

INTERIM
REPORT
2017



北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

BEIJING ENTERPRISES HOLDINGS LIMITED

Stock Code : 392



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CORPORATE INFORMATION*

DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Mr. Wu Jiesi
Mr. Lam Hoi Ham
Mr. Sze Chi Ching
Dr. Yu Sun Say
Mr. Ma She

AUDIT COMMITTEE

Mr. Wu Jiesi
Mr. Lam Hoi Ham (*Committee Chairman*)
Mr. Ma She

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Wang Dong (*Committee Chairman*)
Mr. Lam Hoi Ham
Mr. Ma She

INVESTMENT COMMITTEE

Mr. Zhou Si (*Committee Chairman*)
Mr. Jiang Xinhao
Mr. Lam Hoi Ham
Dr. Yu Sun Say
Mr. Ma She

COMPANY SECRETARY

Mr. Tam Chun Fai *CPA CFA*

STOCK CODE

392

WEBSITE

www.behl.com.hk

SHARE REGISTRAR

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

REGISTERED OFFICE

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

AUDITORS

Ernst & Young

* Up to the date of this report: 31 August 2017



CORPORATE INFORMATION*

LEGAL ADVISERS

Hong Kong Law

Mayer Brown JSM

PRC Law

Haiwen & Partners

US Law

Mayer Brown JSM

PRINCIPAL BANKERS

In Hong Kong

Bank of China, Hong Kong Branch

Bank of Communications, Hong Kong Branch

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

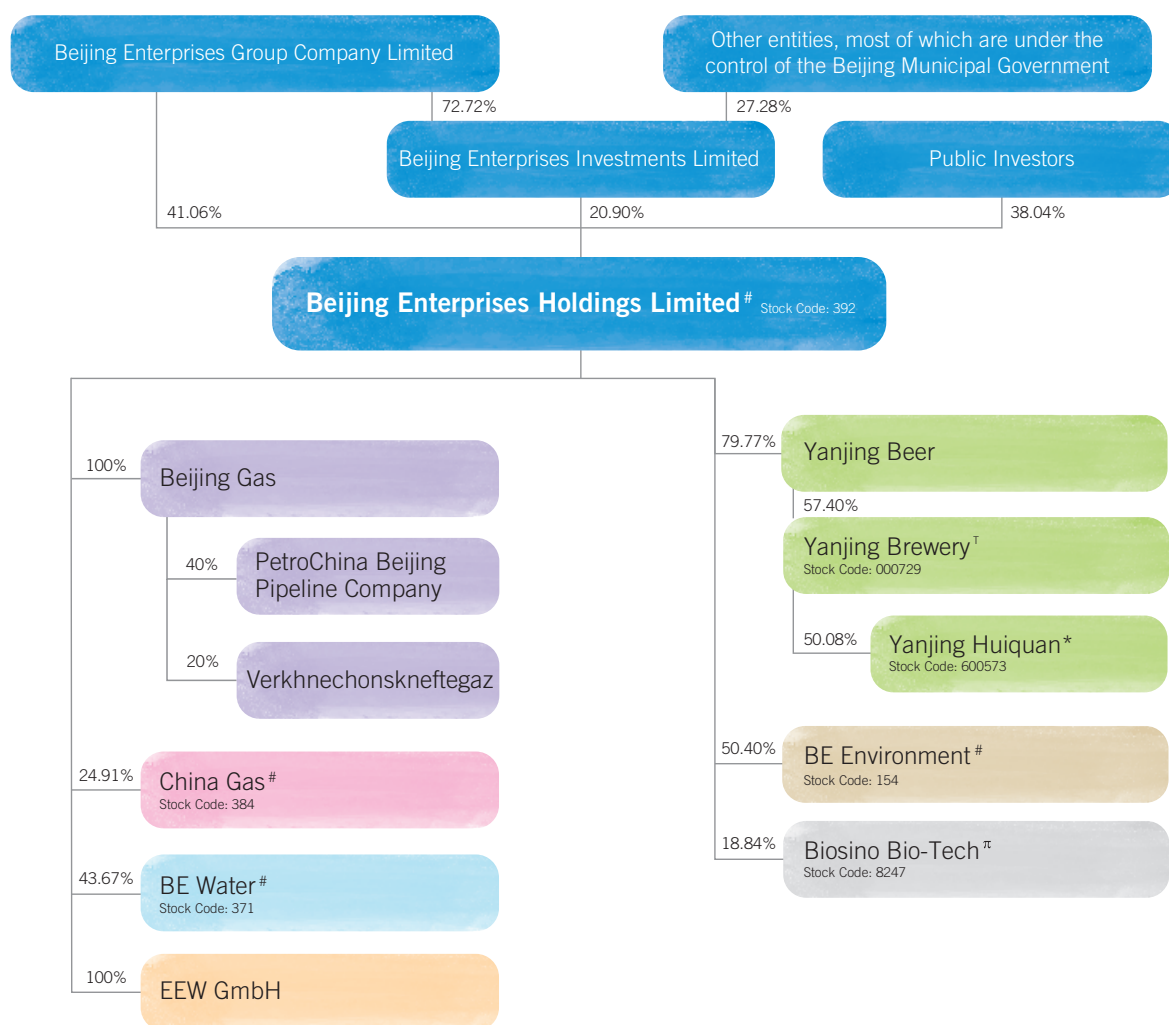
ADR Depository Bank

The Bank of New York



CORPORATE STRUCTURE

As at 30 June 2017



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



FINANCIAL HIGHLIGHTS

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 2017 and the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2017 together with the comparative figures in 2016. The consolidated revenue of the Group for the first half of 2017 was HK\$27.6 billion, representing a decrease of 2.9% over the corresponding period of last year. Profit attributable to shareholders of the Company was HK\$3.78 billion, representing an increase of 10.3% over the corresponding period in 2016.

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

	Profit attributable to shareholders of the Company HK\$'000	Proportion %
Piped gas operation	3,248,410	72.8
Beer operation	234,230	5.2
Water and environmental operations	835,899	18.7
Solid waste treatment operation	143,703	3.3
Profit from major operations	4,462,242	100
Other operations and headquarter expenses	(685,864)	
Profit attributable to shareholders of the Company	3,776,378	

INTERIM DIVIDEND

The Board has resolved to declare an interim cash dividend for the six months ended 30 June 2017 of HK30 cents (2016: HK30 cents) per share, which will be payable on about 18 October 2017 to shareholders whose names appear on the register of members of the Company on 25 September 2017.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Thursday, 21 September 2017 to Monday, 25 September 2017, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 20 September 2017.



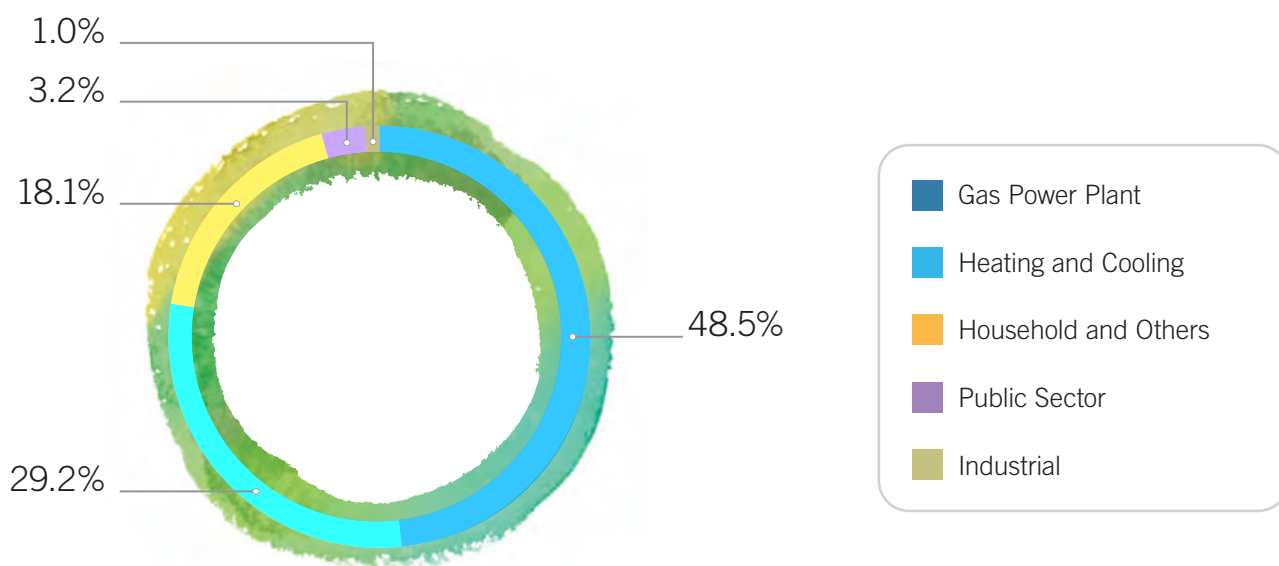
MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

Natural Gas Distribution Business

Beijing Gas Group Company Limited (“Beijing Gas”) recorded a revenue of HK\$18.62 billion in the first half of 2017, decreased by 4.9% as compared with the same period of last year, which was mainly due to the depreciation in RMB exchange rate on a year-on-year basis. The gas sales volume was approximately 7.222 billion cubic meters, a year-on-year decrease of 1.2%, which was mainly attributable to higher temperature in winter as compared with the same period of last year and a decrease of gas consumption volume from the heating and power generation subscribers.

The gas sales volume of Beijing Gas in the first half of 2017 was approximately 7.222 billion cubic meters. An analysis by subscriber sector is shown as follows:



During the period under review, a total of 74,200 new household subscribers, 2,504 public sector subscribers, and heating boiler capacity of 961 t/h steam were developed. The subscriber growth across all user groups maintained a solid growth on a year-on-year basis. The capital expenditure of Beijing Gas in the first half year amounted to approximately HK\$9.53 billion, including US\$1.09 billion expenditure spent for the investment in Verkhnechonskneftegaz of Rosneft Oil Company (“VCNG Project”).



