



北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

BEIJING ENTERPRISES HOLDINGS LIMITED

Stock Code : 392



2021
Interim Report

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Li Yongcheng (*Chairman*)
Mr. Jiang Xinhao (*Vice Chairman*)
Mr. Zhao Xiaodong (*Vice Chairman*)
Mr. Dai Xiaofeng
Mr. Xiong Bin (*Chief Executive Officer*)
Mr. Tam Chun Fai (*Company Secretary*)

Independent Non-Executive Directors

Mr. Wu Jiesi
Mr. Lam Hoi Ham
Dr. Yu Sun Say

AUDIT COMMITTEE

Mr. Wu Jiesi
Mr. Lam Hoi Ham (*Committee Chairman*)
Dr. Yu Sun Say

REMUNERATION COMMITTEE

Mr. Li Yongcheng
Mr. Wu Jiesi (*Committee Chairman*)
Mr. Lam Hoi Ham

NOMINATION COMMITTEE

Mr. Li Yongcheng (*Committee Chairman*)
Mr. Lam Hoi Ham
Dr. Yu Sun Say

INVESTMENT COMMITTEE

Mr. Li Yongcheng (*Committee Chairman*)
Mr. Jiang Xinhao
Mr. Lam Hoi Ham
Dr. Yu Sun Say

COMPANY SECRETARY

Mr. Tam Chun Fai *CPA CFA*

STOCK CODE

392

WEBSITE

www.behl.com.hk

SHARE REGISTRAR

Tricor Tengis Limited
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183 Queen's Road East,
Hong Kong.

REGISTERED OFFICE

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Tel: (852) 2915 2898
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AUDITOR

