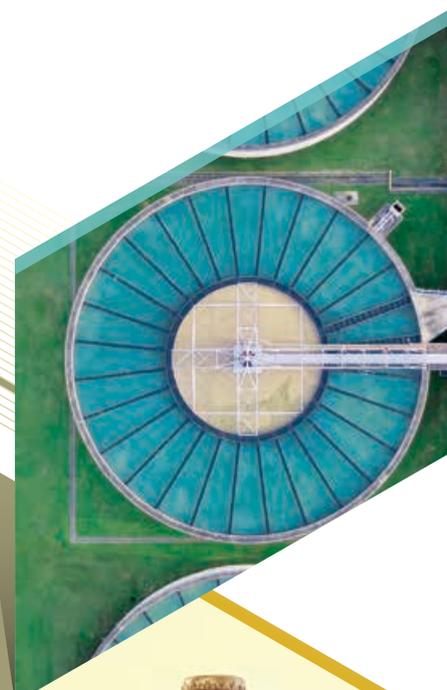




北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

BEIJING ENTERPRISES HOLDINGS LIMITED

Stock Code : 392



INTERIM
REPORT
—
2020





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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Mr. Li Yongcheng (*Vice Chairman*)

Mr. Zhao Xiaodong (*Vice Chairman*)

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

AUDIT COMMITTEE

Mr. Wu Jiesi

Mr. Lam Hoi Ham (*Committee Chairman*)

Dr. Yu Sun Say

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

Dr. Yu Sun Say

INVESTMENT COMMITTEE

Mr. Hou Zibo (*Committee Chairman*)

Mr. Jiang Xinhao

Mr. Lam Hoi Ham

Dr. Yu Sun Say

COMPANY SECRETARY

Mr. Tam Chun Fai *CPA CFA*

STOCK CODE

392

WEBSITE

www.behl.com.hk

SHARE REGISTRAR

Tricor Tengis Limited

Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong.

REGISTERED OFFICE

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

AUDITOR

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

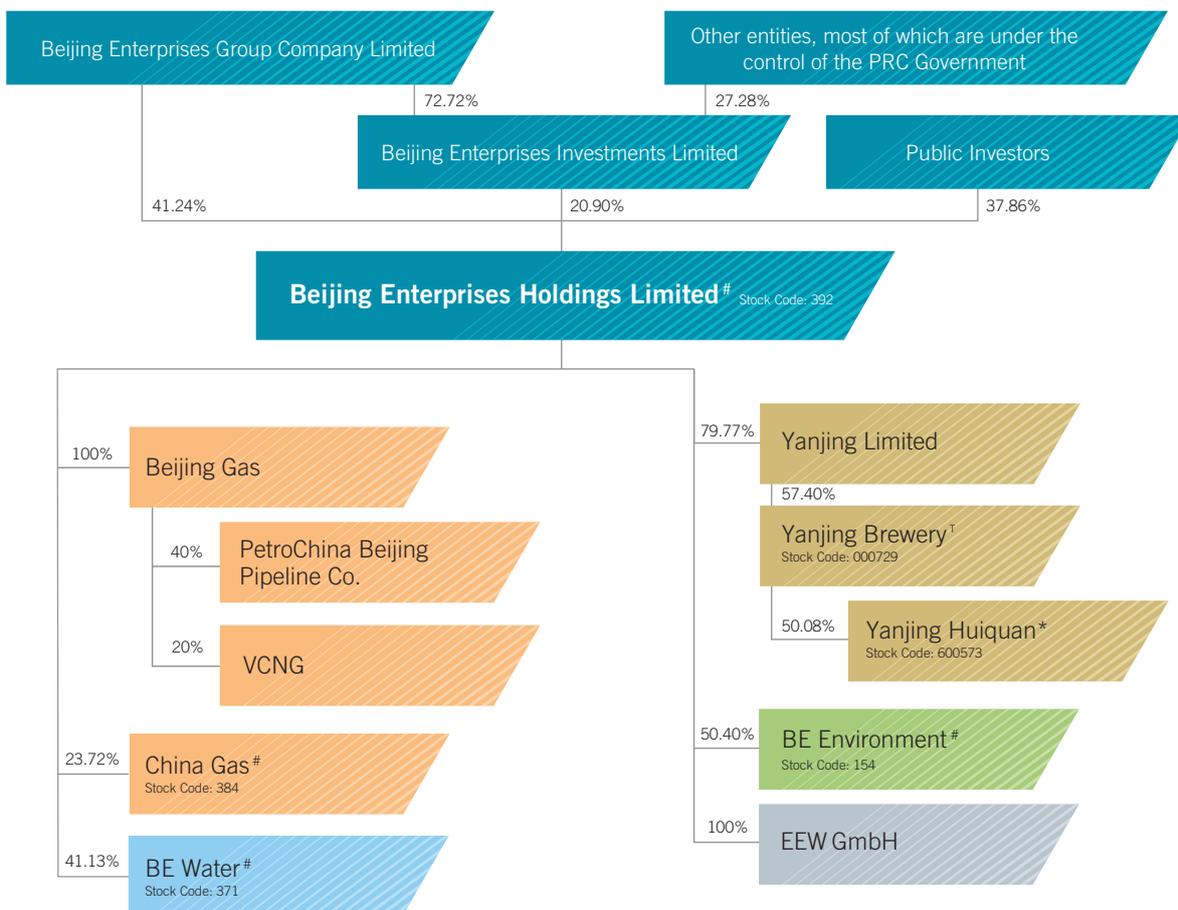
China Construction Bank

The Industrial and Commercial Bank of China

Bank of Beijing

CORPORATE STRUCTURE

As at 30 June 2020



* 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 2020 together with the comparative figures in 2019. The consolidated revenue of the Group for the first half of 2020 was HK\$32.04 billion, representing a decrease of 6.4% over the corresponding period of last year. Profit attributable to shareholders of the Company was HK\$3.57 billion, representing a decrease of 24.8% over the corresponding period in 2019.

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

	Profit after taxation <i>HK\$'000</i>	Proportion %
Piped gas operation	3,323,874	68.5
Beer operation	226,241	4.7
Water and environmental operation	933,008	19.2
Solid waste treatment operation	370,903	7.6
Profit from major operations	4,854,026	100
Corporate and others	(1,067,031)	
Profit of the Company	3,786,995	
Profit attributable to non-controlling interests	(218,879)	
Profit attributable to shareholders of the Company	3,568,116	

INTERIM DIVIDEND

The Board has resolved to declare an interim cash dividend for the six months ended 30 June 2020 of HK40 cents (2019: HK40 cents) per share, which will be payable on 28 October 2020 to shareholders whose names appear on the register of members of the Company on 28 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The Company’s register of members will be closed from Thursday, 24 September 2020 to Monday, 28 September 2020, 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 Wednesday, 23 September 2020.