MANAGEMENT DISCUSSION AND ANALYSIS

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

Natural Gas Distribution Business (Continued)

Beijing Gas implemented the 2017 Clean Air Action Plan actively in the first half of the year. 336 villages in 10 suburbs were involved in the “coal-to-gas replacement” projects of the year. The construction of all the planned projects had been commenced, and 776 km of pipeline were completed by end of June. In the first half of the year, the tender and bidding work of the design and construction for the projects of “coal-to-gas conversion” for boilers was completed, and the construction work has been commenced in succession. Meanwhile, in cooperating with the development program of the Beijing government, Beijing Gas actively improved its natural gas distribution network in the surrounding areas. Beijing Gas actively expanded its distributed energy business, and proceeded to the subcenter projects of Beijing, Tongzhou Universal Studios and New aerospace city in Daxing in an orderly manner. Beijing Gas also actively expanded the LNG point-to-point supply business in Hebei, escorting the development of the “coal-to-gas replacement” projects in villages.

Natural Gas Transmission Business

PetroChina Beijing Natural Gas Pipeline Company Limited (中石油北京天然氣管道有限公司) (“PetroChina Beijing Pipeline Company”) achieved a gas transmission volume of 18.73 billion cubic meters in the first half of 2017, representing a year-on-year increase of 12.7%.

Beijing Gas shared a net profit after tax of HK\$1.493 billion in the first half of 2017 through its 40% equity interests in PetroChina Beijing Pipeline Company, representing an increase of 6.1% when compared with the same period of last year. The total capital expenditure of PetroChina Beijing Pipeline Company was approximately HK\$5.15 billion in the first half year.

China Gas

In the first half of 2017, the Group’s share of profit of China Gas Holdings Limited (“China Gas”, stock code: 384) was HK\$556 million, which was based on the profit attributable to shareholders of China Gas for the six months ended 31 March 2017, representing a significant growth of 163% when compared with the corresponding period of last year. Benefited from the effective implementation of natural gas policy, China Gas responded actively to market changes and achieved considerable growth in its financial and operational performance in the three business segments (natural gas sales and pipeline connection, LPG sales and value-added business). In the 2017 financial year, China Gas achieved a sales volume of 12.22 billion cubic metres in natural gas, representing a year-on-year increase of 24.0%, and achieved a sales volume of 3.699 million tons in LPG, representing a year-on-year increase of 19.2%. 2.565 million households were newly connected and the cumulative number of households connected reached 20.68 million.



MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review (Continued)

Beer Business

In the first half of 2017, as affected by various factors such as intense market competition, lacking of demand drive, rising labour cost and sustained heavy rains in many places, Beijing Yanjing Brewery Co., Ltd. (“Yanjing Beer”) was still under a relatively high operating pressure. It maintained a stable and healthy development through grasping the “new normality” of economic development and developing operation concepts. Yanjing Beer kept abreast of consumption market upgrading, continued to facilitate the three key structural adjustments in products, branding and market. It moved forward the strategy of Yanjing fresh beer and cans, increased efforts in selling mid-range products, sorted out product lines and promoted price growth of unit products. At the same time, through dual branding operational strategy, it enhanced the proportion and efficiency of Yanjing main brands and drove the regional market development, adapted to the changes of consumption structure and integrated online and offline marketing strategies.

During the first half of 2017, sales volume of Yanjing Beer was 2.73 million kilolitres, representing a year-on-year increase of 2.2%. The sales volume of Yanjing main brand was 2.0 million kilolitres, representing a year-on-year increase of 4.7%, sales volume of “1+3” brand was 2.48 million kilolitres, representing a year-on-year increase of 2.6%. The revenue recorded was HK\$6.093 billion. Its profit before tax was HK\$759 million. Profit attributable to the shareholders of the Group in the first half year was HK\$234 million, representing a year-on-year increase of 2.1%. The capital expenditure of Yanjing Beer in the first half year was approximately HK\$474 million.

Water and Environmental Business

Beijing Enterprises Water Group Limited (“BE Water”, stock code: 371) continued to strengthen and expand its businesses in water treatment, construction and technical services for water environmental renovation in the first half of 2017. Its turnover increased by 16% to HK\$9.126 billion due to the increase in turnover from comprehensive renovation projects and water treatment services. Profit attributable to shareholders of BE Water increased by 22% to HK\$1.914 billion, of which HK\$836 million was net profit attributable to the Group, representing a year-on-year increase of 20.9%.

As at the end of June 2017, BE Water already participated in 544 water plants which are or will be in operation, including 423 sewage treatment plants, 110 water distribution plants, 10 reclaimed water plants and 1 seawater desalination plant. The total designed capacity was 29.651 million tons/day. Total designed capacity of new projects for the period was 2.668 million tons/day. In the first half year, BE Water actively participated in the construction of the subcenter of Beijing, and facilitated the synergic development among Beijing, Tianjin and Hebei region. It also secured the tender for the comprehensive improvement of urban water ecology PPP projects in Baotou. In actively responding to the national initiatives of “One Belt One Road”, BE Water steadily carried out the reconstruction of its water distribution plants and the construction of pipeline projects in Chukai, the state of Terengganu in Malaysia. BE Water participated in various projects that spread across 21 provinces, 4 autonomous regions and 2 municipalities nationwide as well as in overseas countries and regions.



MANAGEMENT DISCUSSION AND ANALYSIS

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

Solid Waste Treatment Business

At the end of the first half of the year, the solid waste treatment business segment of the Group has realized a waste incineration and power generation integrated treatment capacity of 27,575 tons/day. During the period, EEW Energy from Waste GmbH (“EEW GmbH”) achieved an operating revenue of HK\$2.32 billion, profit before interest, tax, depreciation and amortisation of EUR85.55 million, actual waste treatment volume of 2.197 million tons and sale of electricity of 790 million KWH. Beijing Enterprises Environment Group Limited (“BE Environment”, Stock Code: 154) and Beijing Enterprises Holdings Environment Technology Co., Ltd (“BEHET”) achieved a total operating revenue of HK\$520 million. The capital expenditure of solid waste related business in the first half year amounted to approximately HK\$290 million.

In the first half of 2017, the solid waste treatment business of the Group in China completed a waste treatment volume of 1.602 million tons. It accomplished an on-grid power generation volume of 390 million KWH. BE Environment currently has 8 solid waste treatment projects under operation and one project under construction, which recorded a significant growth in its operation scale as compared with the same period last year, and carried out the expansion construction plan and technical reconstruction for Shandong Tai'an Project, Hunan Changde Project and Jiangsu Shuyang Project. BEHET attached importance to the standard of economic operation and environmental protection, focused on the integration of introducing know-how and its own technology management and innovation, and strived to transform them into actual application in production. It applied for a total of 24 patents in the first half year, of which 6 utility model patents were duly certified successfully.

Material Capital Operation

In the first half of the year, Beijing Gas successfully completed the acquisition of the 20% equity interest in VCNG Project, which laid a foundation for the further cooperation of both parties in future. The VCNG Project will greatly increase the natural gas supply capacity in the capital city, provide support in environmental protection business as well as its economic social development. Both parties will take this event as an opportunity to establish the direction for future cooperation purpose, outline a comprehensive planning on environment, trade, storage and transportation, consumption and market expansion policies related to the import of natural gas from Russia in future, and explore the possibilities of cooperation in sectors such as vehicle gas. The VCNG Project will also contribute stable profits and cash returns to the Group.

During the period under review, total foreign financing completed by the Group were approximately HK\$12.977 billion. Of which, the Company successfully issued the 5-year guaranteed bonds amounting to EUR800 million and listed for trading in Ireland, which replaces part of the bridging loans for acquiring EEW GmbH. Beijing Gas successfully issued the 5-year guaranteed notes amounting to US\$500 million and US\$290 million syndicated loan to facilitate the acquisition of VCNG Project.



MANAGEMENT DISCUSSION AND ANALYSIS

II. Prospects

Natural Gas Business

With the increasing awareness on environmental improvement, market demand for clean energy has increased remarkably, the proportion of natural gas to energy consumption continued to increase. Beijing Gas will continue to implement its clean air action plan, vigorously develop the “coal-to-gas conversion” for boilers and “coal-to-gas replacement” projects in villages, speed up the process of the projects in Beijing, Tianjin and Hebei region. For the distributed energy business, it will focus on assuring the investment and construction of energy station in the subcenter of Beijing, facilitate the projects of new airport, new aerospace city and Universal Studios actively. Meanwhile, it will also speed up the cooperation with Central Government energy enterprises to carry out storage facility investments. Through vigorously implementing the CNG/LNG point-to-point supply businesses, it plans to form a user development and gas supply model complemented with pipeline gas. It will also build the LNG trading platform gradually by integrating the LNG market sourcing resources in Beijing.

It is expected that the No. 4 Shaanxi-Beijing Pipeline will be completed and put into operation by the end of 2017. The comprehensive gas transmission capacity of the Shaanxi-Beijing Pipelines will be enhanced significantly to ensure meeting the increasing demand of natural gas in the greater Beijing region in future.

Beer Business

Since early this year, with the supply-side structural reforms, the China economy has shown an overall steady growing trend. Benefited from the gradual macroeconomic recovery, the consolidation in the beer industry shows signs of bottoming out, and the industry will benefit from the consumption upgrading in the PRC in the long term. In the second half year, Yanjing Beer will follow the upgrading trends of personalization of beer consumption structure, whilst making efforts to the structural adjustments on product, brand and market. It will also emphasize on the development and changes of personal beer preference to cater for the market demand of consumers, strengthen and fortify the sales channel development to enhance sales competition. Furthermore, Yanjing Beer will improve its management standards in market and quality by adopting centralized platform for market management, quality control, production/consumption matching and bulk materials sourcing and purchasing.

Water and Environmental Business

The water environment comprehensive renovation will enjoy a period of ample development opportunities in the second half of the year and the years to come. BE Water will grasp the opportunities brought by the PPP projects and further embark on various major works under the direction of its ecological strategies.