Ernst & Young

CORPORATE INFORMATION

LEGAL ADVISERS

Hong Kong Law

Mayer Brown

PRC Law

Haiwen & Partners

PRINCIPAL BANKERS

In Hong Kong

Bank of China, Hong Kong Branch

Bank of Communications, Hong Kong Branch

DBS Bank Ltd., Hong Kong Branch

In Mainland China

Agricultural Bank of China

Bank of China

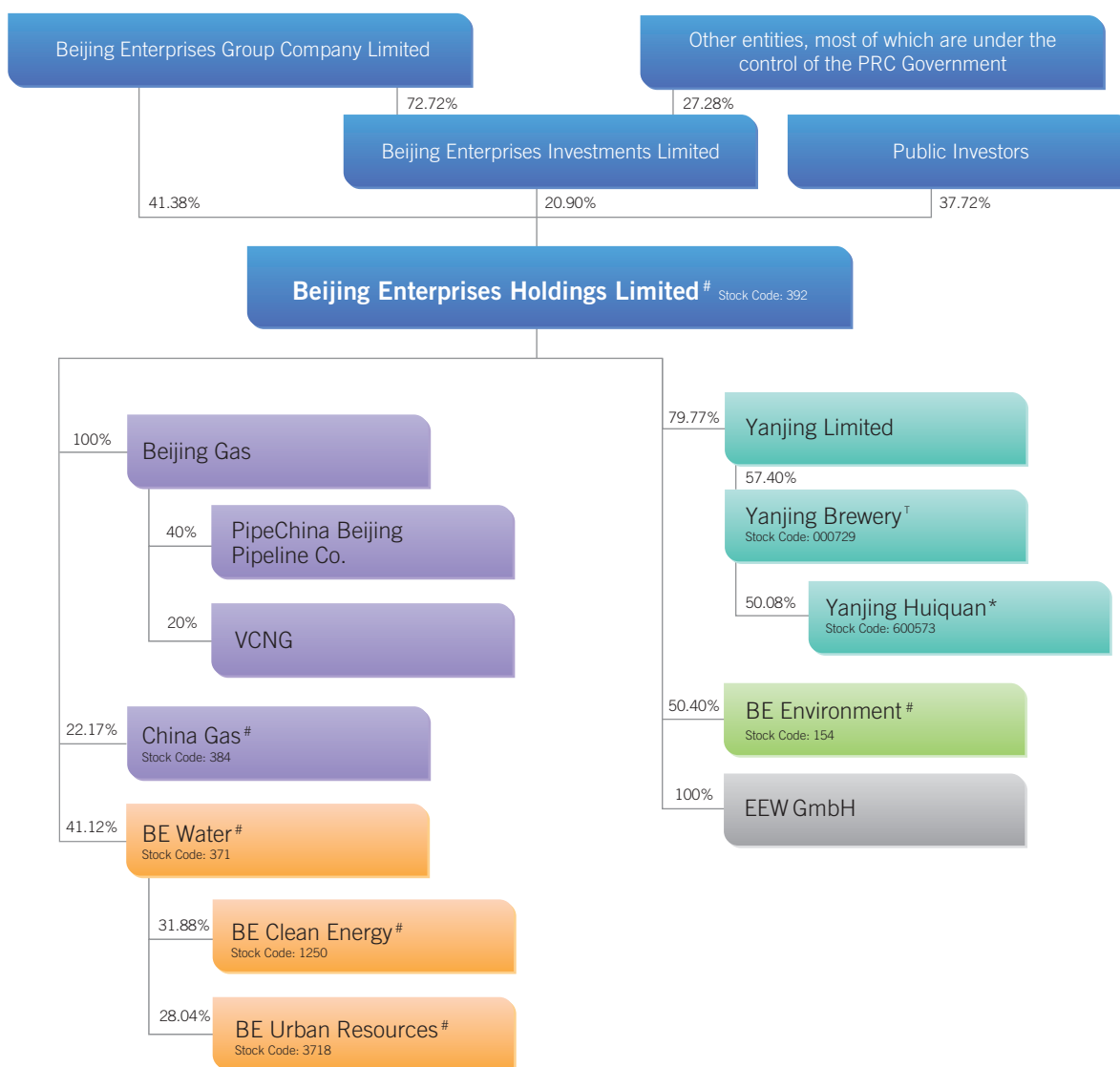
China Construction Bank

The Industrial and Commercial Bank of China

Bank of Beijing

CORPORATE STRUCTURE

As at 30 June 2021



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

FINANCIAL HIGHLIGHTS

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Beijing Enterprises Holdings Limited (the “Company”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 (the “Reporting Period”) together with the comparative figures in 2020. The consolidated revenue of the Group for the first half of 2021 was HK\$40.39 billion, representing an increase of 26.1% over the corresponding period of last year. Profit attributable to shareholders of the Company was HK\$6.32 billion, representing an increase of 77% over the corresponding period in 2020. After excluding the effect of a one-off event for the period, profit attributable to shareholders of the Company amounted to HK\$4.6 billion, representing an increase of 28.9% over the corresponding period in 2020.

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

	Profit after taxation HK\$'000	Proportion %
Piped gas operation	3,741,230	65.8
Beer operation	365,218	6.4
Water and environmental operation	995,680	17.5
Solid waste treatment operation	587,124	10.3
Profit from major operations	5,689,252	100
Corporate and others	1,048,180	
Profit of the Group	6,737,432	
Profit attributable to non-controlling interests	(421,574)	
Profit attributable to shareholders of the Company	6,315,858	

INTERIM DIVIDEND

The Board has resolved to declare an interim cash dividend for the six months ended 30 June 2021 of HK40 cents (2020: HK40 cents) per share, which will be payable on 25 October 2021 to shareholders whose names appear on the register of members of the Company on 28 September 2021.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Friday, 24 September 2021 to Tuesday, 28 September 2021, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 23 September 2021.

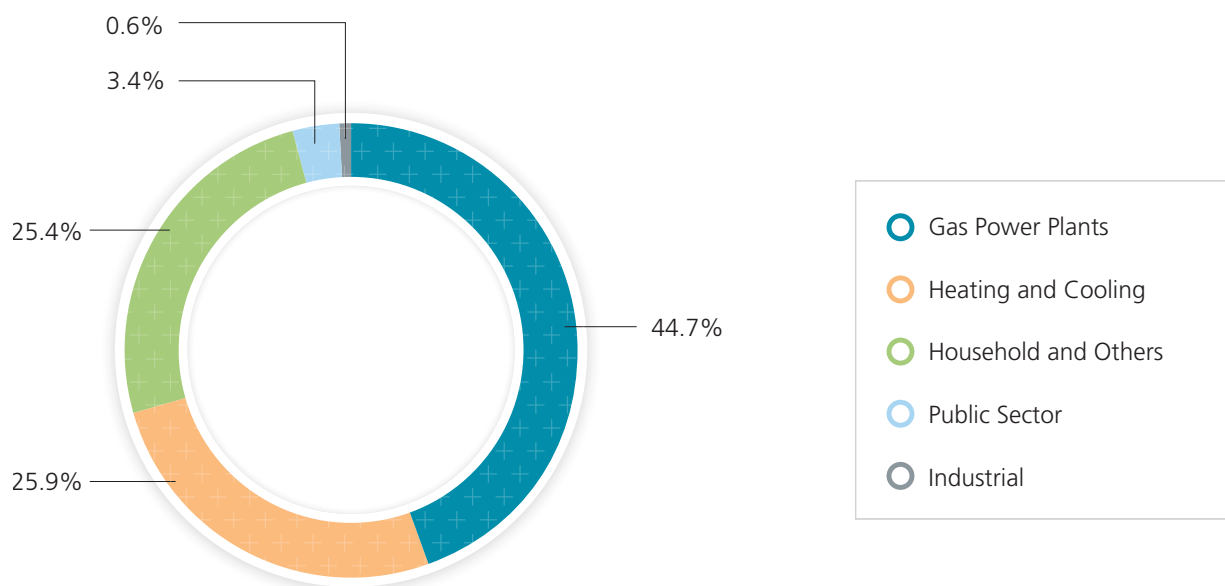
MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

In the first half of 2021, China's economy sustained steady recovery after the novel coronavirus (COVID-19) epidemic came under control domestically. On the premise of ensuring normalised epidemic prevention and control, the Group proactively carried out production and operation management and implemented various key tasks, achieving a considerable growth in the operating results of the Group's principal businesses in the first half of the year.