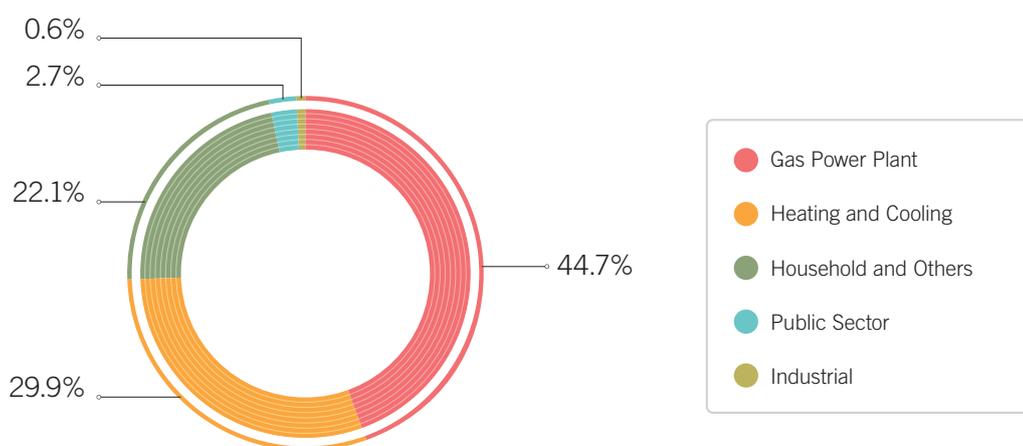
MANAGEMENT DISCUSSION AND ANALYSIS

I. Review

In the first half of 2020 (the “Reporting Period”), the continuous spreading of the novel coronavirus (COVID-19) epidemic globally brought tremendous impact to most countries world-wide. The main business segments within the Group had also been adversely affected in various degrees by consumption shrinkage, dropping operating activities and projects delay. During the epidemic prevention and control period, the Group and our subsidiaries delivered best services in urban operation service guarantee. The gas, water and solid waste treatment business segments fulfilled their duties and missions properly, ensured stable operation, and practiced the responsibilities of state-owned enterprises.

Natural Gas Distribution Business of Beijing Gas

Beijing Gas Group Company Limited (“Beijing Gas”) recorded a revenue of HK\$23.11 billion in the first half of 2020, representing a year-on-year decrease of 4.7%. Profit before taxation from principal businesses (including natural gas distribution business, natural gas transmission business and VCNG of Rosneft) was HK\$2.65 billion, representing a decrease of 19.3% over the corresponding period of last year. Beijing Gas accomplished an aggregate gas sales volume of 8.946 billion cubic meters in the first half of the year, after combining with that of the subsidiaries outside Beijing. Affected by the combining issues of the COVID-19 epidemic and the extension of the heating period, the gas sales volume accomplished inside Beijing amounted to 8.576 billion cubic meters, which remained flat compared with the same period of last year. An analysis of the same by subscriber sector is shown as follows:



MANAGEMENT DISCUSSION AND ANALYSIS

I. Review (Continued)

Natural Gas Distribution Business of Beijing Gas (Continued)

During the Reporting Period, Beijing Gas developed approximately 31,000 new household subscribers and 1,063 new public sector subscribers. New heating boiler subscribers with a capacity of 606 t/h were developed. As of 30 June 2020, Beijing Gas had a total of approximately 6.459 million piped gas subscribers in Beijing and approximately 24,600 kilometers of natural gas pipelines in operation. Beijing Gas's capital expenditure in the first half of the year amounted to approximately HK\$681 million.

In the first half of the year, Beijing Gas proactively implemented all the works relating to security and emergency, and it completed the key gas supply projects assigned by the Beijing municipal government during the epidemic with high quality. At the same time, it endeavoured to collaborate with upstream enterprises to secure gas supply sources to cope with the extension of heating period and the heavily snowing and freezing weather effectively, and ensured the stable supply of natural gas for the capital city. During the period, Beijing Gas had also accelerated the construction of its major infrastructure projects, including the orderly development of the construction works of the LNG project in Nangang, Tianjin and the LNG emergency reserve project in Tangshan.

Natural Gas Transmission Business

PetroChina Beijing Gas Pipeline Co., Ltd. ("PetroChina Beijing Pipeline Co.,") recorded a gas transmission volume of 26.21 billion cubic meters in the first half of 2020, representing a year-on-year decrease of 0.9%. During the period, Beijing Gas's share of net profit after taxation, through its 40% equity interests in PetroChina Beijing Pipeline Co., decreased by 11.4% over the same period of last year to HK\$954 million. The total capital expenditure of PetroChina Beijing Pipeline Co., for the first half of the year was approximately HK\$106 million.

VCNG of Rosneft

In the first half of the year, the international crude oil prices fluctuated vigorously. The PJSC Verkhnechonskneftegaz ("VCNG") project of Rosneft Oil Company achieved its petroleum sales of 3.814 million tons during the Reporting Period. Beijing Gas shared a net operating profit after taxation of HK\$310 million through its 20% equity interest in VCNG in the first half of the year.

China Gas

The Group's share of profit of China Gas Holdings Limited ("China Gas", stock code: 384) in the first half of 2020 was HK\$1 billion, which was calculated based on the share of profit attributable to shareholders of China Gas for the six months ended 31 March 2020 and representing an increase of 4.1% when compared with the same period of last year. China Gas vigorously promoted the "coal-to-gas conversion" campaign in industrial and commercial sectors nationwide, continued to expand the natural gas market in heating and residential sectors in townships, enlarged the development efforts in LPG, value-added businesses and also the thermoelectric power business. China Gas focused on expanding its customer base, optimized its market layout, proactively exploited new development opportunities in the micropipe network ("微管網") business in townships. At the same time, in response to COVID-19 epidemic, the "Battle the Pandemic and Safeguard People's Livelihood" ("同心戰疫·保障民生") campaign had been initiated rapidly to promote the comprehensive implementation of the grid-based operation model for its value-added services. For the 2020 financial year, China Gas' total gas sales volume increased by 2.9% to 25.37 billion cubic meters, and its LPG sales volume decreased by 4.2% to 3.83 million tons. Approximately 5.43 million households were newly connected, and the cumulative number of households connected reached 35.11 million as at 31 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

I. **Review** (Continued)

Beer Business

The COVID-19 epidemic has brought tremendous bombardment to the beer industry nationwide, and it has also induced changes in consumption patterns and habits. By adapting to the new environment arising from the epidemic, Beijing Yanjing Brewery Co., Ltd. (“Yanjing Brewery”) explored the possibilities of developing new marketing channels such as community group buying, enhanced the operational planning and resources investments of the e-commerce and Key Account channels, sorted out the product pricing regime of e-commerce platforms, and scientifically planned and implemented the activities for e-commerce promotions. In the first half of the year, the sales volume and revenue of the beer sold through e-commerce channel achieved year-on-year growth of approximately 74% and 82% respectively. At the same time, Yanjing Brewery had taken steps to rationalize product line and put forth product upgrade. Thus, a big single product Yanjing U8 tinned series (Yanjing U8 聽裝系列) was successfully launched nationwide, embarking brand rejuvenation, and transforming into higher end.

During the Reporting Period, Yanjing Brewery achieved a sales volume of 2.10 million kilolitres, of which, the sales volume of Yanjing main brand was 1.39 million kilolitres and the sales volume of “1+3” brand was 1.92 million kilolitres. The revenue that Beijing Yanjing Brewery Investments Co., Limited* (北京燕京啤酒投資有限公司) (“Yanjing Limited”) recorded during the period was HK\$5.55 billion, with its profit before taxation of HK\$315 million. The capital expenditure of Yanjing Limited for the first half of the year was approximately HK\$85.50 million.

Water and Environmental Business

Beijing Enterprises Water Group Limited (“BE Water”, stock code: 371) commenced the construction project that comprises of 10 intelligent groups during the period. It conducted in-depth implementation of the innovative upgrade of the operating model to proactively bring the brand concept into the Water and Environmental Business. Affected by the COVID-19 pandemic, in the first half of the year, BE Water’s revenue decreased by 3% year-on-year to HK\$12.45 billion, profit attributable to its shareholders decreased by 18% year-on-year to HK\$2.27 billion. The net profit attributable to the Group was HK\$933 million, representing a year-on-year decrease of 18%.

As at 30 June 2020, BE Water already participated in 1,289 water plants which are or will be in operation, including 1,087 sewage treatment plants, 166 water distribution plants, 34 reclaimed water treatment plants and 2 seawater desalination plants, with a total design capacity of 40.22 million tons/day. The net increase in design capacity for the period was 0.828 million tons/day.