MANAGEMENT DISCUSSION AND ANALYSIS

II. Prospects *(Continued)*

Water and Environmental Business (Continued)

BE Water will co-ordinate the resources both internally and externally to ensure the smooth implementation of its ecological strategies. It will continue to engage in the extensive co-operation at different levels within the industry chain and boost the value of the entire industry by developing a business ecosystem of water and environmental services which is dynamic, favourable and beneficial by using BE Water's business value in the industry chain. It will also seek opportunities in business expansion through various channels in order to create synergy in exploring the market.

BE Water will further gain an edge by creating and developing its own water environment comprehensive renovation projects and provide comprehensive solutions and services at all levels for environmental project implementation in the cities in which it operate. The reform of the organisational structure of BE Water's five regional segments are measured in depth, and business investment will shift to a strategy-oriented approach with further improvement in the investment system.

Solid Waste Treatment Business

By continuing to leverage on the two platforms, namely BE Environment and BEHET, the domestic solid waste treatment business of the Group will focus on improving the economic benefits of the operating projects. Meanwhile, it will also introduce the advanced technology and management concept from EEW GmbH to upgrade and re-engineer its domestic projects, so as to improve quality and enhance efficiency. It will emphasize on strengthening the sophisticated management standard in eliminating discrepancies and supplementing deficiencies, exploiting production capacity to ensure the stable operation of equipment and facilities. It will strengthen the construction structure and site management to develop benchmark competitive products of project construction. It will establish big data system management in a creative manner to deepen the monitoring and control on existing assets efficiency. It will promote technology innovation comprehensively, carry out cooperation with the universities and institutions nearby, and accumulate patent and technical achievements relating to the process, equipment and operation within the sectors in household waste incineration and hazardous waste treatment to enhance core competitiveness.

In the second half of 2017, the Group will continue to adhere to the environmentally friendly and high-end development concept, grasp the golden development opportunity of national strategy and industrial environment actively, continue to promote capital operation, move forward the pace of deepening market reform, rapidly release the drivers of development innovation for facilitating the realization of overall upgrading in the industrial development of member enterprises, and increase the earnings growth standards and sustainable development capacity to provide support in achieving the high-end strategy development of the Company during the "13th Five-Year Plan" period.



MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review

Revenue

The revenue of the Group's operations in the first half of 2017 was approximately HK\$27.6 billion, decreased by 2.9% when compared with the corresponding period of last year, which was mainly due to the depreciation in RMB exchange rate on a year-on-year basis. The revenue of gas sales was HK\$18.62 billion, representing a year-on-year decrease of 4.9%. The revenue of beer sales was HK\$6.09 billion. The revenue of solid waste treatment and environmental protection business was HK\$2.88 billion, which included the revenue of EEW GmbH amounting to HK\$2.32 billion. Other solid waste treatment businesses contributed an aggregate revenue of HK\$560 million.

Cost of Sales

Cost of sales decreased by 2.8% to HK\$22.77 billion on a year-on-year basis. The cost of sales for gas distribution business mainly included the purchase cost of natural gas as well as the depreciation of gas pipeline network. Cost of sales for beer business included raw materials, wage expenses and certain direct management fees etc. Cost of sales of solid waste treatment operation included fuel charges, amortization and waste collection costs.

Gross Profit Margin

The overall gross profit margin was 17.5% when compared with the 17.6% in corresponding period of last year. The gross profit margin remained stable, which was mainly due to the gross profit margin from natural gas business that represented the highest proportion of total turnover was similar with the corresponding period of last year.

Gain on deemed disposal of partial interest in an associate

During the first half of 2017, BE Water issued ordinary shares upon the exercise of share options by its employees. The Group recognized a gain of HK\$6.98 million on the deemed disposal of partial interest in an associate.

Other Income and Gains, net

Other income and gains, net mainly included interest income of HK\$140 million, dividend income of HK\$117 million, gain on disposal of certain fixed assets of HK\$132 million, government grant of HK\$85 million and rental income of HK\$35 million etc.

Selling and Distribution Expenses

Selling and distribution expenses of the Group in the first half of 2017 decreased by 4.9% to HK\$1.039 billion, which was mainly due to the enhancement of marketing efficiency and effective cost control.



MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review *(Continued)*

Administration Expenses

Administration expenses of the Group in the first half of 2017 were HK\$1.783 billion, decreased by 2.1% when compared with the corresponding period of last year, which was slightly lower than the decrease in its operating revenue.

Finance Costs

Finance costs of the Group in the first half of 2017 was HK\$708 million, increased by 2.1% when compared with the corresponding period of last year, which was mainly due to the recognition of 6 months interest expenses for a newly added bridging loan used for the acquisition of EEW GmbH in March last year during the period.

Share of Profits and Losses of Associates

Share of profits and losses of associates mainly included the 40% share of profit after taxation of PetroChina Beijing Pipeline Company, the 23.11% share of profit attributable to shareholders of China Gas and the 43.67% share of profit attributable to shareholders of BE Water.

In the first half of 2017, the Group shared the profit after taxation of PetroChina Beijing Pipeline Company amounting to HK\$1.493 billion, and the Group shared the profit after taxation of China Gas amounting to HK\$556 million and shared net profit of BE Water amounting to HK\$836 million.

Taxation

The effective income tax rate was 29.2%, which was higher than the 22.4% in the corresponding period of last year. This was mainly due to higher tax rate of EEW GmbH.

Profit Attributable to Shareholders of the Company

In the first half of 2017, profit attributable to shareholders of the Company was HK\$3.776 billion, representing an increase of 10.3% when compared with the same period of last year.



MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review (Continued)

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

Non-current Assets

The net book value of property, plant and equipment increased by HK\$2.076 billion as compared with the end of 2016, which was mainly attributable to the increase in the amount of construction in progress resulted from new coal-to-gas conversion project of Beijing Gas and factory facilities upgrade of Yanjing Beer during the period.

Other intangible assets were mainly from EEW GmbH.

Interests in associates increased significantly by HK\$13.47 billion, which was mainly due to completion of the acquisition of the 20% equity interest in VCNG project in the first half of the year, and the Group's share of profit of PetroChina Beijing Pipeline Company, BE Water and China Gas in the first half year.

The balance of available-for-sale investment increased by HK\$2.234 billion as compared with the end of last year, which was mainly due to the transfer of a prepayment amount of RMB1.9 billion to an available-for-sale investment during the period.

Balance of receivables under finance lease was from EEW GmbH.

Balance of prepayments, deposits and other receivables decreased by HK\$1.546 billion, which was mainly due to the transfer of a prepayment amount of RMB1.9 billion to an available-for-sale investment during the period.

The balance of convertible bonds receivables represented the balance granted to allot the debt and derivatives of convertible bonds invested in Beijing Gas Blue Sky Holdings Limited by Beijing Gas.



MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review (Continued)

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

Current Assets

The balance of inventories increased by HK\$695 million, which was mainly due to the increase in inventories of Yanjing Beer.

The balance of trade and bills receivables increased by HK\$972 million, which was mainly due to the account receivables of Beijing Gas incurred during the heating season that remained outstanding at the end of the period. It is expected that such receivables would be recovered one after another in the second half year.

The balance of prepayments, deposits and other receivables decreased significantly by HK\$1.115 billion, which was mainly due to that dividend receivable from PetroChina Beijing Pipeline Company as at the end of last year was received during the period.

Cash balance increased by HK\$1.161 billion, which was mainly due to the increase in cash flow during the period.

The balance of assets held for sale was nil, which was due to completion of the disposal of the ten city gas projects by Beijing Gas to China Gas and the coal to gas project in Keshiketeng County during the period.

Non-current Liabilities

The balance of bank and other borrowings increased by HK\$4.787 billion, which was mainly due to the additional bank loans borrowed for the acquisition of VCNG project by Beijing Gas.

The balance of guaranteed bonds, notes and senior notes increased by HK\$11.39 billion, which was mainly generated from additional guaranteed bonds amounted to EUR800 million, and the US\$500 million guaranteed notes issued by Beijing Gas in the first half of the year.

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



MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review *(Continued)*

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

Current Liabilities

The balance of trade and bills payables increased by HK\$157 million, which was mainly due to the increase in accounts payable of Yanjing Beer.

The balance of receipts in advance decreased by HK\$346 million, which was mainly due to the decline of natural gas sales volume in summer.

Other payables and accruals increased by HK\$1.112 billion, which was mainly due to the final dividend for 2016 not yet paid by the Group as at the end of the period.

The balance of bank and other borrowings decreased by HK\$6.814 billion, which was mainly due to the additional long-term guaranteed bonds of EUR800 million has replaced the original equivalent balance of bridging loan.

IV. Financial Position of the Group

Cash and Bank Borrowings

As at 30 June 2017, cash and bank deposits held by the Group amounted to HK\$17.19 billion, representing an increase of HK\$1.161 billion as compared with the year end of 2016.

The Group's bank and other borrowings, guaranteed bonds, notes and senior notes amounted to HK\$59.99 billion as at 30 June 2017, which mainly comprised the 10-year and 30-year US dollar guaranteed senior notes of US\$1.8 billion in total, the 5-year US dollar guaranteed notes of US\$500 million, the 25-year US dollar guaranteed bonds of US\$200 million, the 5-year Euro guaranteed bonds of EUR1.3 billion in total, syndicated loans amounting to US\$290 million, term loan facility of HK\$12.94 billion, bridging loans amounting to EUR865 million and HK dollar floating loans amounting to HK\$2.71 billion.



MANAGEMENT DISCUSSION AND ANALYSIS

IV. Financial Position of the Group *(Continued)*

Liquidity and Capital Resources

As at 30 June 2017, if the receipts in advance of approximately HK\$3.717 billion for the replenishment of IC Card value of Beijing Gas are excluded, the Group had net current assets of HK\$2.326 billion. The Group maintains sufficient banking facilities both in Hong Kong and Mainland China for its working capital requirements and had abundant cash resources to finance its capital expenditures in the foreseeable future.

As at 30 June 2017, the issued capital of the Company was 1,262,153,268 shares and equity attributable to shareholders of the Company was HK\$61.41 billion. Total equity was HK\$72.89 billion when compared with HK\$68.04 billion as at the end of 2016. Gearing ratio, being interest-bearing bank borrowings, guaranteed bonds, notes and senior notes divided by the sum of total equity, interest-bearing bank borrowings, guaranteed bonds, notes and senior notes, was 45% (31 December 2016: 43%).