Natural Gas Distribution Business of Beijing Gas

Beijing Gas Group Company Limited ("Beijing Gas") recorded a revenue of HK\$29.37 billion in the first half of 2021, representing a year-on-year increase of 27.1%. Profit before taxation from principal businesses (including natural gas distribution business, natural gas transmission business and VCNG of Rosneft) was HK\$2.92 billion, representing an increase of 10.4% over the corresponding period of last year. Beijing Gas accomplished an aggregate gas sales volume of 9.481 billion cubic meters in the first half of the year, after combining with that of the subsidiaries outside Beijing, representing a year-on-year increase of 5.99%. Affected by the combining factors such as temperature, increasing demand and market expansion, the natural gas sales volume accomplished inside Beijing increased by 3.4% year-on-year to 8.869 billion cubic meters. An analysis of the same by subscriber sector is shown as follows:



MANAGEMENT DISCUSSION AND ANALYSIS

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

Natural Gas Distribution Business of Beijing Gas (Continued)

During the Reporting Period, Beijing Gas developed approximately 45,900 new household subscribers and 3,255 new public sector subscribers. New heating boiler subscribers with a capacity of 683 t/h were developed. As of 30 June 2021, Beijing Gas had a total of approximately 6.58 million piped gas subscribers in Beijing and approximately 26,400 kilometers of natural gas pipelines in operation. Beijing Gas's capital expenditure in the first half of the year amounted to approximately HK\$3.22 billion.

During the first half of the year, Beijing Gas continued to strengthen its overall management with safety and efficiency as its core and propelled key project construction and principal business layout in an orderly manner. The natural gas business continued to expand its market scale. While developing piped natural gas projects proactively, Beijing Gas also secured rapid development in LNG business, with procurement and sales system becoming increasingly matured. Revenue from value-added businesses, which were mainly end-products and gas insurance, grew substantially over the corresponding period, which posed enhanced synergy effects with the principal businesses. During the period, Beijing Gas also continued to improve its service quality, optimise business environment and comprehensive service capabilities, strengthen its safety production and potential risk management efforts, and strive to improve risk prevention and control level. In addition, the construction of the LNG project in Nangang, Tianjin, a key national project, was under progress as scheduled.

Natural Gas Transmission Business

PipeChina Group Beijing Pipeline Co., Ltd. ("PipeChina Beijing Pipeline Co.", formerly known as PetroChina Beijing Gas Pipeline Co., Ltd.) recorded a gas transmission volume of 26.829 billion cubic meters in the first half of 2021, representing a year-on-year increase of 2.35%. During the period, Beijing Gas's share of net profit after taxation, through its 40% equity interests in PipeChina Beijing Pipeline Co., amounted to HK\$954 million, which remained unchanged over the same period of last year. The total capital expenditure of PipeChina Beijing Pipeline Co., for the first half of the year was approximately HK\$692 million.

VCNG of Rosneft

The PJSC Verkhnechonskneftegaz ("VCNG") project of Rosneft Oil Company achieved its petroleum sales of 3.393 million tons during the Reporting Period, representing a year-on-year decrease of 11%. Beijing Gas shared a net operating profit after taxation of HK\$280 million through its 20% equity interest in VCNG in the first half of the year, representing a year-on-year decrease of 8.1%, which was mainly due to the impact from the exchange rate fluctuations.



MANAGEMENT DISCUSSION AND ANALYSIS

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

China Gas

The Group's share of profit of China Gas Holdings Limited ("China Gas", stock code: 384) in the first half of 2021 was HK\$1.27 billion, which was calculated based on the share of profit attributable to shareholders of China Gas for the six months ended 31 March 2021 and representing an increase of 26.4% when compared with the same period of last year. In facing the epidemic, as well as the opportunities and challenges posed by the development of the natural gas industry, China Gas conducted the reform of the management and control system steadily with main focus on the management target of "reducing costs and increasing efficiency", so as to stimulate organisational dynamism. It continued to expand the urban gas project footprint, facilitated the conversion of coal to gas in the industrial and commercial sectors as well as the natural gas supply for winter heating in northern villages and towns, and safeguard gas supply. It strengthened the development efforts of LPG, value-added business and integrated energy and other businesses, and commenced the market development of two new businesses, namely LPG Smart Microgrid and Urban Heating. For the 2021 financial year, China Gas' total natural gas sales volume increased by 23.0% to 31.21 billion cubic meters, and its LPG sales volume increased by 11.0% to 4.25 million tons. Approximately 5.05 million households were newly connected, and the cumulative number of households connected reached approximately 40.15 million as at 31 March 2021.

Beer Business

Since this year, the overall epidemic situation in China has been well controlled and the consumption environment has improved as compared with the corresponding period of last year, and Beijing Yanjing Brewery Co., Ltd. ("Yanjing Brewery") recorded growth in production and sales. During the Reporting Period, Yanjing Brewery strengthened its quality concept, promoted the unification and standardisation of product standards, and carried out comprehensive quality evaluation. The company continued to promote its strategy of bulk single product during the period and successively launched a series of new products to optimise the product structure while highlighting the strategic core position of U8. In addition, Yanjing Brewery carried out full-chain brand marketing during the Reporting Period to build a brand content system and enrich brand promotion methods.