Solid Waste Treatment Business

At the end of the first half of the year, the solid waste treatment business segment of the Group realised a waste incineration and power generation treatment capacity of 29,932 tons/day. During the period, EEW Energy from Waste GmbH (“EEW GmbH”) accomplished a waste treatment volume of 2.364 million tons, representing a year-on-year increase of 3.1%. The sales of electricity was 901 million KWH with a year-on-year increase of 6.8%. It recorded a revenue of HK\$2.64 billion with a year-on-year increase of 1.2%. The growth in treatment volume of commercial waste effectively offset the negative impact brought to EEW GmbH by the reduction of imported waste volume during the epidemic. During the peak period of the epidemic, despite the impact of European energy price volatility, we made utmost efforts to overcome the adversities and ensured that the sales of electricity and its pricing be steadily maintained, same as the overall stable operation as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Solid Waste Treatment Business (Continued)

In the first half of the year, the domestic solid waste treatment business segment of the Group recorded a waste treatment volume of 2.12 million tons, representing a year-on-year decrease of 0.7%. It completed an on grid power generation volume of 665 million KWH, representing a year-on-year increase of 11.6%. Beijing Enterprises Environment Group Limited (“BE Environment”, stock code: 154) and Beijing Enterprises Holdings Environment Technology Co., Ltd (“BEHET”) together achieved a total revenue of HK\$698 million during the period. As the waste input volume during the epidemic period is at a relatively lower level, the domestic solid waste projects made use of such opportunity to expand the repair and maintenance capacity, improved the stability and workability of the equipment, so as to be prepared for the restoration of normal production load and long cycle operation in the future. The domestic projects also actively expanded solid waste revenue streams, proactively expanded into the peripheral markets and explored potential sources of solid waste to pave the way for reaching the capacity of these projects in the future. The capital expenditure of solid waste related business (both domestically and overseas) for the first half of the year amounted to approximately HK\$1.062 billion.

II. **Prospects**

Currently, the epidemic prevention and control has become normalized. Those policies, industries and market environment that are related to our business segments have triggered many changes already. The Group will respond positively, seize any opportunity that comes along, be on guard with risks and view challenges as our motivation. As we will integrate epidemic prevention and control into our business operation, we would ensure that we are on the track of stable development.

Natural Gas Distribution Business of Beijing Gas

With steady resumption of work and production domestically, the economic activities are gradually restored, and the demand for energy consumption is slowly rising up. The low pricing trend in natural gas would stimulate gas consumption, which is beneficial to the further growth of domestic natural gas market. Faced with challenges and opportunities, Beijing Gas will intensify its efforts in market development, focus on expanding the market size. It will carry forward the acquisitions of gas projects and pipeline connection works in the suburbs within the Beijing market. It will also strengthen its collaboration with the government of Tangshan City outside the Beijing market and endeavour market share expansion. At the same time, Beijing Gas will capture the business opportunities both domestically and abroad to plan proactively for the development of LNG business, value-added business as well as the comprehensive energy services business.

Beer Business

In the second half of the year, despite the uncertain impact brought by epidemic prevention and control on the beer consumption, Yanjing Brewery will strive to mitigate the negative impact by steadily carrying out various operation activities. It will strive to improve product quality, put forth product upgrade and enhance brand image constantly. Yanjing Brewery will also carry out on-line and off-line product marketing and advertising works, continue to expand the resource investments in the on-line e-commerce and Key Account channels to achieve structure optimisation of marketing and distribution channels. For cost-control, Yanjing Brewery will closely monitor the pricing of its international and domestic sourcing, and adjust the procurement policies timely to enhance supply chain management and reduce procurement costs.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Prospects *(Continued)*

Water and Environmental Business

BE Water will strive to develop a strategic model which is based on an asset-light model and comprises dual platforms for development, further enhancing its core competitiveness by strengthening investment capability, innovating and optimizing technology, applying intelligent technology, improving asset quality and efficiency, and recruiting high calibre talent. It is committed to the mission of “safeguarding the source of life and creating a green environment” and will strive to alleviate water scarcity, take concrete action to practise its objective of eco-environment protection, secure the stable operation of the enterprise with norms and continuously improve service quality.

Solid Waste Treatment Business

The domestic solid waste treatment projects of the Group will vigorously embark quality and efficiency improvement measures, lower operating costs, enhance overall operation effectiveness, and endeavour to reduce the business damages brought by the COVID-19 in the first half of the year. At the same time, the domestic projects will strengthen the production and operation management, improve the operation and maintenance standard and continue to expand into other revenue sources of solid waste treatment. For overseas projects through EEW GmbH, we will actively deal with the normalized status of the epidemic in Europe by extending the scope of prevention, ensuring the normal operations of the plants and steadily carrying forward the construction works of the projects in progress.

III. Financial Review

Revenue

The Group’s revenue from operating activities in the first half of 2020 was approximately HK\$32.04 billion, decreased by 6.4% when compared with the corresponding period of last year, mainly due to the depreciation of the average RMB exchange rate of approximately 4% year-on-year. The revenue of gas sales was HK\$23.11 billion, the revenue of beer sales was HK\$5.55 billion, the revenue of the solid waste treatment and environment protection businesses was HK\$3.38 billion, which included the revenue of EEW GmbH amounting to HK\$2.64 billion, the revenue of other solid waste treatment businesses was HK\$743 million in total.

Cost of Sales

Cost of sales decreased by 4.2% to HK\$26.97 billion year-on-year. Cost of sales of gas distribution business mainly included the purchase costs of natural gas as well as the depreciation charges 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 15.8% when compared with that of 17.7% over the same period of last year, which was mainly due to the decrease in revenue of Beijing Gas and Yanjing Beer and the relatively fixed cost of sales, thus the gross profit margin decreased when compared with the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review (Continued)

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 recognised a gain of HK\$187 million on the deemed disposal of the partial interests in an associate as a result of the dilution in the Group's shareholding in BE Water.

In addition, China Gas issued ordinary shares upon the exercise of share options by its employees during the first half of 2019. The Group recognised a gain of HK\$151 million on the deemed disposal of the partial interests in an associate.

No relevant change in shareholdings was noted in 2020.

Other income and gain, net

Other income and gain, net mainly comprised interest income amounting to HK\$186 million, investment income of a financial asset at fair value through profit or loss amounting to HK\$152 million, government grants of HK\$87 million and rental income of HK\$22 million.

Selling and Distribution Expenses

Selling and distribution expenses of the Group in the first half of 2020 were HK\$827 million, decreased by 16.1% when compared with the corresponding period of last year.

Administrative Expenses

Administrative expenses of the Group in the first half of 2020 were HK\$2.04 billion, decreased by 3.6% when compared with corresponding period of last year, which was consistent with the decrease in revenue.

Other Operating Expenses, net

Other operating expenses, net mainly included the impairment on certain assets.

Finance Costs

Finance costs of the Group in the first half of 2020 were HK\$1.05 billion, which basically remained unchanged when compared with that of corresponding period in last year.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review *(Continued)*

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 23.72% share of profit attributable to shareholders of China Gas and the 41.13% share of profit attributable to shareholders of BE Water.

In the first half of 2020, the Group shared the profit after taxation of PetroChina Beijing Pipeline Co., amounting to HK\$954 million, the Group shared the profit after taxation of VCNG amounting to HK\$310 million, the Group shared the profit after taxation of China Gas amounting to HK\$1 billion and the Group shared the net profit of BE Water amounting to HK\$933 million.

Taxation

The effective income tax rate was 42.2%, higher than the 28.9% in the corresponding period of last year, which was mainly due to the non-deductible other operating expenses that were higher than that of the corresponding period of last year.

Profit Attributable to Shareholders of the Company

Profit attributable to shareholders of the Company in the first half of 2020 was HK\$3.57 billion, decreased by 24.8% 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 value of property, plant and equipment decreased by HK\$1.77 billion as compared with the end of 2019, which was mainly attributable to the fact that there was no major construction project in the first half of 2020 and the annual depreciation of relevant fixed assets.