Foreign Exchange Exposure

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

By order of the Board

Wang Dong

Chairman

Hong Kong, 31 August 2017



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		For the six months ended 30 June	
		2017	2016
		Unaudited	Unaudited
	Notes	HK\$'000	HK\$'000
REVENUE	3	27,596,856	28,417,102
Cost of sales		(22,771,469)	(23,428,367)
Gross profit		4,825,387	4,988,735
Gain on deemed disposal of partial interest in an associate		6,982	1,125
Other income and gains, net	4	719,252	646,848
Selling and distribution expenses		(1,039,380)	(1,092,622)
Administrative expenses		(1,783,155)	(1,821,594)
Other operating expenses, net		(255,049)	(103,920)
PROFIT FROM OPERATING ACTIVITIES	5	2,474,037	2,618,572
Finance costs	6	(707,956)	(693,512)
Share of profits and losses of:			
Joint ventures		23,922	977
Associates		2,932,363	2,376,584
PROFIT BEFORE TAX		4,722,366	4,302,621
Income tax	7	(515,066)	(430,336)
PROFIT FOR THE PERIOD		4,207,300	3,872,285
ATTRIBUTABLE TO:			
Shareholders of the Company		3,776,378	3,423,338
Non-controlling interests		430,922	448,947
		4,207,300	3,872,285
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	9		
Basic and diluted		HK\$2.99	HK\$2.69



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	4,207,300	3,872,285
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	(63,906)	(45,302)
Exchange differences:		
Translation of foreign operations	1,749,494	(1,670,577)
Reclassification adjustments for gain on deemed disposal of partial interest in an associate included in the consolidated statement of profit or loss	–	83
Reclassification adjustments for a foreign operation disposed of during the period	(15,530)	–
	1,733,964	(1,670,494)
Share of other comprehensive income/(loss) of associates	79,978	(314,118)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	1,750,036	(2,029,914)



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Items not to be reclassified to profit or loss in subsequent periods:		
Defined benefit plans:		
Actuarial losses	(111,423)	(157,787)
Income tax effect	27,825	43,388
	(83,598)	(114,399)
Share of other comprehensive loss of associates	(3,080)	(7,344)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods	(86,678)	(121,743)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX	1,663,358	(2,151,657)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,870,658	1,720,628
ATTRIBUTABLE TO:		
Shareholders of the Company	4,900,003	1,610,117
Non-controlling interests	970,655	110,511
	5,870,658	1,720,628



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

		30 June 2017 Unaudited HK\$'000	31 December 2016 Audited HK\$'000
	Notes		
ASSETS			
Non-current assets:			
Property, plant and equipment	10	45,503,406	43,427,899
Investment properties		1,188,376	1,133,290
Prepaid land premiums		1,574,847	1,529,906
Goodwill		16,417,581	15,772,276
Operating concessions		2,731,480	2,666,050
Other intangible assets		3,581,701	3,355,963
Investments in joint ventures		299,171	345,942
Investments in associates		46,243,059	32,771,154
Available-for-sale investments		5,405,905	3,171,535
Amounts due from contract customers		10,351	9,943
Receivables under service concession arrangements	11	1,775,628	1,598,429
Receivables under finance lease		955,528	848,684
Prepayments, deposits and other receivables	13	1,395,545	2,941,380
Debt component of convertible bond receivables		89,906	83,107
Derivate component of convertible bond receivables		40,376	40,376
Deferred tax assets		1,312,338	1,176,529
Total non-current assets		128,525,198	110,872,463
Current assets:			
Prepaid land premiums		38,184	36,371
Inventories		5,648,406	4,952,949
Receivables under finance lease		81,761	135,477
Amounts due from contract customers		47,702	23,335
Receivables under service concession arrangements	11	57,196	70,673
Trade and bills receivables	12	4,649,331	3,677,157
Prepayments, deposits and other receivables	13	3,666,787	4,781,741
Other taxes recoverable		497,747	560,011
Restricted cash and pledged deposits		39,738	56,547
Cash and cash equivalents		17,148,935	15,971,552
Assets of a disposal group classified as held for sale	14	31,875,787 –	30,265,813 3,570,485
Total current assets		31,875,787	33,836,298
TOTAL ASSETS		160,400,985	144,708,761



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	Notes	30 June 2017 Unaudited HK\$'000	31 December 2016 Audited HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	15	30,401,883	30,401,883
Reserves		31,003,601	26,919,325
		61,405,484	57,321,208
Non-controlling interests		11,482,054	10,717,718
TOTAL EQUITY		72,887,538	68,038,926
Non-current liabilities:			
Bank and other borrowings	16	17,663,345	12,876,585
Guaranteed bonds, notes and senior notes	17	30,722,063	19,333,950
Defined benefit plans		1,892,194	1,633,945
Provision for onerous contracts and major overhauls		507,205	461,103
Other non-current liabilities		1,183,897	1,022,636
Deferred tax liabilities		2,278,220	2,081,420
Total non-current liabilities		54,246,924	37,409,639
Current liabilities:			
Trade and bills payables	18	4,086,616	3,929,197
Amounts due to contract customers		426,335	322,684
Receipts in advance		5,220,086	5,566,252
Other payables and accruals		10,612,661	9,500,657
Provision for onerous contracts		50,603	46,235
Income tax payables		739,060	908,600
Other taxes payables		526,395	250,267
Bank and other borrowings	16	11,604,767	18,418,558
		33,266,523	38,942,450
Liabilities directly associated with the assets of a disposal group classified as held for sale	14	–	317,746
Total current liabilities		33,266,523	39,260,196
TOTAL LIABILITIES		87,513,447	76,669,835
TOTAL EQUITY AND LIABILITIES		160,400,985	144,708,761



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2017

	Attributable to shareholders of the Company											
	Share capital Unaudited HK\$'000	Treasury shares Unaudited HK\$'000	Capital reserve Unaudited HK\$'000	Available for-sale 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 2017	30,401,883	–*	816,049*	5,859*	75,599*	(260,812)*	(2,810,296)*	8,779,912*	20,313,014*	57,321,208	10,717,718	68,038,926
Profit for the period	–	–	–	–	–	–	–	–	3,776,378	3,776,378	430,922	4,207,300
Other comprehensive income/(loss) for the period:												
Available-for-sale investments:												
Change in fair value	–	–	–	(63,906)	–	–	–	–	–	(63,906)	–	(63,906)
Exchange differences:												
Translation of foreign operations	–	–	–	–	–	–	1,209,305	–	–	1,209,305	540,189	1,749,494
Reclassification adjustments for a foreign operation disposed of during the period	–	–	–	–	–	–	(15,530)	–	–	(15,530)	–	(15,530)
Defined benefit plans:												
Actuarial losses	–	–	–	–	–	(110,772)	–	–	–	(110,772)	(651)	(111,423)
Income tax effect	–	–	–	–	–	27,630	–	–	–	27,630	195	27,825
Share of other comprehensive income/(loss) of associates	–	–	–	–	(4,021)	(3,080)	83,999	–	–	76,898	–	76,898
Total comprehensive income/(loss) for the period	–	–	–	(63,906)	(4,021)	(86,222)	1,277,774	–	3,776,378	4,900,003	970,655	5,870,658
Capital contribution from non-controlling equity holders	–	–	–	–	–	–	–	–	–	–	5,458	5,458
Shares repurchased (note 15)	–	(3,733)	–	–	–	–	–	–	–	(3,733)	–	(3,733)
Disposal of subsidiaries (note 19)	–	–	–	–	–	–	–	–	–	–	(30,230)	(30,230)
Deemed disposal of partial interest in an associate	–	–	–	–	–	–	2,812	–	–	2,812	–	2,812
Share of reserves of associates	–	–	5,594	–	–	–	–	–	–	5,594	–	5,594
Final 2016 dividend	–	–	–	–	–	–	–	–	(820,400)	(820,400)	–	(820,400)
Dividends paid to non-controlling equity holders	–	–	–	–	–	–	–	–	–	–	(181,547)	(181,547)
Transfer to reserves	–	–	–	–	–	–	–	62,030	(62,030)	–	–	–
At 30 June 2017	30,401,883	(3,733)*	821,643*	(58,047)*	71,578*	(347,034)*	(1,529,710)*	8,841,942*	23,206,962*	61,405,484	11,482,054	72,887,538

* These reserve accounts comprise the consolidated reserves of HK\$31,003,601,000 (unaudited) (31 December 2016: HK\$26,919,325,000 (audited)) in the condensed consolidated statement of financial position as at 30 June 2017.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2016

	Attributable to shareholders of the Company											
	Share capital	Treasury shares	Capital reserve	Available for-sale investment revaluation reserve	Property revaluation reserve	Defined benefits plans reserve	Exchange fluctuation reserve	PRC reserve funds	Retained profits	Total	Non-controlling interests	Total equity
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016	30,401,883	(46,623)	851,448	72,827	81,730	(98,580)	2,103,340	7,601,199	17,220,043	58,187,267	10,464,903	68,652,170
Profit for the period	-	-	-	-	-	-	-	-	3,423,338	3,423,338	448,947	3,872,285
Other comprehensive income/(loss) for the period:												
Available-for-sale investments:												
Change in fair value	-	-	-	(45,302)	-	-	-	-	-	(45,302)	-	(45,302)
Exchange differences:												
Translation of foreign operations	-	-	-	-	-	-	(1,334,025)	-	-	(1,334,025)	(336,552)	(1,670,577)
Reclassification adjustments for gain on deemed disposal of partial interest in an associate included in the consolidated statement of profit or loss	-	-	-	-	-	-	83	-	-	83	-	83
Defined benefits plan:												
Actuarial losses	-	-	-	-	-	(155,096)	-	-	-	(155,096)	(2,691)	(157,787)
Income tax effect	-	-	-	-	-	42,581	-	-	-	42,581	807	43,388
Share of other comprehensive loss of associates	-	-	-	-	-	(7,344)	(314,118)	-	-	(321,462)	-	(321,462)
Total comprehensive income/(loss) for the period	-	-	-	(45,302)	-	(119,859)	(1,648,060)	-	3,423,338	1,610,117	110,511	1,720,628
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	736,966	736,966
Deemed disposal of partial interest in a subsidiary	-	-	(2,274)	-	-	-	125	-	-	(2,149)	20,876	18,727
Shares repurchased	-	46,623	-	-	-	-	-	-	(751,675)	(705,052)	-	(705,052)
Share of reserve of associates	-	-	(9,112)	-	(4,834)	-	-	-	-	(13,946)	-	(13,946)
Final 2015 dividend	-	-	-	-	-	-	-	-	(833,853)	(833,853)	-	(833,853)
Dividend paid to non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	(84,082)	(84,082)
Transfer to reserves	-	-	-	-	-	-	-	53,131	(53,131)	-	-	-
At 30 June 2016	30,401,883	-	840,062	27,525	76,896	(218,439)	455,405	7,654,330	19,004,722	58,242,384	11,249,174	69,491,558