During the Reporting Period, Yanjing Brewery achieved a sales volume of 2.13 million kilolitres, representing a year-on-year increase of 1.65%, of which, the sales volume of Yanjing main brand was 1.48 million kilolitres and the sales volume of "1+3" brand was 1.97 million kilolitres. The revenue that Beijing Yanjing Brewery Investments Co., Limited* (北京燕京啤酒投資有限公司) ("Yanjing Limited") recorded during the period was HK\$6.78 billion, representing a year-on-year increase of 22.3%, with its profit before taxation of HK\$487 million, representing a year-on-year increase of 54.7%. The capital expenditure of Yanjing Limited for the first half of the year was approximately HK\$221 million.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Water and Environmental Business

Beijing Enterprises Water Group Limited (“BE Water”, stock code: 371) comprehensively promoted the construction of smart water business, and made concrete achievements in 1+N group construction, application products development, and new technology research and development during the period. In addition, the First reclaimed water project in Yinchuan City and the EPCO project of the comprehensive water environment treatment programme in Pengjiang District, Jiangmen City (Phase II) were implemented in an orderly manner during the period. In the first half of the year, BE Water’s revenue increased by 9.8% year-on-year to HK\$13.67 billion, profit attributable to its shareholders increased by 6.7% year-on-year to HK\$2.42 billion. The net profit attributable to the Group was HK\$1 billion, representing a year-on-year increase of 6.7%.

As at 30 June 2021, BE Water already participated in 1,317 water plants which are or will be in operation, including 1,092 sewage treatment plants, 174 water distribution plants, 49 reclaimed water treatment plants and 2 seawater desalination plants, with a total design capacity of 43.43 million tons/day. The net increase in design capacity for the period was approximately 1.31 million tons/day.

Solid Waste Treatment Business

At the end of the first half of the year, the solid waste treatment business segment of the Group realised a waste incineration and power generation treatment capacity of 29,932 tons/day. During the period, EEW Energy from Waste GmbH (“EEW GmbH”) accomplished a waste treatment volume of 2.376 million tons, which remained basically the same year-on-year. The sales of electricity was 864 million KWH. It recorded a revenue of HK\$2.96 billion, representing a year-on-year increase of 12.2%.

In the first half of the year, the domestic solid waste treatment business segment of the Group recorded a waste treatment volume of 2.518 million tons, representing a year-on-year increase of 18.8%. It completed an on grid power generation volume of 843 million KWH, representing a year-on-year increase of 26.7%. Beijing Enterprises Environment Group Limited (“BE Environment”, stock code: 154) and Beijing Enterprises Holdings Environment Technology Co., Ltd (“BEHET”) together achieved a total revenue of HK\$1.22 billion during the period, representing a year-on-year increase of 74.8%, which was mainly due to the construction revenue recognised from new construction projects and the operating revenue contributed by newly commissioned projects. During the period, the domestic solid waste treatment business segment established a headquarter management and control model to reduce costs and increase efficiency through centralised procurement, so as to ensure the quality of project procurement; and continued to strengthen safety and environmental protection management and control, and improved the safe production accountability system, so as to ensure production safety. Capital expenditures for domestic and overseas solid waste-related businesses amounted to approximately HK\$1.34 billion in the first half of the year.



MANAGEMENT DISCUSSION AND ANALYSIS

II. Prospects

Currently, the industrial development of the Group is at a critical stage of strategic transformation and upgrading. In the second half of the year, the Group will continue to implement various key tasks, strengthen strategic guidance and support, accelerate business restructuring, leverage capital advantages, enhance communication and coordination, so as to lay a solid foundation for a new start of high-quality development under the 14th Five-Year Plan.

Natural Gas Distribution Business of Beijing Gas

Beijing Gas will continue to consolidate and expand its market size, promote market integration in the Beijing-Tianjin-Hebei region, and accelerate the overall planning and synergistic development of the Beijing market, Tianjin Nangang LNG project and Tangshan market. By coordinating and promoting the LNG business, Beijing Gas will continue to expand the scale of international trade, expand downstream distribution markets, build a system of purchasing and selling resources with multi-source of supply and multi-form of adjustment; and create growth drivers for value-added business, as well as carrying out optimisation and iteration of major products and category expansion of e-commerce products.

Beer Business

In the second half of the year, the beer segment will steadily carry out the construction of quality system, leveraging the promotion of the three major single products, namely Yanjing U8, Yanjing V10, and Xuelu Beer, as starting points to comprehensively promote the construction of an excellent quality system; increase efforts in technological transformation and create a centralized brewing center, and improve the efficiency of labor and production and brewing control by leveraging automation and information technologies. By consolidating the market foundation in an all-round way, it will implement the strategies of U8 and bulk single product, and supplemented by three-dimensional (diversified, online and offline) marketing; and consolidate its position in Beijing as the base market, and support sales growth with increased market share.