Other intangible assets were mainly from EEW GmbH.

Investments in associates decreased by HK\$597 million, which was mainly due to a decrease in the investment balance of associates as a result of the Group sharing the first half profit of VCNG, PetroChina Beijing Pipeline Co., BE Water and China Gas, which were lower than the dividends received from PetroChina Beijing Pipeline Co., and VCNG over the corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review (Continued)

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

Non-current Assets (Continued)

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

Current Assets

Inventories mainly represented the inventory balance 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\$24.47 billion, increased by HK\$2.31 billion as compared with the balance at the end of 2019, which was mainly due to the increase in cash balance of Beijing Gas.

Non-current Liabilities

The balance of bank and other borrowings decreased by HK\$3.98 billion, which was mainly due to the reclassification of part of the bank borrowings due within one year to current liabilities during the period.

The balance of guaranteed bonds and notes decreased by HK\$4.71 billion, which was mainly due to the repayment of guaranteed bonds amounting to EUR500 million due in May 2020 during the period.

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

Current Liabilities

The balance of trade and bills payables increased by HK\$385 million, which was mainly due to the increase in trade payables balance by Yanjing Brewery during the period.

Other payables, accruals and contract liabilities decreased by HK\$1.11 billion, which was mainly due to the decrease in receipts in advance resulting from the decline of natural gas sales volume in summer.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review *(Continued)*

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

Current Liabilities (Continued)

The balance of bank and other borrowings increased by HK\$10.68 billion, which was mainly due to the refinancing for the repayment of guaranteed bonds due in May 2020 through bridging loans amounting to EUR500 million for the period and the reclassification of part of the bank borrowings due within one year to current liabilities during the period.

IV. Financial Position of the Group

Cash and Bank Borrowings

As at 30 June 2020, cash and bank deposits held by the Group amounted to HK\$24.47 billion, representing an increase of HK\$2.31 billion as compared with that of 2019.

The Group's total borrowings amounted to HK\$66 billion as at 30 June 2020, which comprised guaranteed bonds and notes of US\$2.5 billion in total, Euro guaranteed bonds amounting to EUR800 million, medium and long-term loans amounting to HK\$8.84 billion.

Liquidity and Capital Resources

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 2020, the issued capital of the Company was 1,262,053,268 shares and equity attributable to shareholders of the Company was HK\$75.32 billion. Total equity was HK\$86.75 billion when compared with HK\$87.01 billion as at the end of 2019. 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 43.2% (31 December 2019: 42.3%).

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.

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
REVENUE	4	32,038,587	34,233,316
Cost of sales		(26,971,708)	(28,156,987)
Gross profit		5,066,879	6,076,329
Gains on deemed disposal of partial interests in associates		–	338,115
Other income and gain, net	5	719,143	498,361
Selling and distribution expenses		(826,919)	(985,847)
Administrative expenses		(2,037,540)	(2,113,875)
Other operating expenses, net		(698,226)	(636,764)
Finance costs	6	(1,052,869)	(1,048,102)
Share of profits and losses of:			
Joint ventures		6,008	5,826
Associates		3,104,596	3,633,160
PROFIT BEFORE TAX	7	4,281,072	5,767,203
Income tax	8	(494,077)	(615,755)
PROFIT FOR THE PERIOD		3,786,995	5,151,448
ATTRIBUTABLE TO:			
Shareholders of the Company		3,568,116	4,745,330
Non-controlling interests		218,879	406,118
		3,786,995	5,151,448
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted	10	HK\$2.83	HK\$3.76

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	3,786,995	5,151,448
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(2,331,705)	(1,079,824)
Share of other comprehensive loss of associates	(392,747)	(494,074)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(2,724,452)	(1,573,898)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Defined benefit obligations:		
Actuarial gain/(loss), net	59,353	(97,688)
Income tax effect	(17,157)	30,275
	42,196	(67,413)
Equity investments at fair value through other comprehensive income:		
Changes in fair value	(323,559)	222,684
Income tax effect	86,905	(82,261)
	(236,654)	140,423
Share of other comprehensive income/(loss) of associates	(28,586)	7,430
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	(223,044)	80,440
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX	(2,947,496)	(1,493,458)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	839,499	3,657,990
ATTRIBUTABLE TO:		
Shareholders of the Company	858,020	3,322,357
Non-controlling interests	(18,521)	335,633
	839,499	3,657,990

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	<i>Notes</i>	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment	11	50,124,234	51,898,919
Investment properties		1,109,973	1,131,346
Right-of-use assets		2,696,848	2,839,886
Goodwill		16,286,496	16,332,072
Operating concessions		4,174,949	3,783,828
Other intangible assets		3,259,727	3,373,759
Investments in joint ventures		331,268	327,691
Investments in associates		56,647,797	57,244,835
Equity investments at fair value through other comprehensive income		2,892,240	3,284,217
Financial asset at fair value through profit or loss		2,215,464	2,265,249
Receivables under service concession arrangements	12	2,306,818	2,380,255
Receivable under a finance lease		684,771	738,296
Prepayments, other receivables and other assets		1,072,668	937,969
Deferred tax assets		1,551,588	1,638,766
Total non-current assets		145,354,841	148,177,088
Current assets:			
Inventories		5,136,774	5,189,188
Receivable under a finance lease		87,501	84,707
Receivables under service concession arrangements	12	102,636	97,552
Trade receivables	13	5,377,544	6,029,450
Prepayments, other receivables and other assets		5,528,117	3,638,798
Other tax recoverables		450,748	393,871
Financial assets at fair value through profit or loss		1,583,286	–
Restricted cash and pledged deposits		35,916	36,701
Cash and cash equivalents		24,467,770	22,158,921
Total current assets		42,770,292	37,629,188
TOTAL ASSETS		188,125,133	185,806,276

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	<i>Notes</i>	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	14	30,401,883	30,401,883
Reserves		44,920,979	44,879,756
		75,322,862	75,281,639
Non-controlling interests		11,424,070	11,733,188
TOTAL EQUITY		86,746,932	87,014,827
Non-current liabilities:			
Bank and other borrowings	15	21,785,530	25,765,222
Guaranteed bonds and notes	16	21,561,173	26,268,062
Lease liabilities		613,262	684,279
Defined benefit obligations		2,231,811	2,270,816
Provision for major overhauls and onerous contracts		355,224	355,576
Other non-current liabilities		3,150,877	1,823,219
Deferred tax liabilities		2,455,551	2,576,094
Total non-current liabilities		52,153,428	59,743,268
Current liabilities:			
Trade and bills payables	17	4,893,439	4,508,343
Other payables, accruals and contract liabilities		20,122,636	21,235,911
Provision for major overhauls and onerous contracts		49,412	49,525
Income tax payables		825,909	981,218
Other tax payables		526,113	374,237
Bank and other borrowings	15	18,042,311	7,361,029
Guaranteed bonds and notes	16	4,608,259	4,373,180
Lease liabilities		156,694	164,738
Total current liabilities		49,224,773	39,048,181
TOTAL LIABILITIES		101,378,201	98,791,449
TOTAL EQUITY AND LIABILITIES		188,125,133	185,806,276