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	HK\$'000	HK\$'000
OPERATING ACTIVITIES		
Cash generated from operations	3,154,217	4,053,282
Dividends received from associates	2,517,710	195,043
Mainland China income tax paid	(780,242)	(685,980)
Overseas income tax paid	(11,651)	–
Net cash flows from operating activities	4,880,034	3,562,345
INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(1,925,726)	(1,029,093)
Acquisition of subsidiaries	–	(12,108,174)
Disposal of subsidiaries (note 19)	(232,997)	–
Acquisition of/increase in investments in joint ventures and associates	(9,156,640)	(1,158,572)
Subscription of convertible bond	–	(350,000)
Dividends received from an associate	56,334	63,304
Proceeds from disposal items of property, plant and equipment	196,332	25,666
Decrease in time deposits with maturity of more than three months	41,056	11,602
Other cash flows from investing activities	237,709	20,338
Net cash flows used in investing activities	(10,783,932)	(14,524,929)
FINANCING ACTIVITIES		
Capital contributions from non-controlling equity holders	5,458	–
Proceed from issue of guaranteed notes and bonds, net of issuance cost	10,842,095	–
Repurchase of the Company's shares	(3,733)	(705,052)
New loans	5,245,115	17,056,914
Repayment of loans	(8,726,643)	(4,933,703)
Interest paid	(554,168)	(511,396)
Dividends paid	–	(833,853)
Other cash flows used in financing activities	(181,547)	(84,082)
Net cash flows from financing activities	6,626,577	9,988,828



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Net increase/(decrease) in cash and cash equivalents	722,679	(973,756)
Cash and cash equivalents at beginning of period	15,838,487	14,209,132
Effect of foreign exchange rate changes, net	491,644	(235,819)
Cash and cash equivalents at end of period	17,052,810	12,999,557
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances:		
Placed in banks	11,382,275	8,713,313
Placed in a financial institution	1,062,967	739,559
Time deposits:		
Placed in banks	3,753,861	1,743,294
Placed in a financial institution	989,570	1,559,268
Less: Restricted cash and pledged deposits	(39,738)	(98,289)
	17,148,935	12,657,145
Less: Time deposits with maturity of more than three months when acquired	(96,125)	–
Add: Cash and bank balances attributable to disposal groups	–	342,412
	17,052,810	12,999,557



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with 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 “Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The unaudited interim condensed consolidated financial statements do 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 2016.

The accounting policies and basis of preparation used in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) issued by the HKICPA, accounting policies generally accepted in Hong Kong and the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 2 below.

In preparing the consolidated financial statements, the Directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s total current liabilities exceeded its total current assets as at 30 June 2017. 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 continue as a going concern. Accordingly, the unaudited interim condensed consolidated financial statements have been prepared on a going concern basis.

The financial information relating to the year ended 31 December 2016 that is included in the condensed consolidated statement of financial position as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

1. BASIS OF PREPARATION *(Continued)*

The Company's auditor have reported on the financial statements for the year ended 31 December 2016. The auditor's report was unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities</i>

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

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

3. OPERATING SEGMENT INFORMATION

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

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

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 STATEMENTS

30 June 2017

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 2017 and 2016, respectively.

For the six months ended 30 June 2017

	Piped gas Operation Unaudited HK\$'000	Brewery operation Unaudited HK\$'000	Water and environmental operations Unaudited HK\$'000	Solid waste treatment operation Unaudited HK\$'000	Corporate and others Unaudited HK\$'000	Inter- segment elimination Unaudited HK\$'000	Consolidated Unaudited HK\$'000
Segment revenue	18,620,032	6,093,171	–	2,883,653	–	–	27,596,856
Cost of sales	(16,566,963)	(3,953,448)	–	(2,251,058)	–	–	(22,771,469)
Gross profit	2,053,069	2,139,723	–	632,595	–	–	4,825,387
Profit/(loss) from operating activities	1,444,863	770,260	–	484,149	(96,721)	(128,514)	2,474,037
Finance costs	(73,193)	(10,527)	–	(122,781)	(629,969)	128,514	(707,956)
Share of profits and losses of:							
Joint ventures	23,632	–	–	290	–	–	23,922
Associates	2,080,700	(893)	835,899	4,405	12,252	–	2,932,363
Profit/(loss) before tax	3,476,002	758,840	835,899	366,063	(714,438)	–	4,722,366
Income tax	(215,994)	(167,950)	–	(123,430)	(7,692)	–	(515,066)
Profit/(loss) for the period	3,260,008	590,890	835,899	242,633	(722,130)	–	4,207,300
Segment profit/(loss) attributable to shareholders of the Company	3,248,410	234,230	835,899	143,703	(685,864)	–	3,776,378



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

3. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2016

	Piped gas Operation Unaudited HK\$'000	Brewery operation Unaudited HK\$'000	Water and environmental operations Unaudited HK\$'000	Solid waste treatment operation Unaudited HK\$'000	Corporate and others Unaudited HK\$'000	Inter- segment elimination Unaudited HK\$'000	Consolidated Unaudited HK\$'000
Segment revenue	19,578,867	6,739,315	–	2,067,064	31,856	–	28,417,102
Cost of sales	(17,469,497)	(4,252,915)	–	(1,689,710)	(16,245)	–	(23,428,367)
Gross profit	2,109,370	2,486,400	–	377,354	15,611	–	4,988,735
Profit/(loss) from operating activities	1,373,706	792,250	–	332,312	234,101	(113,797)	2,618,572
Finance costs	(98,373)	(27,308)	–	(109,518)	(572,110)	113,797	(693,512)
Share of profits and losses of:							
Joint ventures	(376)	–	–	(35)	1,388	–	977
Associates	1,629,283	(5,267)	691,420	–	61,148	–	2,376,584
Profit/(loss) before tax	2,904,240	759,675	691,420	222,759	(275,473)	–	4,302,621
Income tax	(189,307)	(189,031)	–	(34,303)	(17,695)	–	(430,336)
Profit/(loss) for the period	2,714,933	570,644	691,420	188,456	(293,168)	–	3,872,285
Segment profit/(loss) attributable to shareholders of the Company	2,696,133	229,458	691,420	131,246	(324,919)	–	3,423,338



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

3. OPERATING SEGMENT INFORMATION *(Continued)*

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

	30 June 2017 Unaudited HK\$'000	31 December 2016 Audited HK\$'000
Total assets:		
Piped gas operations	85,897,303	75,369,165
Brewery operation	22,724,554	20,943,657
Water and environmental operations	8,535,821	7,689,266
Solid waste treatment operation	32,769,315	30,552,161
Corporate and others	21,525,418	20,956,757
Eliminations	(11,051,426)	(10,802,245)
	160,400,985	144,708,761
Total liabilities:		
Piped gas operations	24,308,277	19,027,517
Brewery operation	7,685,534	6,899,377
Solid waste treatment operation	14,644,005	13,072,277
Corporate and others	51,927,057	48,472,909
Eliminations	(11,051,426)	(10,802,245)
	87,513,447	76,669,835

During each of the six months ended 30 June 2017 and 2016, none of the Group's individual customers contributed 10% or more of the Group's revenue.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

4. OTHER INCOME AND GAINS, NET

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	HK\$'000	HK\$'000
OTHER INCOME		
Interest income	139,987	239,247
Rental income	35,211	35,017
Investment income from an available-for-sale investment	117,110	–
Government grants	85,211	96,309
Transfer of assets from customers	15,383	13,046
Others	187,568	242,561
	580,470	626,180
GAINS, NET		
Gain on disposal of items of property, plant and equipment, net	132,423	–
Foreign exchange differences, net	6,359	20,668
	138,782	20,668
Other income and gains, net	719,252	646,848



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

5. PROFIT FROM OPERATING ACTIVITIES

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

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Depreciation	1,505,517	1,345,408
Amortisation of prepaid land premium	20,024	29,590
Amortisation of customer contracts*	156,427	150,638
Amortisation of operating concession*	50,388	45,745
Amortisation of operating right*	2,304	1,641
Amortisation of patents*	1,324	1,307
Amortisation of computer software**	20,333	17,152

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

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

6. FINANCE COSTS

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest on bank loans and other loans	245,429	252,161
Interest on guaranteed bonds, notes and senior notes	455,449	441,351
Total interest expenses	700,878	693,512
Increase in discounted amounts of provision for major overhauls arising from the passage of time	7,078	—
Total finance costs	707,956	693,512



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

7. INCOME TAX

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Current:		
Mainland China	441,299	461,820
Germany	139,748	44,194
Deferred	(65,981)	(75,678)
Total tax expense for the period	515,066	430,336

No provision for Hong Kong profits tax has been made during the six months ended 30 June 2017 as the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2016: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company's subsidiaries enjoy income tax exemptions and reductions.

8. INTERIM DIVIDEND

On 31 August 2017, the Board declared an interim cash dividend of HK30 cents per share (six months ended 30 June 2016: HK30 cents per share), totaling HK\$378,616,000 (six months ended 30 June 2016: HK\$378,646,000).

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amount was based on the profit attributable to shareholders of the Company, and the weighted average number of ordinary shares of 1,262,135,588 (2016: 1,270,984,543) in issue during the period.