Water and Environmental Business

In the second half of the year, the water segment will continue to propel the construction of a market development system, speed up the establishment of a customer relationship management system, build a digitalised business support and empowerment platform, and continue to promote the capacity upgrading of the market and investment system. Meanwhile, BE Water will proactively respond to the national policy and objectives, continue to optimise the environmental management system, strengthen the pollutant emissions control, implement green construction and green operational modes to save energy and reduce consumption, optimise the resources usage and improve the operating efficiency of projects. BE Water will actively implement low-carbon concepts and become a leader in promoting high-quality industrial development, so as to help achieve the national emission peak and carbon neutrality targets.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Prospects *(Continued)*

Solid Waste Treatment Business

The Group will promote the development of the solid waste industry towards a professional, large-scale and intensive direction. Operational projects shall comprehensively improve economic and management efficiency, strengthen operation management and maintenance, implement various elimination, maintenance, and transformation projects step by step, and maintain a safe, stable and sound operating condition; actively pay attention to the development of the carbon trading market and carbon emissions trading; and explore resources utilization of industrial wastes, promote organic waste treatment projects, and facilitate the ecological environment management business. Overseas projects through EEW GmbH will continue to expand production and capacity based on existing project facilities, optimize the management of procurement and logistics, control operating costs, and improve capital efficiency.

III. Financial Review

Revenue

The Group's revenue from operating activities in the first half of 2021 was approximately HK\$40.39 billion, increased by 26.1% when compared with the corresponding period of last year, which was mainly due to the benefits brought by the easing of COVID-2019 epidemic. The revenue of gas sales was HK\$29.37 billion. The revenue of beer sales was HK\$6.78 billion. The revenue of the solid waste treatment and environment protection businesses was HK\$4.23 billion, which included the revenue of EEW GmbH amounting to HK\$2.96 billion and the revenue of other solid waste treatment businesses amounting to HK\$1.27 billion in total.

Cost of Sales

Cost of sales increased by 26.9% to HK\$34.24 billion year-on-year. Cost of sales of gas distribution business mainly included the purchase costs of natural gas as well as the depreciation charges of gas pipeline network. Cost of sales of brewery business included raw materials, wage expenses and absorption of certain direct overheads. Cost of sales of solid waste treatment operation included fuel charges, amortisation and waste collection costs.

Gross Profit Margin

The overall gross profit margin was 15.2% when compared with that of 15.8% over the same period of last year. The slight decrease in gross profit was mainly due to the increase in costs of gas purchase of Beijing Gas and the increase in operating costs of EEW GmbH.

Gain on Deemed Disposal of Partial Interests in An Associate

China Gas allotted 392 million ordinary shares at the price of HK\$29.75 per share during 2021, accordingly, the Group recognised a gain of HK\$1.72 billion on the deemed disposal of the partial interests in an associate as a result of the dilution in the Group's shareholding in China Gas.



MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review *(Continued)*

Other income and gains, net

Other income and gains, net mainly comprised bank interest income amounting to HK\$342 million, investment income of a financial asset at fair value through profit or loss amounting to HK\$155 million, government grants of HK\$103 million and rental income of HK\$41 million.

Selling and Distribution Expenses

Selling and distribution expenses of the Group in the first half of 2021 were HK\$1.12 billion, increased by 35.9% when compared with the corresponding period of last year, which was mainly due to the increase in sales and distribution expenses of Yanjing Brewery as a result of the slowdown in the COVID-19 epidemic.

Administrative Expenses

Administrative expenses of the Group in the first half of 2021 were HK\$2.52 billion, increased by 23.8% when compared with corresponding period of last year, which was consistent with the increase in revenue.

Other Operating Expenses, net

Other operating expenses, net decreased when compared with corresponding period of last year, which was mainly due to the inclusion of the impairment on certain assets in the same period of last year but no impairment is made this year.

Finance Costs

Finance costs of the Group in the first half of 2021 were HK\$897 million, decreased by 14.8% when compared with that of corresponding period in last year, which was mainly due to lower interest rates for floating rate loans.

Share of Profits and Losses of Associates

Share of profits and losses of associates mainly included the 40% share of profit attributable to shareholders of PipeChina Beijing Pipeline Co., the 20% share of profit attributable to shareholders of VCNG, the 23.74% share of profit attributable to shareholders of China Gas and the 41.13% share of profit attributable to shareholders of BE Water.

In the first half of 2021, the Group shared the profit after taxation of PipeChina Beijing Pipeline Co., amounting to HK\$954 million, the Group shared the profit after taxation of VCNG amounting to HK\$280 million, the Group shared the profit after taxation of China Gas amounting to HK\$1.27 billion and the Group shared the net profit of BE Water amounting to HK\$1 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review *(Continued)*

Taxation

The effective income tax rate was 14.2%, which was lower than the 42.2% in the corresponding period of last year, the reason of which was mainly due to the decrease in non-deductible impairment expenses during the period when compared with the same period of last year.

Profit Attributable to Shareholders of the Company

Profit attributable to shareholders of the Company in the first half of 2021 was HK\$6.32 billion, increased by 77% when compared with the same period of last year.

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

Non-current Assets

The net value of property, plant and equipment increased by HK\$2.7 billion as compared with the end of 2020, which was mainly due to the increase in construction projects in the first half of 2021 amid the slowdown of the COVID-19 epidemic.