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2020

	Attributable to shareholders of the Company										
	Share capital (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Investment revaluation reserve (Unaudited) HK\$'000	Property revaluation reserve (Unaudited) HK\$'000	Defined benefits plans reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2020	30,401,883	1,359,843*	194,674*	84,051*	(221,589)*	(4,251,768)*	12,319,291*	35,395,254*	75,281,639	11,733,188	87,014,827
Profit for the period	-	-	-	-	-	-	-	3,568,116	3,568,116	218,879	3,786,995
Other comprehensive income/(loss) for the period:											
Equity investments at fair value through other comprehensive income:											
Changes in fair value	-	-	(318,705)	-	-	-	-	-	(318,705)	(4,854)	(323,559)
Income tax effect	-	-	86,905	-	-	-	-	-	86,905	-	86,905
Exchange differences on translation of foreign operations	-	-	-	-	-	(2,098,609)	-	-	(2,098,609)	(233,096)	(2,331,705)
Defined benefit obligations:											
Actuarial gains	-	-	-	-	58,616	-	-	-	58,616	737	59,353
Income tax effect	-	-	-	-	(16,970)	-	-	-	(16,970)	(187)	(17,157)
Share of other comprehensive loss of associates	-	-	(27,825)	-	(761)	(392,747)	-	-	(421,333)	-	(421,333)
Total comprehensive income/(loss) for the period	-	-	(259,625)	-	40,885	(2,491,356)	-	3,568,116	858,020	(18,521)	839,499
Capital contribution from non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	8,289	8,289
Acquisition of non-controlling interests	-	973	-	-	-	-	-	-	973	(1,507)	(534)
Share of reserves of associates	-	116,149	-	-	-	-	-	-	116,149	-	116,149
Final 2019 dividend	-	-	-	-	-	-	-	(933,919)	(933,919)	-	(933,919)
Dividends paid to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	(297,379)	(297,379)
Transfer to PRC reserve funds	-	-	-	-	-	-	567,165	(567,165)	-	-	-
At 30 June 2020	30,401,883	1,476,965*	(64,951)*	84,051*	(180,704)*	(6,743,124)*	12,886,456*	37,462,286*	75,322,862	11,424,070	86,746,932

* These reserve accounts comprise the consolidated reserves of HK\$44,920,979,000 (unaudited) (31 December 2019: HK\$44,879,756,000 (audited)) in the condensed consolidated statement of financial position as at 30 June 2020.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2020

	Attributable to shareholders of the Company										
	Share capital (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Investment revaluation reserve (Unaudited) HK\$'000	Property revaluation reserve (Unaudited) HK\$'000	Defined benefits plans reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2019	30,401,883	1,278,748	(75,628)	84,051	(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 obligations:											
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	-	-	9,026	-	(1,596)	(494,074)	-	-	(486,644)	-	(486,644)
Total comprehensive income/(loss) for the period	-	-	149,449	-	(67,701)	(1,504,721)	-	4,745,330	3,322,357	335,633	3,657,990
Capital contribution from non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	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 of subsidiaries	-	-	-	-	-	-	-	-	-	(263,582)	(263,582)
Transfer to PRC reserve funds	-	-	-	-	-	-	474,911	(474,911)	-	-	-
At 30 June 2019	30,401,883	1,354,603	73,821	84,051	(156,224)	(4,518,520)	11,625,924	33,283,992	72,149,530	11,871,232	84,020,762

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	3,047,691	2,342,882
Finance income on the net investment in a finance lease received	30,899	31,509
Mainland China income tax paid	(565,166)	(790,086)
Overseas income tax paid	(53,198)	(48,726)
Net cash flows from operating activities	2,460,226	1,535,579
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(1,686,972)	(2,433,622)
Increase in investments in associates	–	(548,038)
Acquisition of subsidiaries	35,732	821,298
Dividends received from associates	445,283	93,193
Proceeds from disposal of items of property, plant and equipment	139,912	229,898
Increase in time deposits with maturity of more than three months when acquired	(4,562)	(1,417)
Purchases of financial assets at fair value through profit or loss	(1,600,878)	–
Investment income of a financial asset at fair value through profit or loss received	152,415	–
Other cash flows from investing activities	(413,087)	27,751
Net cash flows used in investing activities	(2,932,157)	(1,810,937)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions from non-controlling equity holders of subsidiaries	8,289	16,463
Receipt of assets-related government grants	1,666,667	922,774
New loans	9,516,830	1,245,163
Repayment of loans	(2,584,246)	(518,271)
Repayment of a guaranteed bond	(4,283,011)	–
Other interest paid	(1,019,109)	(1,029,538)
Other cash flows used in financing activities	(395,403)	(266,540)
Net cash flows from financing activities	2,910,017	370,051

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net increase in cash and cash equivalents	2,438,086	94,693
Cash and cash equivalents at beginning of period	22,020,604	17,909,131
Effect of foreign exchange rate changes, net	(130,709)	(43,973)
Cash and cash equivalents at end of period	24,327,981	17,959,851
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	11,685,876	9,184,895
Saving deposits placed in a financial institution (an associate of the Group)	585,258	715,015
Time deposits:		
Placed in banks	10,632,229	6,065,204
Placed in a financial institution (an associate of the Group)	1,600,323	2,062,728
Less: Restricted cash and pledged deposits	(35,916)	(40,361)
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	24,467,770	17,987,481
Less: Time deposits with maturity of more than three months when acquired	(139,789)	(27,630)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	24,327,981	17,959,851

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

1. BASIS OF PREPARATION AND PRESENTATION

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 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 of 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 2019.

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 2019, 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 revised HKFRSs, as disclosed in note 2 below.

In preparing the unaudited interim condensed consolidated financial information, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets as at 30 June 2020. Taking into account the Group’s internal financial resources, available banking facilities and new banking facilities currently under negotiation, the directors of the Company considered that the Group will be able to operate as a going concern. Accordingly, the unaudited interim condensed consolidated financial information has been prepared on a going concern basis.

The financial information relating to the year ended 31 December 2019 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 (Cap.622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2019 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 2019. 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 2020

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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

- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The Group early adopted the amendments from the accounting period beginning on 1 July 2020 and the amendments did not have any impact on the Group's interim condensed consolidated financial information.
- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any 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 2020

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 2020 and 2019, respectively.

Six months ended 30 June 2020

	Piped gas operation (Unaudited) HK\$'000	Brewery operation (Unaudited) HK\$'000	Water and environmental operation (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	23,108,070	5,547,023	-	3,383,494	-	-	32,038,587
Cost of sales	(20,847,556)	(3,594,517)	-	(2,529,635)	-	-	(26,971,708)
Gross profit	2,260,514	1,952,506	-	853,859	-	-	5,066,879
Profit/(loss) from operating activities	1,649,032	319,460	-	620,700	(299,516)	(66,339)	2,223,337
Finance costs	(265,207)	(11,924)	-	(85,926)	(756,151)	66,339	(1,052,869)
Share of profits and losses of:							
Joint ventures	6,008	-	-	-	-	-	6,008
Associates	2,152,300	7,093	933,008	12,195	-	-	3,104,596
Profit/(loss) before tax	3,542,133	314,629	933,008	546,969	(1,055,667)	-	4,281,072
Income tax	(218,259)	(88,388)	-	(176,066)	(11,364)	-	(494,077)
Profit/(loss) for the period	3,323,874	226,241	933,008	370,903	(1,067,031)	-	3,786,995
Segment profit/(loss) attributable to shareholders of the Company	3,354,774	64,246	933,008	251,640	(1,035,552)	-	3,568,116

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

3. OPERATING SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2019

	Piped gas operation (Unaudited) <i>HK\$'000</i>	Brewery operation (Unaudited) <i>HK\$'000</i>	Water and environmental operation (Unaudited) <i>HK\$'000</i>	Solid waste treatment operation (Unaudited) <i>HK\$'000</i>	Corporate and others (Unaudited) <i>HK\$'000</i>	Inter- segment elimination (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Segment revenue	24,253,763	6,525,919	–	3,453,634	–	–	34,233,316
Cost of sales	(21,584,753)	(3,991,019)	–	(2,581,215)	–	–	(28,156,987)
Gross profit	2,669,010	2,534,900	–	872,419	–	–	6,076,329
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
Segment profit/(loss) attributable to shareholders of the Company	3,851,962	200,092	1,139,796	35,411	(481,931)	–	4,745,330