The Group has no potentially dilutive ordinary shares in issue during the six months ended 30 June 2017 and 2016.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment with a total cost of HK\$1,925,726,000 (six months ended 30 June 2016: HK\$1,029,093,000), excluding property, plant and equipment acquired through transfer of assets from customers with a total deemed cost of HK\$15,383,000 (six months ended 30 June 2016: HK\$13,046,000 (note 4)).

Property, plant and equipment with an aggregate carrying amount of HK\$63,909,000 (six months ended 30 June 2016: HK\$26,212,000) were disposed of by the Group during the six months ended 30 June 2017, resulting in a net gain on disposal of HK\$132,423,000 (six months ended 30 June 2016: net loss on disposal of HK\$546,000).

11. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

In respect of the Group's receivables under service concession arrangements, aged analysis of receivables under service concession arrangements are closely monitored in order to minimise any credit risk associated with the receivables.

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

	30 June 2017 Unaudited HK\$'000	31 December 2016 Audited HK\$'000
Billed:		
Within one year	–	21,969
Unbilled	1,832,824	1,647,133
	1,832,824	1,669,102
Portion classified as current assets	(57,196)	(70,673)
Non-current portion	1,775,628	1,598,429



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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12. TRADE AND BILLS RECEIVABLES

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

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

	30 June 2017 Unaudited HK\$'000	31 December 2016 Audited HK\$'000
Billed:		
Within one year	4,084,139	2,435,956
One to two years	88,753	54,286
Two to three years	36,630	30,323
Over three years	47,234	39,584
	4,256,756	2,560,149
Unbilled	392,575	1,117,008
	4,649,331	3,677,157

Included in the Group's trade and bills receivables as at 30 June 2017 was an aggregate amount of HK\$43,555,000 (31 December 2016: HK\$57,857,000) and HK\$64,908,000 (31 December 2016: HK\$168,702,000) due from certain fellow subsidiaries and a joint venture of the Group arising from transactions carried out in the ordinary course of business of the Group, respectively. The balances are unsecured, interest-free and are repayable within credit periods similar to those offered by the Group to its major customers.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		30 June 2017 Unaudited HK\$'000	31 December 2016 Audited HK\$'000
	Notes		
Prepayments	(a)(iii)	1,227,850	2,876,044
Deposits and other receivables	(a)(i),(ii)	1,981,043	2,082,471
Due from associates	(a)(iv)	8,145	2,219,846
Due from holding companies	(b)	1,592,496	292,186
Due from fellow subsidiaries	(b)	163,440	165,064
Due from joint ventures	(b)	113,103	179,916
Due from related parties	(b)	117,402	46,546
		5,203,479	7,862,073
Impairment		(141,147)	(138,952)
		5,062,332	7,723,121
Portion classified as current assets		(3,666,787)	(4,781,741)
Non-current portion		1,395,545	2,941,380



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes:

- (a) The Group's prepayments, deposits and other receivables as at 30 June 2017 and 31 December 2016 include, inter alia, the following:
- (i) certain deposits of HK\$234,726,000 (31 December 2016: HK\$171,761,000) in total were paid for the construction or purchase of buildings, pipelines, equipment and machinery. The deposits are classified as non-current assets;
 - (ii) a deposit of EUR28 million (equivalent to approximately HK\$250 million) (31 December 2016: EUR27 million (equivalent to approximately HK\$220 million)) were paid to a bank for securing certain bank facilities granted. Such deposit will be refunded upon the expiry of the banking facilities.
 - (iii) an amount of RMB1,900 million (equivalent to approximately HK\$2,111 million) prepaid for the subscription of 176 million shares (1.95% of the total issued shares) in CNPC Capital Company Limited, a company listed on the Shenzhen Stock Exchange and engaged in financial services business as at 31 December 2016. The amount was recognised as prepayment for acquisition of available-for-sale investment as at 31 December 2016 and was transferred to available-for-sale investments upon the completion of subscription of shares during the current period; and
 - (iv) dividend of HK\$2.2 billion receivable from Petrochina Beijing Gas as at 31 December 2016 and the amount was received during the current period.
- (b) The amounts due from holding companies, fellow subsidiaries, joint ventures and related parties are unsecured, interest-free and have no fixed terms of repayment, except for an aggregate amount of RMB98,400,000 (equivalent to HK\$113,103,000) (31 December 2016: RMB78,400,000 (equivalent to HK\$87,111,000)) due from a joint venture, which is unsecured, bears interest at 4.35% per annum and is repayable within one year.

The balances with fellow subsidiaries and joint ventures of the Group included in trade and bills receivables and trade and bills payables are disclosed in notes 12 and 18 to the financial statements, respectively.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

14. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

The major classes of assets and liabilities classified as held for sale as at 31 December 2016 were as follows:

	2016		
	Beijing Gas Development HK\$'000 (note (a))	Others HK\$'000 (note (b))	Total HK\$'000
Assets			
Property, plant and equipment	727,006	–	727,006
Goodwill	72,824	–	72,824
Other intangible assets	24,773	–	24,773
Investments in associates	458,678	1,888,889	2,347,567
Deferred tax assets	3,392	–	3,392
Inventories	38,176	–	38,176
Trade and bills receivables	50,518	–	50,518
Prepayments, deposits and other receivables	47,054	–	47,054
Other tax recoverable	33,945	–	33,945
Cash and bank balances	225,230	–	225,230
Assets of a disposal group classified as held for sale	1,681,596	1,888,889	3,570,485
Liabilities			
Bank and other borrowings	(144,444)	–	(144,444)
Trade and bills payables	(60,718)	–	(60,718)
Other payables and accruals	(5,384)	–	(5,384)
Receipts in advance	(106,678)	–	(106,678)
Income tax payables	(522)	–	(522)
Liabilities directly associated with the assets of a disposal group classified as held for sale	(317,746)	–	(317,746)
Net assets of a disposal group held for sale	1,363,850	1,888,889	3,252,739



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

14. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE *(Continued)*

Notes:

- (a) On 26 November 2014, the Group entered into a conditional share purchase agreement with China Gas Holdings Limited ("China Gas"), pursuant to which the Group conditionally agreed to sell and China Gas conditionally agreed to purchase the entire equity interest in Beijing Gas Development Limited ("Beijing Gas Development", a wholly-owned subsidiary of the Group) at the initial consideration of RMB1,633 million (equivalent to approximately HK\$2,064 million), which shall be satisfied by China Gas allotting and issuing 149,122,250 ordinary shares to the Group. The transaction was approved by an ordinary resolution at the special general meeting of shareholders of China Gas on 17 March 2015.

On 28 June 2016, the Group entered into an amended and restated share purchase agreement with China Gas, pursuant to which the Group and China Gas agreed to amend the composition of project companies held by Beijing Gas Development and the Group has conditionally agreed to sell and China Gas has conditionally agreed to purchase the entire equity interest in Beijing Gas Development at the revised consideration of RMB1,213 million (equivalent to approximately HK\$1,534 million), which shall be satisfied by China Gas allotting and issuing 110,823,011 ordinary shares to the Group.

Beijing Gas Development was classified as a disposal group held for sale since 2015. The transaction was completed on 16 February 2017. A total of 110,823,011 shares of China Gas were allotted and issued as consideration to the Group.

- (b) On 28 August 2015, the Group entered into a disposal agreement with 北京控股集團有限公司 ("Beijing Enterprises Group", the ultimate holding company), pursuant to which the Group agreed to sell and Beijing Enterprises Group agreed to purchase the entire equity interest in Keqi Coal-based Gas Company ("Keqi Gas", an 34% owned associate of the Group) at the cash consideration of RMB1,700 million (equivalent to approximately HK\$2,024 million). The transaction was approved by the independent shareholders of the Company on 15 January 2016.

Since the consideration for the disposal of Keqi Gas was less than the carrying amount of investment in Keqi Gas of RMB1,762 million (equivalent to approximately HK\$2,098 million), in the opinion of the directors, impairment provision of RMB62 million (equivalent to approximately HK\$76 million) was considered necessary for the Group's investment in Keqi Gas as at 31 December 2015.

Keqi Gas was classified as disposal group held for sale since 2015. The equity transfer procedure was completed in April 2017.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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15. SHARE CAPITAL

	30 June 2017 Unaudited HK\$'000	31 December 2016 Audited HK\$'000
Issued and fully paid: 1,262,153,268 (2016: 1,262,153,268) ordinary shares (<i>note</i>)	30,401,883	30,401,883

Note:

During the period ended 30 June 2017, the Company repurchased a total of 100,000 ordinary shares of the Company on the Hong Kong Stock Exchange at a purchase price of HK\$37.20 per share and the total consideration amounted to approximately HK\$3,720,000 (and transaction cost of HK\$13,000), which would be paid wholly out of retained profits in accordance with section 257 of the Hong Kong Companies Ordinance. The 100,000 ordinary shares were held by the Company as at 30 June 2017 and the consideration of HK\$3,733,000 has been debited to the "treasury shares" account.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

16. BANK AND OTHER BORROWINGS

- (a) At 30 June 2017, the bank loans of the Group included a five-year HK\$4 billion term loan, a five-year HK\$3 billion term loan, a five-year HK\$1.94 billion term loan, a five-year HK\$4 billion term loan, a one-year EUR865 million loan and a five-year US\$290 million syndicated loan with the related facilities obtained by the Group in 2015, 2016, 2016, 2016, 2016 and 2017, respectively, which bear annual interest at HIBOR+1.15%, HIBOR+0.68%, HIBOR+1.06%, HIBOR+0.88%, EURIBOR+0.7% and LIBOR+0.825%, respectively, and are fully payable on 27 November 2020, 22 November 2021, 7 December 2021, 24 June 2021, 1 September 2017 and 15 May 2022, respectively.

The loan agreements in respect of the loans outstanding as at 30 June 2017 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.

Within the best knowledge of the directors, none of the above events took place during the period ended 30 June 2017 and as at the date of approval of these financial statements.