Other intangible assets were mainly from EEW GmbH.

Investments in associates increased by HK\$3.46 billion, which was mainly due to the fact that the Group sharing the first half profits of VCNG, PipeChina Beijing Pipeline Co., BE Water and China Gas.

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

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

The balance of prepayments, other receivables and other assets increased by HK\$805 million, which was mainly due to the prepaid project amounts by Beijing Gas for the LNG project in Nangang, Tianjin.

Financial asset at fair value through profit or loss mainly represented the fair value of Beijing Gas' investment in Beijing Guolian Energy Industrial Investment Fund (L.P.).



MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review *(Continued)*

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

Current Assets

Inventories mainly represented the inventory balance of Yanjing Brewery.

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

Cash balance was HK\$32.54 billion, increased by HK\$3.41 billion as compared with the balance at the end of 2020, which was mainly due to the increase in cash balance arising from the issuance of green bonds of EUR 400 million by EEW GmbH at the end of the period.

Non-current Liabilities

The balance of bank and other borrowings increased by HK\$6.69 billion, which was mainly due to the replacement of part of short-term revolving bank loans and matured loans to medium- and long-term loans during the period.

The balance of guaranteed bonds and notes decreased by HK\$8.71 billion, which was mainly due to the reclassification of certain relevant guaranteed bonds and notes due within one year after the period to current liabilities during the period.

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

Current Liabilities

The balance of trade and bills payables increased by HK\$529 million, which was mainly due to the increase in trade payables balance by Yanjing Brewery during the period.

Other payables, accruals and contract liabilities increased by HK\$2.64 billion, which was mainly due to the increase in receipts in advance from Beijing Gas and project amounts payable of the LNG project in Nangang, Tianjin.

The balance of bank and other borrowings decreased by HK\$7.92 billion, which was mainly due to the replacement of part of short-term revolving bank loans and matured loans to medium- and long-term loans during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Financial Position of the Group

Cash and Bank Borrowings

As at 30 June 2021, cash and bank deposits held by the Group amounted to HK\$32.54 billion, representing an increase of HK\$3.41 billion as compared with that of 2020.

The Group's total borrowings amounted to HK\$71.5 billion as at 30 June 2021, which mainly comprised guaranteed bonds and notes of US\$2.6 billion in total, Euro guaranteed bonds amounting to EUR1.7 billion, and medium- and long-term loans amounting to HK\$21.1 billion.

Liquidity and Capital Resources

The Group maintains sufficient banking facilities both in Hong Kong and Mainland China for its working capital requirements and has abundant cash resources to finance its capital expenditures in the foreseeable future.

As at 30 June 2021, the issued capital of the Company was 1,262,053,268 shares and equity attributable to shareholders of the Company was HK\$91.57 billion. Total equity was HK\$104.31 billion when compared with HK\$97.43 billion as at the end of 2020. The gearing ratio, being interest-bearing bank borrowings, guaranteed bonds and notes divided by the sum of total equity, interest-bearing bank borrowings, guaranteed bonds and notes, was 41% (31 December 2020: 41%).

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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Six months ended 30 June 2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
	Notes		
REVENUE	4	40,388,185	32,038,587
Cost of sales		(34,237,613)	(26,971,708)
Gross profit		6,150,572	5,066,879
Gain on deemed disposal of partial interests in an associate	11	1,717,201	–
Other income and gains, net	5	987,788	719,143
Selling and distribution expenses		(1,123,681)	(826,919)
Administrative expenses		(2,522,990)	(2,037,540)
Other operating expenses, net		(301,502)	(698,226)
Finance costs	6	(896,581)	(1,052,869)
Share of profits and losses of:			
Joint ventures		8,813	6,008
Associates		3,288,918	3,104,596
PROFIT BEFORE TAX	7	7,308,538	4,281,072
Income tax	8	(571,106)	(494,077)
PROFIT FOR THE PERIOD		6,737,432	3,786,995
ATTRIBUTABLE TO:			
Shareholders of the Company		6,315,858	3,568,116
Non-controlling interests		421,574	218,879
		6,737,432	3,786,995
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted	10	HK\$5.00	HK\$2.83

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June 2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	6,737,432	3,786,995
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	946,960	(2,331,705)
Share of other comprehensive income/(loss) of associates	741,741	(392,747)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	1,688,701	(2,724,452)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Defined benefit obligations:		
Actuarial gains, net	163,335	59,353
Income tax effect	(47,436)	(17,157)
	115,899	42,196
Equity investments at fair value through other comprehensive income:		
Changes in fair value	(229,088)	(323,559)
Income tax effect	55,766	86,905
	(173,322)	(236,654)
Share of other comprehensive income/(loss) of associates	4,501	(28,586)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(52,922)	(223,044)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX	1,635,779	(2,947,496)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	8,373,211	839,499
ATTRIBUTABLE TO:		
Shareholders of the Company	7,840,718	858,020
Non-controlling interests	532,493	(18,521)
	8,373,211	839,499