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

3. OPERATING SEGMENT INFORMATION *(Continued)*

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
<hr/>		
Total assets:		
Piped gas operation	111,662,256	110,776,401
Brewery operation	22,458,920	21,273,476
Water and environmental operation	13,345,721	13,028,341
Solid waste treatment operation	33,922,961	34,142,062
Corporate and others	13,818,597	13,696,288
Eliminations	(7,083,322)	(7,110,292)
	<hr/> 188,125,133	<hr/> 185,806,276
Total liabilities:		
Piped gas operation	34,476,978	34,577,988
Brewery operation	8,588,999	6,994,699
Solid waste treatment operation	17,597,036	17,356,966
Corporate and others	47,798,510	46,972,088
Eliminations	(7,083,322)	(7,110,292)
	<hr/> 101,378,201	<hr/> 98,791,449

During each of the six months ended 30 June 2020 and 2019, no single external customer contributed 10% or more of the Group's revenue.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

4. REVENUE

Revenue of the Group for each of the periods ended 30 June 2020 and 2019 was all revenue from contracts with customers and the following tables set out the disaggregated revenue information for revenue from contracts with customers:

Period ended 30 June 2020

Segments	Piped gas operation (Unaudited) <i>HK\$'000</i>	Brewery operation (Unaudited) <i>HK\$'000</i>	Solid waste treatment operation (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Types of goods or services				
Sale of piped natural gas	22,869,690	–	–	22,869,690
Sale of gas-related equipment	137,610	–	–	137,610
Sale of brewery products	–	5,547,023	–	5,547,023
Construction services	100,770	–	152,630	253,400
Solid waste collection services	–	–	2,298,990	2,298,990
Sale of electricity, steam and heat	–	–	931,874	931,874
Total revenue from contracts with customers	23,108,070	5,547,023	3,383,494	32,038,587
Geographical markets				
Mainland China	23,108,070	5,547,023	743,244	29,398,337
Germany	–	–	2,640,250	2,640,250
Total revenue from contracts with customers	23,108,070	5,547,023	3,383,494	32,038,587
Timing of revenue recognition				
Goods transferred at a point in time	23,007,300	5,547,023	931,874	29,486,197
Services transferred at a point in time	–	–	2,298,990	2,298,990
Services transferred over time	100,770	–	152,630	253,400
Total revenue from contracts with customers	23,108,070	5,547,023	3,383,494	32,038,587

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

4. REVENUE *(Continued)*

Period ended 30 June 2019

Segments	Piped gas operation (Unaudited) <i>HK\$'000</i>	Brewery operation (Unaudited) <i>HK\$'000</i>	Solid waste treatment operation (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Types of goods or services				
Sale of piped natural gas	23,809,505	–	–	23,809,505
Sale of gas-related equipment	243,436	–	–	243,436
Sale of brewery products	–	6,525,919	–	6,525,919
Construction services	200,822	–	173,262	374,084
Solid waste collection services	–	–	2,258,980	2,258,980
Sale of electricity, steam and heat	–	–	1,021,392	1,021,392
Total revenue from contracts with customers	24,253,763	6,525,919	3,453,634	34,233,316
Geographical markets				
Mainland China	24,253,763	6,525,919	843,364	31,623,046
Germany	–	–	2,610,270	2,610,270
Total revenue from contracts with customers	24,253,763	6,525,919	3,453,634	34,233,316
Timing of revenue recognition				
Goods transferred at a point in time	24,052,941	6,525,919	1,021,392	31,600,252
Services transferred at a point in time	–	–	2,258,980	2,258,980
Services transferred over time	200,822	–	173,262	374,084
Total revenue from contracts with customers	24,253,763	6,525,919	3,453,634	34,233,316

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

5. OTHER INCOME AND GAIN, NET

An analysis of the Group's other income and gain, net is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
OTHER INCOME		
Bank interest income	155,243	98,889
Finance income on the net investment in a finance lease	30,899	31,509
Rental income	21,885	20,864
Government grants	87,394	74,874
Transfer of assets from customers	11,062	17,004
Dividend income of an equity investment at fair value through other comprehensive income	–	49,255
Investment income of a financial asset at fair value through profit or loss	152,415	–
Others	257,343	187,746
	716,241	480,141
GAIN, NET		
Gain on disposal of items of property, plant and equipment, net	2,902	18,220
Other income and gain, net	719,143	498,361

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and other loans	499,671	462,680
Interest on guaranteed bonds and notes	535,834	566,858
Interest on lease liabilities	19,022	17,807
Total interest expenses	1,054,527	1,047,345
Increase in discounted amounts of provision for major overhauls arising from the passage of time	531	7,212
Total finance costs	1,055,058	1,054,557
Less: Interest capitalised in construction in progress	(2,189)	(6,455)
	1,052,869	1,048,102

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of items of property, plant and equipment	1,693,787	1,753,123
Depreciation of right-of-use assets	108,711	138,723
Amortisation of operating concession*	66,639	72,490
Amortisation of other intangible assets [#]	135,649	142,369
Foreign exchange differences, net	18,151	502
Impairment of non-current non-financial assets [®]	404,145	477,664
Impairment/(reversal of impairment) of financial assets, net:		
Impairment/(reversal of impairment) of trade receivables, net [^]	1,869	(42,477)
Impairment of other receivables, net [^]	45,554	19,014
	47,423	(23,463)

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

[#] HK\$113,045,000 (six months ended 30 June 2019: HK\$118,950,000) and HK\$22,604,000 (six months ended 30 June 2019: HK\$23,419,000) of the amortisation of other intangible assets for the period are included in "Cost of sales" and "Administrative expenses" on the face of the condensed consolidated statement of profit or loss, respectively.

[®] This item is included in "Other operating expenses, net" on the face of the condensed consolidated statement of profit or loss and included impairment against goodwill and items of property, plant and equipment.

[^] These items are included in "Other operating expenses, net" on the face of the condensed consolidated statement of profit or loss.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

8. INCOME TAX

	Six months ended 30 June	
	2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i>
Current:		
Hong Kong	37	817
Mainland China	254,661	380,571
Germany	186,151	182,124
Others	26,698	83
Deferred	26,530	52,160
Total tax expense for the period	494,077	615,755

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.

9. INTERIM DIVIDEND

On 31 August 2020, the Board declared an interim cash dividend of HK40 cents per share (six months ended 30 June 2019: HK40 cents per share), totalling approximately HK\$504,821,000 (six months ended 30 June 2019: HK\$504,821,000) for the six months ended 30 June 2020.

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit attributable to shareholders of the Company of HK\$3,568,116,000 (six months ended 30 June 2019: HK\$4,745,330,000), and the weighted average number of ordinary shares of 1,262,053,268 (six months ended 30 June 2019: 1,262,053,268) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for each of the six months ended 30 June 2020 and 2019 for a dilution as the Group had no dilutive potential ordinary shares in issue during these periods.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment at a total cost of HK\$1,217,460,000 (six months ended 30 June 2019: HK\$2,183,875,000), which did not include property, plant and equipment acquired through transfer of assets from customers with a total deemed cost of HK\$11,062,000 (six months ended 30 June 2019: HK\$17,004,000 (note 5)) and acquisition of subsidiaries with a total acquisition-date fair value of HK\$118,543,000 (six months ended 30 June 2019: HK\$1,780,215,000).

Property, plant and equipment with an aggregate carrying amount of HK\$137,010,000 (six months ended 30 June 2019: HK\$211,678,000) were disposed of by the Group during the six months ended 30 June 2020, resulting in a net gain on disposal of HK\$2,902,000 (six months ended 30 June 2019: HK\$18,220,000 (note 5)).

12. 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 2020 and 31 December 2019.