- (b) Included in the Group's bank and other borrowings as at 30 June 2017 is an aggregate amount of HK\$2,710 million (31 December 2016: HK\$3,370 million) and RMB877,000,000 (equivalent to HK\$1,008,000,000) (31 December 2016: RMB919,000,000 (equivalent to HK\$1,021,000,000)) due to Beijing Enterprises Group Finance Co., Ltd ("BE Group Finance", an associate of the Group), which bears interest at rates ranging from HIBOR to 4.75% per annum. Interest expenses of HK\$24,551,000 (six months ended 30 June 2016: HK\$17,985,000) were recognised in profit or loss during the period in respect of the loans.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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17. GUARANTEED BONDS, NOTES AND SENIOR NOTES

- (a) On 25 April 2012 and 12 May 2011, Talent Yield Investments Limited and Mega Advance Investments Limited, wholly-owned subsidiaries of the Company, issued senior notes with aggregate principal amounts of US\$800 million (the “2012 Senior Notes”) and US\$1 billion (the “2011 First Senior Notes” for US\$600 million and the “2011 Second Senior Notes” for US\$400 million), respectively, (collectively, the “Guaranteed Senior Notes”) to certain institutional investors. Pursuant to the Guaranteed Senior Notes purchase agreements dated 19 April 2012 and 5 May 2011, respectively, of which, unless redeemed prior to their maturity pursuant to the terms thereof (i) the 2012 Senior Notes, bearing interest at the rate of 4.5% per annum, will mature on 25 April 2022; (ii) the 2011 First Senior Notes, bearing interest at the rate of 5% per annum, will mature on 12 May 2021; and (iii) the 2011 Second Senior Notes, bearing interest at the rate of 6.375% per annum, will mature on 12 May 2041.
- (b) On 7 May 2015, Talent Yield Investment (Euro) Limited (a wholly-owned subsidiary of the Company) issued guaranteed bonds with aggregate principal amounts of EUR500,000,000 (the “2015 EUR Bonds”) to certain institutional investors. Pursuant to the 2015 EUR Bonds purchase agreements dated 29 April 2015, the 2015 EUR Bonds, unless redeemed prior to their maturity pursuant to the terms thereof and of the indenture, bear interest at the rate of 1.435% per annum and will mature on 7 May 2020.
- (c) On 17 December 2015, Top Luxury Investment Limited (a wholly-owned subsidiary of the Company) issued guaranteed bonds with aggregate principal amounts of US\$200,000,000 (the “2015 US Bonds”) to certain institutional investors. Pursuant to the 2015 US Bonds purchase agreements dated 1 December 2015, the 2015 US Bonds, unless redeemed prior to their maturity pursuant to the terms thereof and of the indenture, bear interest at the rate of 4.99% per annum and will mature on 17 December 2040.
- (d) On 21 April 2017, Talent Yield European Limited (a wholly-owned subsidiary of the Company) issued guaranteed bonds with aggregate principal amounts of EUR800,000,000 (the “2017 EUR Bonds”) to certain institutional investors. Pursuant to the 2017 EUR Bonds purchase agreements dated 12 April 2017, the 2017 EUR Bonds, unless redeemed prior to their maturity pursuant to the terms thereof and of the indenture, bear interest at the rate of 1.3% per annum and will mature on 21 April 2022.
- (e) On 31 May 2017, Beijing Gas Singapore Capital Corporation (a wholly-owned subsidiary of the Company) issued guaranteed notes with aggregate principal amounts of US\$500 million (the “2017 Guaranteed Notes”) to certain institutional investors. Pursuant to the 2017 Guaranteed Notes purchase agreements dated 23 May 2017, the 2017 Guaranteed Notes, unless redeemed prior to their maturity pursuant to the terms thereof and of the indenture, bear interest at the rate of 2.75% per annum and will mature on 31 May 2022.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

17. GUARANTEED BONDS, NOTES AND SENIOR NOTES *(Continued)*

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

Further details of the guaranteed bonds and senior notes are set out in the Company's announcements dated 6 May 2011, 19 April 2012, 30 April 2015, 1 December 2015 and 13 April 2017, respectively.

18. TRADE AND BILLS PAYABLES

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

	30 June 2017 Unaudited HK\$'000	31 December 2016 Audited HK\$'000
Billed:		
Within one year	2,595,240	2,801,186
One to two years	28,748	64,644
Two to three years	9,431	11,122
Over three years	16,711	29,961
	2,650,130	2,906,913
Unbilled	1,436,486	1,022,284
	4,086,616	3,929,197

Included in the Group's trade and bills payables as at 30 June 2017 are amounts of HK\$29,898,000 (31 December 2016: HK\$28,458,000) due to fellow subsidiaries, arising from transactions carried out in the ordinary course of business of the Group. The balances are unsecured, interest-free and are repayable within credit periods similar to those offered by the related parties to their major customers.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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19. DISPOSAL OF SUBSIDIARIES

	30 June 2017 Total HK\$'000 (note)
Net assets disposed of:	
Property, plant and equipment	752,075
Goodwill	75,335
Other intangible assets	25,628
Investments in associates	475,825
Deferred tax assets	3,509
Inventories	39,493
Trade and bills receivables	52,260
Prepayments, deposits and other receivables	48,675
Other tax recoverable	35,116
Cash and bank balances	232,997
Bank and other borrowings	(149,425)
Trade and bills payables	(62,812)
Other payables and accruals	(5,569)
Receipts in advance	(110,357)
Income tax payables	(540)
Non-controlling interest	(30,230)
	1,381,980
Exchange fluctuation reserve realised	(15,530)
	1,366,450
Satisfied by:	
Equity interest of a subsidiary given up at fair value	1,366,450



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

19. DISPOSAL OF SUBSIDIARIES *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	30 June 2017 Total HK\$'000
Cash and cash equivalents disposed of	232,997
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	232,997

Note:

The disposal of Beijing Gas Development was completed on 16 February 2017. Further details of which are set out in note 14(a) to the financial statements.

20. NOTE TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

Apart from the transactions as detailed in note 13, 14 and 19 to the condensed interim consolidated financial statements, the Group had no other major non-cash transactions of investing and financing activities during the periods ended 30 June 2017 and 2016.

21. CONTINGENT LIABILITY

The Group did not have any significant contingent liabilities as of 30 June 2017 (31 December 2016: Nil).



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

22. CAPITAL COMMITMENTS

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

	30 June 2017 Unaudited HK\$'000	31 December 2016 Audited HK\$'000
Contracted, but not provided for:		
Buildings	109,498	72,203
Gas pipelines and plant and machinery	2,176,088	1,022,481
New service concession arrangements on a Build-Operate-Own basis	258,604	199,684
New service concession arrangements on a Build-Operate-Transfer basis	154,254	84,246
Acquisition of an associate	–	8,525,000
	2,698,444	9,903,614



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

23. RELATED PARTY DISCLOSURES

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group entered into the following material transactions with related parties during the period:

			Six months ended 30 June	
			2017	2016
Name of related party	Nature of transaction	Notes	Unaudited HK\$'000	Unaudited HK\$'000
Non-controlling equity holders of subsidiaries and their associates				
Yanjing Beer Group and its associates	Purchase of bottle labels ^γ	(i)	20,134	19,246
	Purchase of bottle caps ^γ	(i)	9,525	9,092
	Canning service fees paid ^γ	(ii)	6,508	4,629
	Comprehensive support service fees paid ^γ	(iii)	8,884	9,144
	Land rent expenses ^γ	(iv)	967	1,026
	Trademark licensing fees paid ^γ	(v)	34,452	39,247
	Less: Refund for advertising subsidies ^γ	(v)	(3,132)	(2,627)
Fellow subsidiaries:				
北京北燃實業有限公司 and its subsidiaries	Sale of gas [#]	(vi)	38,510	16,888
	Engineering service income [#]	(vii)	9,188	6,875
	Comprehensive service income [#]	(vii)	1,809	8,812
	Sale of goods [#]	(viii)	33,074	47,141
	Purchase of goods [#]	(ix)	32,459	19,141
	Building rental expenses [#]	(ix)	35,318	32,941
	Building rental income [#]	(ix)	213	221
	Engineering service expenses [#]	(vii)	18,625	25,181
	Comprehensive service expenses [#]	(vii)	6,300	9,158
Associate:				
BE Group Finance	Interest income	(x)	15,427	13,631
	Interest expenses	(x)	24,551	17,985

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



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

23. RELATED PARTY DISCLOSURES *(Continued)*

(a) *(Continued)*

Notes:

- (i) The purchase prices for bottle labels and bottle caps were determined by reference to the agreed prices for the preceding year and an annual adjustment determined by reference to the price index in Beijing for the preceding year.
- (ii) The canning service fees were charged at a rate equal to the costs of the canning services incurred by Yanjing Beer Group plus a mutually agreed profit margin.
- (iii) The comprehensive support service fees paid included the following:
 - fees for security and canteen services which were determined based on the annual cost of labour, depreciation and maintenance for the preceding year and an annual adjustment by reference to the price index in Beijing; and
 - rental expenses, related to the premises occupied and used by Yanjing Brewery as its office, canteen and staff dormitories, which were determined by reference to the prevailing market rentals at the time when the relevant agreements were entered into.
- (iv) The land rent expenses were charged at a mutually agreed amount of RMB1,849,000 (2016: RMB1,849,000) per annum.
- (v) The trademark licensing fees paid were for the use of “Yanjing” trademark and were determined based on 0.94% of the annual sales of beer and mineral water products made by Yanjing Brewery and at a rate of RMB0.008 per bottle of beer sold by the subsidiaries of Yanjing Brewery. Yanjing Beer Group would refund 20% of the trademark licensing fees received from Yanjing Brewery for the use by Yanjing Brewery to develop and promote the “Yanjing” trademark.
- (vi) The selling price of gas and the gas transmission fee were prescribed by the PRC government.
- (vii) The service fees were determined by reference to the then prevailing market rates and set at prices not higher than the guidance prices set by the PRC government.
- (viii) The selling prices of goods were determined on a cost-plus basis.
- (ix) The purchase prices of goods and the building rentals were determined by reference to the then prevailing market rates.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

23. RELATED PARTY DISCLOSURES *(Continued)*

(a) *(Continued)*

Notes: (Continued)

- (x) BE Group Finance is a 38.78% (2016: 48.16%) owned associate of the Group and also a subsidiary of Beijing Enterprises Group. BE Group Finance was established to act as platform for members of Beijing Enterprises Group for the provision of intra-group facilities through financial products including deposit-taking, money-lending and custodian services.