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
	Notes		
ASSETS			
Non-current assets:			
Property, plant and equipment	12	58,613,694	55,910,968
Investment properties		1,191,087	1,189,696
Right-of-use assets		2,111,871	2,136,712
Goodwill		16,557,734	16,762,006
Operating concessions		4,456,621	4,248,848
Other intangible assets		3,301,055	3,394,102
Investments in joint ventures		405,839	392,516
Investments in associates		64,438,431	60,982,149
Equity investments at fair value through other comprehensive income		3,015,569	3,233,117
Financial asset at fair value through profit or loss		2,429,002	2,400,086
Receivables under service concession arrangements	13	3,138,350	2,966,895
Receivable under a finance lease		624,871	702,343
Prepayments, other receivables and other assets		2,694,447	1,889,176
Deferred tax assets		1,874,297	1,799,088
Total non-current assets		164,852,868	158,007,702
Current assets:			
Inventories		5,279,382	5,143,960
Receivable under a finance lease		99,210	98,535
Receivables under service concession arrangements	13	114,945	110,388
Trade receivables	14	8,229,228	6,770,865
Prepayments, other receivables and other assets		5,349,249	4,743,928
Other tax recoverables		588,279	531,641
Financial assets at fair value through profit or loss		506,024	238,095
Restricted cash and pledged deposits		36,167	36,879
Cash and cash equivalents		32,536,230	29,122,428
Total current assets		52,738,714	46,796,719
TOTAL ASSETS		217,591,582	204,804,421

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
	Notes		
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	15	30,401,883	30,401,883
Reserves		61,170,454	54,495,223
		91,572,337	84,897,106
Non-controlling interests		12,740,840	12,528,616
TOTAL EQUITY		104,313,177	97,425,722
Non-current liabilities:			
Bank and other borrowings	16	28,459,811	21,770,556
Guaranteed bonds and notes	17	18,148,851	26,861,083
Lease liabilities		517,879	608,805
Defined benefit obligations		2,487,213	2,591,259
Provision for major overhauls and onerous contracts		401,487	410,290
Other non-current liabilities		1,914,893	1,954,380
Deferred tax liabilities		2,590,847	2,654,242
Total non-current liabilities		54,520,981	56,850,615
Current liabilities:			
Trade and bills payables	18	5,229,534	4,700,433
Other payables, accruals and contract liabilities		26,956,277	24,321,243
Provision for major overhauls and onerous contracts		52,248	53,723
Income tax payables		938,345	958,514
Other tax payables		572,534	367,672
Bank and other borrowings	16	7,475,472	15,398,065
Guaranteed bonds and notes	17	17,413,538	4,611,320
Lease liabilities		119,476	117,114
Total current liabilities		58,757,424	50,528,084
TOTAL LIABILITIES		113,278,405	107,378,699
TOTAL EQUITY AND LIABILITIES		217,591,582	204,804,421

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2021

	Attributable to shareholders of the Company										
	Share capital (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Investment revaluation reserve (Unaudited) HK\$'000	Property revaluation reserve (Unaudited) HK\$'000	Defined benefits plans reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2021	30,401,883	1,737,239*	72,534*	84,051*	(239,455)*	1,261,767*	13,461,249*	38,117,838*	84,897,106	12,528,616	97,425,722
Profit for the period	-	-	-	-	-	-	-	6,315,858	6,315,858	421,574	6,737,432
Other comprehensive income/(loss) for the period:											
Equity investments at fair value through other comprehensive income:											
Changes in fair value	-	-	(226,522)	-	-	-	-	-	(226,522)	(2,566)	(229,088)
Income tax effect	-	-	55,766	-	-	-	-	-	55,766	-	55,766
Exchange differences on translation of foreign operations	-	-	-	-	-	834,831	-	-	834,831	112,129	946,960
Defined benefit obligations:											
Actuarial gains	-	-	-	-	161,547	-	-	-	161,547	1,788	163,335
Income tax effect	-	-	-	-	(47,004)	-	-	-	(47,004)	(432)	(47,436)
Share of other comprehensive loss of associates	-	-	4,049	-	452	741,741	-	-	746,242	-	746,242
Total comprehensive income/(loss) for the period	-	-	(166,707)	-	114,995	1,576,572	-	6,315,858	7,840,718	532,493	8,373,211
Capital contribution from non-controlling equity holders of subsidiaries	-	13,819	-	-	-	-	-	-	13,819	13,277	27,096
Share of reserves of associates	-	(245,387)	-	-	-	-	-	-	(245,387)	-	(245,387)
Final 2020 dividend	-	-	-	-	-	-	-	(933,919)	(933,919)	-	(933,919)
Dividends paid to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	(333,546)	(333,546)
Transfer to PRC reserve funds	-	-	-	-	-	-	668,934	(668,934)	-	-	-
At 30 June 2021	30,401,883	1,505,671*	(94,173)*	84,051*	(124,460)*	2,838,339*	14,130,183*	42,830,843*	91,572,337	12,740,840	104,313,177

* These reserve accounts comprise the consolidated reserves of HK\$61,170,454,000 (unaudited) (31 December 2020: HK\$54,495,223,000 (audited)) in the condensed consolidated statement of financial position as at 30 June 2021.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2021