Details of contract assets attributable to service concession arrangements at the end of the reporting period are as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Contract assets included in:		
Operating concessions	1,652,949	1,286,977
Receivables under service concession arrangements	215,237	305,576
	1,868,186	1,592,553

Contract assets are initially recognised for revenue earned from the provision of construction services for solid waste incineration plants during the period of construction under the service concession arrangements. Pursuant to the service concession agreements, the Group receives no payment from grantors during the construction period and receives service fees when relevant solid waste collection service is rendered. The receivables under service concession arrangement (including the contract assets therein) are not yet due for payment and will be settled by service fees to be received during the operating periods of the service concession arrangements. Amounts billed will then be transferred to trade receivables (note 13). The increase in contract assets as at 30 June 2020 was the result of the increase in the ongoing service concession arrangements in the initial construction stage and more unbilled amounts were noted.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

13. 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 is prepared and closely monitored in order to minimise any credit risk associated with the 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 loss allowance, is as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Billed:		
Within one year	4,483,793	3,987,212
One to two years	388,618	63,304
Two to three years	12,869	26,112
Over three years	80,252	67,730
	4,965,532	4,144,358
Unbilled*	412,012	1,885,092
	5,377,544	6,029,450

* *The unbilled balance was attributable to the sale of natural gas near the period end date and such sale will be billed in the next metre reading date.*

Included in the Group's trade receivables as at 30 June 2020 were aggregate amounts of HK\$37,333,000 (31 December 2019: HK\$36,420,000) and HK\$59,087,000 (31 December 2019: HK\$74,983,000) due from 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 2020

14. SHARE CAPITAL

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Issued and fully paid:		
1,262,053,268 ordinary shares	30,401,883	30,401,883

15. BANK AND OTHER BORROWINGS

	<i>Notes</i>	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Bank loans:			
Secured		1,885,117	799,800
Unsecured	<i>(a)</i>	34,902,487	29,355,321
		36,787,604	30,155,121
Other loans:			
Unsecured	<i>(b)</i>	3,040,237	2,971,130
Total bank and other borrowings		39,827,841	33,126,251
Portion classified as current liabilities		(18,042,311)	(7,361,029)
Non-current portion		21,785,530	25,765,222

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

15. BANK AND OTHER BORROWINGS *(Continued)*

Notes:

- (a) The loan agreements in respect of certain bank loans outstanding as at 30 June 2020 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.

A summary of these bank loans as at 30 June 2020 is as follows:

	Year of drawdown	Contractual interest rate per annum	Final maturity
Five-year HK\$4 billion term loan	2015	1-month HIBOR+1.15%	27 November 2020
Five-year HK\$4 billion term loan	2016	1-month HIBOR+0.88%	24 June 2021
Five-year HK\$3 billion term loan	2016	1-month HIBOR+0.68%	22 November 2021
Five-year HK\$1.94 billion term loan	2016	1-month HIBOR+1.06%	7 December 2021
Five-year HK\$4 billion term loan	2017	1-month HIBOR+0.62%	17 July 2022
Five-year EUR350 million term loan	2018	1-month EURIBOR+1.09%	17 July 2023
US\$50 million revolving loan	2019	1-month HIBOR+0.95%	N/A
US\$60 million revolving loan	2019	1-month HIBOR/LIBOR+0.8%	N/A
EUR80 million revolving loan	2019	1-month HIBOR+0.7%	N/A
HK\$700 million revolving loan	2019	1-month HIBOR+0.8%	N/A
EUR125 million term loan	2020	1-month EURIBOR+0.75%	4 May 2021
EUR125 million term loan	2020	1-month EURIBOR+0.6%	4 November 2020
EUR250 million term loan	2020	1-month EURIBOR+0.22%	28 April 2021

To the best knowledge of the directors of the Company, none of the above default events took place during the period ended 30 June 2020 and as at the date of approval of this financial information.

- (b) Included in the Group's other borrowings as at 30 June 2020 were loans of HK\$868 million (31 December 2019: HK\$907 million) in total advanced from an associate, which bear interest at rates ranging from 4.48% to 5.15% per annum (31 December 2019: from 3-month HIBOR plus 1.05% to 5.32%). Interest expenses of HK\$27,377,000 (six months ended 30 June 2019: HK\$30,137,000) were recognised in profit or loss during the period in respect of the loans (note 20(a)(x)).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

16. GUARANTEED BONDS AND NOTES

A summary of the guaranteed bonds and notes issued by the Group and outstanding as at 30 June 2020 is as follows:

	Principal at original currency 'million	Contractual interest rate per annum	Maturity	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
2011 First Senior Notes	US\$600	5%	2021	4,608,259	4,629,044
2011 Second Senior Notes	US\$400	6.375%	2041	3,072,178	3,086,024
2012 Senior Notes	US\$800	4.5%	2022	6,166,232	6,194,234
2015 EUR Bonds	EUR500	1.435%	2020	–	4,373,180
2015 US\$ Bonds	US\$200	4.99%	2040	1,506,918	1,514,275
2017 EUR Bonds	EUR800	1.3%	2022	6,951,007	6,963,249
2017 Guaranteed Notes	US\$500	2.75%	2022	3,864,838	3,881,236
				26,169,432	30,641,242
Portion classified as current liabilities				(4,608,259)	(4,373,180)
				21,561,173	26,268,062

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 guaranteed bonds and notes are guaranteed by the Company.

During the period, the 2015 EUR Bonds, which were issued to certain institutional investors on 7 May 2015 pursuant to the subscription agreement dated 29 April 2015, were fully repaid during the period on the maturity date of 7 May 2020.

The fair value of the Group’s guaranteed bonds and notes as at 30 June 2020 was HK\$28,444,814,000 (31 December 2019: HK\$32,647,754,000), based on price quotations from financial institutions at the reporting date.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

17. 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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Billed:		
Within one year	3,415,662	3,142,503
One to two years	266,796	127,634
Two to three years	6,106	3,046
Over three years	18,553	15,923
	3,707,117	3,289,106
Unbilled*	1,186,322	1,219,237
	4,893,439	4,508,343

* *The unbilled balance was attributable to (i) purchase of natural gas near the period end which will be billed subsequently in July 2020; and (ii) accrued extra purchase costs which will be billed when the price is agreed by Beijing Gas with the supplier.*

Included in the trade and bills payables as at 30 June 2020 were amounts of HK\$9,811,000 (31 December 2019: HK\$19,594,000) in total 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 2020

18. BUSINESS COMBINATIONS

In May 2020, Beijing Gas acquired a 100% equity interest in 北京燃氣房山有限責任公司 and its subsidiaries (the “Fangshan Group”) by way of cash consideration of RMB230,356,500 (equivalent to HK\$255,952,000). Fangshan Group is principally engaged in the distribution and sale of piped natural gas in Fangshan District, Beijing, the People’s Republic of China (“the PRC”).

The provisional fair values of the identifiable assets and liabilities of the subsidiaries acquired and assumed during the six months ended 30 June 2020 as at the date of acquisition were as follows:

	Six months ended 30 June 2020 (Unaudited) <i>HK\$’000</i>
Net assets acquired:	
Property, plant and equipment	118,543
Right-of-use assets	593
Other intangible assets	748
Investment in an associate	2,067
Inventories	137
Trade receivables	44,380
Prepayments, other receivables and other assets	324,822
Cash and cash equivalents	180,573
Trade and bills payables	(101,138)
Other payables, accruals and contract liabilities	(224,067)
Income tax payables	(8,374)
Lease liabilities	(593)
Other non-current liabilities	(279,896)
Total identifiable net assets at fair value	57,795
Non-controlling interests	–
	57,795
Goodwill on acquisition	198,157
	255,952
Satisfied by cash	255,952

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

18. 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.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

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

	Six months ended 30 June 2020 (Unaudited) <i>HK\$'000</i>
Cash consideration	(255,952)
Cash and cash equivalents acquired	180,573
Cash consideration prepaid in prior year	111,111
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries included in cash flows from investing activities	35,732