Pursuant to a deposit services master agreement (the “Deposit Services Master Agreement”) entered into between the Company and BE Group Finance on 29 December 2014, the Group may, in its ordinary and usual course of business, place and maintain deposits with BE Group Finance on normal commercial terms from time to time. The term of the Deposit Services Master Agreement shall commence on the date of the Deposit Services Master Agreement and continue up to and including 31 December 2016. Subject to compliance with the Listing Rules, upon the expiration of such initial term, the Deposit Services Master Agreement may be renewed by the Company and BE Group Finance by agreement in writing. The daily aggregate of deposits placed by the Group with BE Group Finance (including any interest accrued thereon) during the term of the Deposit Services Master Agreement will not exceed HK\$3,700 million.

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

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

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

The aggregate amount of deposits placed by the Group with BE Group Finance as at 30 June 2017 amounted to RMB1,786 million (equivalent to HK\$2,053 million) (31 December 2016: RMB3,302 million (equivalent to HK\$3,669 million)).

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

⁷ *These related party transactions also constitute continuing connected transactions that are exempted from the reporting, announcement and independent shareholders’ approval requirements as defined in Chapter 14A of the Listing Rules.*

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



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

23. RELATED PARTY DISCLOSURES *(Continued)*

(b) Compensation of key management personnel of the group

	Six months ended 30 June	
	2017	2016
	Unaudited HK\$'000	Unaudited HK\$'000
Salaries, allowances and benefits in kind	11,410	11,059
Pension scheme contributions	14	14
Total compensation paid to key management personnel	11,424	11,073

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

25. OTHER FINANCIAL INFORMATION

The net current liabilities and total assets less current liabilities of the Group as at 30 June 2017 amounted to HK\$1,390,736,000 (unaudited) (31 December 2016: net current liabilities of HK\$5,423,898,000 (audited)) and HK\$127,134,462,000 (unaudited) (31 December 2016: HK\$105,448,565,000 (audited)), respectively.



DISCLOSEABLE INFORMATION

BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION

During the period under review and up to the date of this report, board changes of the Company are as follows:

With effect from the conclusion of the Company's annual general meeting held on 22 June 2017:

- (i) Mr. Fu Tingmei retired as Independent Non-executive Director; and
- (ii) Mr. Ma She replaced Mr. Fu Tingmei to concurrently hold the positions of member of the Audit Committee, member of the Nomination Committee and member of the Investment Committee.

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

	Date of Resignation
Mr. Li Fucheng Beijing Yanjing Brewery Company Limited <i>(Note)</i> – Director	9 June 2017

Note: a subsidiary of the Company listed on the Shenzhen Stock Exchange (stock code:000729).

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

Save as disclosed above, since the issue date of the Company's 2016 annual report, there has been no change in the board of directors, and there has been no change in directors' information that is required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").



DISCLOSEABLE INFORMATION

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

At 30 June 2017, 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
Zhou Si	210,500	0.017%
Li Fucheng	12,000	0.001%
E Meng	30,000	0.002%
Jiang Xinhao	20,000	0.002%
Tam Chun Fai	2,000	0.000%

(B) LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

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

(C) LONG POSITIONS IN SHARES OF ASSOCIATED CORPORATIONS

Director	Associated corporation	Number of ordinary shares directly beneficially owned	Percentage of the associated corporations' total number of issued shares
Li Fucheng	Beijing Yanjing Brewery Company Limited [®]	82,506	0.003%
E Meng	Beijing Enterprises Environment Group Limited [®]	601,000	0.040%
Tam Chun Fai	Beijing Enterprises Environment Group Limited [®]	50,000	0.003%
Yu Sun Say	Beijing Enterprises Water Group Limited [®]	100,000	0.001%

[®] As at 30 June 2017, all interests in this associated corporations owned by the Company are indirectly held.



DISCLOSEABLE INFORMATION

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

(D) LONG POSITIONS IN UNDERLYING SHARES OF ASSOCIATED CORPORATIONS

Long positions in share options in Beijing Properties (Holdings) Limited:

Director	Number of share options directly beneficially owned				At 30 June 2017	Share options granted on (year/month/day)	Exercise period (year/month/day)	Exercise price per share (HK\$)
	At 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period				
Zhou Si	7,000,000	–	–	(7,000,000)	0	2011/10/28	2011/10/28 – 2021/10/27	0.465
	5,000,000	–	–	(5,000,000)	0	2012/06/01	2012/06/01 – 2022/05/31	0.410
	12,000,000	–	–	(12,000,000)	0	2013/05/24	2013/05/24 – 2023/05/23	0.574
	24,000,000			(24,000,000)	0			
E Meng	5,000,000	–	–	(5,000,000)	0	2011/10/28	2011/10/28 – 2021/10/27	0.465
	3,600,000	–	–	(3,600,000)	0	2012/06/01	2012/06/01 – 2022/05/31	0.410
	8,600,000			(8,600,000)	0			
Jiang Xinhao	5,000,000	–	–	(5,000,000)	0	2011/10/28	2011/10/28 – 2021/10/27	0.465
	3,300,000	–	–	(3,300,000)	0	2012/06/01	2012/06/01 – 2022/05/31	0.410
	6,000,000	–	–	(6,000,000)	0	2013/05/24	2013/05/24 – 2023/05/23	0.574
	4,000,000	–	–	(4,000,000)	0	2014/03/31	2014/03/31 – 2024/03/30	0.940
	2,000,000	–	–	(2,000,000)	0	2014/08/28	2014/08/28 – 2024/08/27	0.750
	3,000,000	–	–	(3,000,000)	0	2015/04/08	2015/04/08 – 2025/04/07	0.720
	23,300,000			(23,300,000)	0			

Long positions in share options in Beijing Enterprises Environment Group Limited® (a subsidiary of the Company):

Director	Number of share options directly beneficially owned				At 30 June 2017	Share options granted on (year/month/day)	Exercise period (year/month/day)	Exercise price per share (HK\$)
	At 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period				
E Meng	6,770,000	–	–	–	6,770,000	2011/06/21	2011/06/21 – 2021/06/20	1.25
	6,770,000				6,770,000			



DISCLOSEABLE INFORMATION

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

(D) LONG POSITIONS IN UNDERLYING SHARES OF ASSOCIATED CORPORATIONS *(Continued)*

Long positions in share options in China Gas Holdings Limited[®]:

Director	Number of share options directly beneficially owned				At 30 June 2017	Share options granted on (year/month/day)	Exercise period (year/month/day)	Exercise price per share (HK\$)
	At 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period				
Zhou Si	4,000,000	–	–	(4,000,000)	0	2014/04/16	2017/04/16 – 2019/04/15	12.40
	4,000,000			(4,000,000)	0			
Jiang Xinhao	800,000	–	–	(800,000)	0	2015/06/25	2017/04/16 – 2019/04/15	13.84
	800,000			(800,000)	0			

Note:

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

Save as disclosed above, as at 30 June 2017, 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 share option scheme that the Company established on 17 October 2005 was lapsed on 17 October 2015. The Company currently does not have any valid share option scheme.



DISCLOSEABLE INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR CONVERTIBLE BONDS

Apart from the foregoing and save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares and underlying shares" and "Share option schemes" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

At 30 June 2017, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

LONG POSITIONS:

Name	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's total number of issued shares
	Directly beneficially owned	Others	Total	
Modern Orient Limited	100,050,000	–	100,050,000	7.93%
Beijing Enterprises Investments Limited ("BEIL")	163,730,288	100,050,000 ^(a)	263,780,288	20.90%
Beijing Enterprises Group (BVI) Company Limited ("BE Group BVI")	518,187,500	263,780,288 ^(b)	781,967,788	61.96%
Beijing Enterprises Group Company Limited ("BE Group")	–	781,967,788 ^(c)	781,967,788	61.96%



DISCLOSEABLE INFORMATION

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

LONG POSITIONS: *(Continued)*

Notes:

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

SHORT POSITIONS:

Name	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's total number of issued shares
	Directly beneficially owned	Others	Total	
Shine Power International Limited ("Shine Power")	40,000,000	–	40,000,000	3.17%
BE Group BVI	–	40,000,000*	40,000,000	3.17%
BE Group	–	40,000,000*	40,000,000	3.17%

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

Save as disclosed above, as at 30 June 2017, 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 bonds	US\$600	May 2021
5 May 2011	Purchase agreement for issuance of bonds	US\$400	May 2041
18 April 2012	Purchase agreement for issuance of bonds	US\$800	April 2022
29 April 2015	Subscription agreement for issuance of bonds	EUR500	May 2020
27 November 2015	Term loan facility with a bank	HK\$4,000	November 2020
1 December 2015	Subscription agreement for issuance of bonds	US\$200	December 2040
1 February 2016	Term loan facility with a bank	EUR2,500	September 2017
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

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 period, the Company bought back a total of 100,000 ordinary shares of the Company on the Stock Exchange. These shares were subsequently cancelled by the Company on 8 August 2017. Details of the buy-backs of such ordinary shares are as follows:

Month	Number of Shares bought back	Price per Share		Total consideration paid HK\$
		Highest HK\$	Lowest HK\$	
May	100,000	37.20	37.20	3,720,000

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

EMPLOYEE

At 30 June 2017, the Group had approximately 48,000 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 2017.

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

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SHARE DEALING

The Company has adopted Appendix 10 "Model Code" to the Listing Rules to govern securities transactions by the directors. After having made specific enquiry to all directors, all directors confirm that they complied with the "Model Code" during the half year ended 30 June 2017.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. Wu Jiesi, Mr. Lam Hoi Ham (Chairman of Audit Committee) and Mr. Ma She (with effect from 22 June 2017). The Audit Committee of the Company has already reviewed the unaudited interim results for the six months ended 30 June 2017 and considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.