value hierarchy).

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

DISCLOSEABLE INFORMATION

BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION

Since the issue date of the Company's 2018 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").

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

At 30 June 2019, 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 total number of issued shares
E Meng	30,000	0.002%
Jiang Xinhao	20,000	0.002%
Tam Chun Fai	2,000	0.000%

(B) LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

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

(C) LONG POSITIONS IN SHARES OF ASSOCIATED CORPORATIONS

Director	Associated corporation	Number of ordinary shares directly beneficially owned	Percentage of the associated corporations' total number of issued shares
E Meng	Beijing Enterprises Environment Group Limited [@]	601,000	0.040%
Tam Chun Fai	Beijing Enterprises Environment Group Limited [@]	50,000	0.003%
Sze Chi Ching	Beijing Enterprises Water Group Limited [@]	500,000	0.040%
Yu Sun Say	Beijing Enterprises Water Group Limited [@]	100,000	0.001%

DISCLOSEABLE INFORMATION

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

(D) LONG POSITIONS IN UNDERLYING SHARES OF ASSOCIATED CORPORATIONS

Long positions in share options in Beijing Enterprises Environment Group Limited[®]:

Director	Number of share options directly beneficially owned				At 30 June 2019	Share options granted on (year/month/day)	Exercise period (year/month/day)	Exercise price per share (HK\$)
	At 1 January 2019	Granted during the period	Exercised during the period	Cancelled during the period				
E Meng	6,770,000	-	-	-	6,770,000	2011/06/21	2011/06/21 – 2021/06/20	1.25
	6,770,000				6,770,000			

[®] As at 30 June 2019, all interests in these associated corporations owned by the Company are indirectly held.

Save as disclosed above, as at 30 June 2019, 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 currently does not have any share option scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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 2019, 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 total number of issued shares
	Directly beneficially owned	Others	Total	
Modern Orient Limited	100,050,000	–	100,050,000	7.93%
Beijing Enterprises Investments Limited (“BEIL”)	163,730,288	100,050,000 ^(a)	263,780,288	20.90%
Beijing Enterprises Group (BVI) Company Limited (“BE Group BVI”)	518,187,500	263,780,288 ^(b)	781,967,788	61.96%
Beijing Enterprises Group Company Limited (“BE Group”)	–	781,967,788 ^(c)	781,967,788	61.96%

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.

DISCLOSEABLE INFORMATION

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

SHORT POSITIONS:

Name	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's total number of issued shares
	Directly beneficially owned	Others	Total	
Shine Power International Limited ("Shine Power")	1,465,677	–	1,465,677	0.12%
BE Group BVI	–	1,465,677*	1,465,677	0.12%
BE Group	–	1,465,677*	1,465,677	0.12%

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

Save as disclosed above, as at 30 June 2019, 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

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

As at the date of this report, details of the agreements (the “Agreement(s)”) with covenants relating to specific performance obligations of the Company’s holding companies which constitute disclosure obligation pursuant to Rules 13.18 and 13.21 of the Listing Rules are as follows:

Date of the Agreement(s)	Nature of the Agreement(s)	Aggregate amount (million)	Final Maturity
5 May 2011	Purchase agreement for issuance of senior notes	US\$600	May 2021
5 May 2011	Purchase agreement for issuance of senior notes	US\$400	May 2041
18 April 2012	Purchase agreement for issuance of senior notes	US\$800	April 2022
29 April 2015	Subscription agreement for issuance of bonds	EUR500	May 2020
27 November 2015	Term loan facility with a bank	HK\$4,000	November 2020
1 December 2015	Subscription agreement for issuance of bonds	US\$200	December 2040
24 June 2016	Term loan facility with a bank	HK\$4,000	June 2021
22 November 2016	Term loan facility with a bank	HK\$3,000	November 2021
7 December 2016	Term loan facility with a bank	HK\$1,940	December 2021
12 April 2017	Subscription agreement for issuance of bonds	EUR800	April 2022
13 July 2017	Term loan facility with a bank	HK\$4,000	July 2022
17 July 2018	Term loan facility with a bank	EUR350	July 2023

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:

1. If Beijing Enterprises Group does not or ceases to own, directly or indirectly, at least 40% or 50%, where applicable, of the beneficial interest of the Company; and
2. If Beijing Enterprises Group ceases to be controlled and supervised by the People’s Government of Beijing Municipality.

DISCLOSEABLE INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

EMPLOYEE

At 30 June 2019, the Group had approximately 41,000 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 and share options 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 control system and the proper delegation of authority.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Save as disclosed below, the directors believe that the Company complied with the code provisions (the "Code Provisions") as set out in Appendix 14 "Corporate Governance Code" to the Listing Rules during the six months ended 30 June 2019.

Mr. Hou Zibo has assumed the positions of Chairman and Chief Executive Officer since 1 September 2017. This arrangement deviates from Code Provision A.2.1 which recommends that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, the Board considers that the appointment of Mr. Hou Zibo as Chairman and Chief Executive Officer can bring benefits to the Company's business development and management at present, and will not impair the balance of power and authority between the Board and the management of the Company.

Under Code Provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings to develop a balanced understanding of the views of shareholders. During the period, not all independent non-executive directors attended general meetings of the Company due to other business engagements, which deviates from Code Provision A.6.7.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SHARE DEALING

The Company has adopted Appendix 10 "Model Code" to the Listing Rules to govern securities transactions by the directors. After having made specific enquiry to all directors, all directors confirm that they complied with the "Model Code" during the half year ended 30 June 2019.

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. Ma She. The Audit Committee of the Company has already reviewed the unaudited interim results for the six months ended 30 June 2019 and considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.