19. CAPITAL COMMITMENTS

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

	30 June 2020 (Unaudited) <i>HK\$'000</i>	31 December 2019 (Audited) <i>HK\$'000</i>
Contracted, but not provided for:		
Buildings	2,658	2,718
Gas pipelines and plant and machinery	8,582,266	4,168,848
Service concession arrangements	615,395	820,597
Total	9,200,319	4,992,163

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

20. RELATED PARTY DISCLOSURES

- (a) In addition to the transactions detailed elsewhere in this condensed interim consolidated financial information, the Group had the following material transactions with related parties during the period:

Name of related party	Nature of transaction	Notes	Six months ended 30 June	
			2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Non-controlling equity holders of subsidiaries and their associates:				
北京燕京啤酒集團公司 and its associates	Purchase of bottle labels	(i)	17,210	15,990
	Purchase of bottle caps ^γ	(i)	24,360	25,539
	Canning service fees paid ^γ	(ii)	16,118	17,508
	Comprehensive support service fees paid ^γ	(iii)	8,636	9,038
	Land rental expenses ^γ	(iv)	986	1,031
	Trademark licensing fees paid ^γ	(v)	27,488	31,788
	Less: refund for advertising subsidies ^γ	(v)	(2,658)	(3,192)
Fellow subsidiaries:				
北京北燃實業有限公司 and its subsidiaries	Sale of piped natural gas [#]	(vi)	176,358	221,942
	Engineering service income [#]	(vii)	5,718	8,109
	Comprehensive service income [#]	(vii)	3,320	738
	Engineering service expenses [#]	(vii)	76,825	70,952
	Comprehensive service expenses [#]	(vii)	6,597	19,682
	Building rental expenses [#]	(viii)	3,578	4,019
	Building rental income [#]	(viii)	–	3
	Purchase of goods [#]	(viii)	30,255	18,545
	Sale of goods [#]	(ix)	20,879	27,151
Associate:				
北京控股集團財務有限公司 ("BE Group Finance")	Interest expenses [@]	(x)	27,377	30,137
	Interest income [@]	(x)	20,854	18,137

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 2020

20. RELATED PARTY DISCLOSURES *(Continued)*

(a) *(Continued)*

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

These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

⊙ These related party transactions also constitute continuing connected transactions that are subject to the announcement, reporting and annual review requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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 rental expenses were charged at a mutually-agreed amount of RMB1,849,000 (2019: RMB1,761,000) 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 2019: 1%) of the annual sales of beer and mineral water products made by Yanjing Brewery and at a rate of RMB0.008 (six months ended 30 June 2019: RMB0.008) per bottle of beer sold by the subsidiaries of Yanjing Brewery. Yanjing Brewery Group would refund 20% of the trademark licensing fees from sales of beer received from Yanjing Brewery for the use by Yanjing Brewery to develop and promote the “Yanjing” trademark.
- (vi) The selling price of piped natural gas was 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 purchase prices of goods and the building rentals were determined by reference to the then prevailing market rates.
- (ix) The selling prices of goods were determined on a cost-plus basis.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

20. 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 loan facilities through financial products including deposit-taking, money-lending and custodian services.

On 30 December 2016, the Company and BE Group Finance entered into a deposit agreement (the “Deposit Agreement”) whereby the Company and BE Group Finance will continue to carry out transactions under a deposit services master agreement (the “Deposit Services Master Agreement”) for a further period of 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 a supplementary agreement (the “2017 Supplementary Agreement”) whereby the annual cap was increased to HK\$2,900 million during the remaining term of the Deposit Agreement, i.e., from 19 October 2017 to 31 December 2019.

On 20 December 2019, the Company and BE Group Finance entered into a 2020 deposit agreement (the “2020 Deposit Agreement”) whereby the company and BE Group Finance will continue to carry out transactions under Deposit Services Master Agreement and 2017 Supplementary Agreement for a further period of three years from 1 January 2020 to 31 December 2022, 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 2020 Deposit Agreement will not exceed HK\$2,230 million.

Interest rates on deposits placed in and loans offered by BE Group Finance denominated in RMB 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 banks in the PRC.

The amount of deposits placed by the Group with BE Group Finance as at 30 June 2020 amounted to HK\$2,186 million (31 December 2019: HK\$2,891 million).

The amounts of loans borrowed by the Group from BE Group Finance as at the end of reporting period are disclosed in note 15(b) to the financial information.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

20. RELATED PARTY DISCLOSURES *(Continued)*

(b) Compensation of key management personnel of the group

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	4,596	4,895
Pension scheme contributions	14	14
Total compensation paid to key management personnel	4,610	4,909

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Other than guaranteed bonds and notes, the carrying amounts of the Group's financial assets and other financial 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 fair value of the Group's guaranteed bonds and notes is disclosed in note 16 to the unaudited interim condensed consolidated financial information.

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) and the unlisted fund investment of the Group is stated at fair value based on a market-based valuation (as categorised within Level 3 of the fair value hierarchy).

For other non-current financial assets and liabilities, in the opinion of the directors of the Company, 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.

22. IMPACT OF THE CORONAVIRUS

The COVID-19 coronavirus (the "Pandemic") has produced a negative impact on certain operations of the Group, including piped gas, brewery, water and environmental and solid waste treatment operations in the PRC. Management of the Group has been actively taking measures to control the operating costs and pay attention to cash flow management to readily prepare for business recovery after the Pandemic.

23. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current period's presentation, including, inter alia, the reclassification of certain staff costs of HK\$116,279,000 in total from selling expenses to cost of sales following a change in the internal management structure of a subsidiary in the second half year of 2019.

DISCLOSEABLE INFORMATION

BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION

During the period under review and up to the date of this report, changes in directors' information 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") are set out as follows:

	Date of Resignation
Mr. Wu Jiesi Shenzhen Investment Limited <i>(Note)</i> – Non-executive director	14 September 2020

Note: a company listed on the Hong Kong Stock Exchange (stock code: 00604)

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

At 30 June 2020, 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
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.

DISCLOSEABLE INFORMATION

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

(C) LONG POSITIONS IN SHARES OF ASSOCIATED CORPORATIONS

<u>Director</u>	<u>Associated corporation</u>	<u>Number of ordinary shares directly beneficially owned</u>	<u>Percentage of the associated corporations' total number of issued shares</u>
Tam Chun Fai	Beijing Enterprises Environment Group Limited [®]	50,000	0.003%
Sze Chi Ching	Beijing Enterprises Water Group Limited [®]	500,000	0.005%
Yu Sun Say	Beijing Enterprises Water Group Limited [®]	100,000	0.001%

(D) LONG POSITIONS IN UNDERLYING SHARES OF ASSOCIATED CORPORATIONS

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

[®] *As at 30 June 2020, all interests in these associated corporations owned by the Company are indirectly held.*

Save as disclosed above, as at 30 June 2020, 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 2020, 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	
Beijing Holdings Limited ("BHL")	2,276,000	–	2,276,000	0.18%
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")	–	784,243,788 ^(c)	784,243,788	62.14%

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) and BHL. BE Group BVI and BHL are wholly-owned subsidiaries of BE Group. Accordingly, BE Group is deemed to be interested in the shares held by BE Group BVI, BEIL, Modern Orient Limited and BHL.

Save as disclosed above, as at 30 June 2020, 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
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
29 April 2020	Term loan facilities with respective banks	EUR500	May 2021

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 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

EMPLOYEE

At 30 June 2020, the Group had approximately 40,000 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 2020.

Mr. Hou Zibo has assumed the positions of Chairman and Chief Executive Officer of the Company 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.

The Chairman of the Board was unable to attend the annual general meeting of the Company held on 18 June 2020, which deviates from Code Provision E.1.2. However, the Chairman had arranged other directors to attend the meeting and communicate with shareholders.

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 2020.

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 Dr. Yu Sun Say. The Audit Committee of the Company has already reviewed the unaudited interim results for the six months ended 30 June 2020 and considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.