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	5,236,568	3,047,691
Finance income on the net investment in a finance lease received	30,300	30,899
Mainland China income tax paid	(515,284)	(565,166)
Overseas income tax paid	(112,836)	(53,198)
Net cash flows from operating activities	4,638,748	2,460,226
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(4,412,328)	(1,686,972)
Acquisition of subsidiaries	–	35,732
Dividends received from associates	445,318	445,283
Proceeds from disposal of items of property, plant and equipment	93,740	139,912
Increase in time deposits with maturity of more than three months when acquired	(738,774)	(4,562)
Purchases of financial assets at fair value through profit or loss	(265,060)	(1,600,878)
Investment income of a financial asset at fair value through profit or loss received	–	152,415
Other cash flows from investing activities	208,231	(413,087)
Net cash flows used in investing activities	(4,668,873)	(2,932,157)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions from non-controlling equity holders of subsidiaries	27,096	8,289
Receipt of assets-related government grants	–	1,666,667
New loans	8,837,364	9,516,830
Repayment of loans	(9,990,989)	(2,584,246)
Proceeds from issue of guaranteed bonds, net of issuance costs	9,088,293	–
Repayment of guaranteed bond and note	(4,656,000)	(4,283,011)
Other interest paid	(871,219)	(1,019,109)
Other cash flows used in financing activities	(383,583)	(395,403)
Net cash flows from financing activities	2,050,962	2,910,017

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net increase in cash and cash equivalents	2,020,837	2,438,086
Cash and cash equivalents at beginning of period	28,981,962	22,020,604
Effect of foreign exchange rate changes, net	652,498	(130,709)
Cash and cash equivalents at end of period	31,655,297	24,327,981
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	19,548,044	11,685,876
Saving deposits placed in a financial institution (an associate of the Group)	359,040	585,258
Time deposits:		
Placed in banks	10,792,090	10,632,229
Placed in a financial institution (an associate of the Group)	1,873,223	1,600,323
Less: Restricted cash and pledged deposits	(36,167)	(35,916)
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	32,536,230	24,467,770
Less: Time deposits with maturity of more than three months when acquired	(880,933)	(139,789)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	31,655,297	24,327,981



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

1. BASIS OF PREPARATION AND PRESENTATION

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited.

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020.

The accounting policies and basis of preparation used in the preparation of the unaudited interim condensed consolidated financial information are consistent with those adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, except for the adoption of the revised HKFRSs, as disclosed in note 2 below.

In preparing the unaudited interim condensed consolidated financial information, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets as at 30 June 2021. Taking into account the historical operating performance of the Group and the following: (a) listed investments of the Group could be realised immediately for funds to enable the Group to meet its liabilities as and when they fall due; and (b) new banking facilities currently under negotiation, the directors of the Company considered that the Group will be able to operate as a going concern. Accordingly, the unaudited interim condensed consolidated financial information has been prepared on a going concern basis.

The financial information relating to the year ended 31 December 2020 included in this unaudited interim condensed consolidated financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to those statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on the consolidated financial statements of the Company for the year ended 31 December 2020. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39
and HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

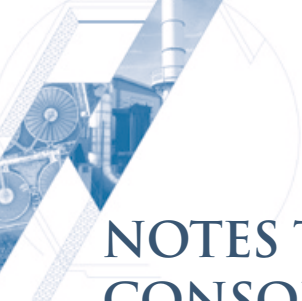
Interest Rate Benchmark Reform – Phase 2

*Covid-19-Related Rent Concessions beyond 30 June 2021
(early adopted)*

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

- (a) Amendments to HKFRS 9 *Financial Instruments*, HKAS 39 *Financial Instruments: Recognition and Measurement*, HKFRS 7 *Financial Instruments: Disclosure*, HKFRS 4 *Insurance Contracts* and HKFRS 16 *Leases* address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and Euro based on various Interbank Offered Rates and denominated in Renminbi (“RMB”) based on the Loan Prime Rate from the People's Bank of China, as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

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

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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 2021 and 2020, respectively.

Six months ended 30 June 2021

	Piped gas operation (Unaudited) HK\$'000	Brewery operation (Unaudited) HK\$'000	Water and environmental operation (Unaudited) HK\$'000	Solid waste treatment operation (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000	Inter- segment elimination (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue	29,374,563	6,783,066	–	4,230,556	–	–	40,388,185
Cost of sales	(26,731,024)	(4,378,287)	–	(3,128,302)	–	–	(34,237,613)
Gross profit	2,643,539	2,404,779	–	1,102,254	–	–	6,150,572
Profit/(loss) from operating activities	1,873,708	488,905	–	899,419	1,707,489	(62,133)	4,907,388
Finance costs	(190,276)	(14,169)	–	(107,386)	(646,883)	62,133	(896,581)
Share of profits and losses of:							
Joint ventures	8,813	–	–	–	–	–	8,813
Associates	2,265,288	11,884	995,680	16,066	–	–	3,288,918
Profit before tax	3,957,533	486,620	995,680	808,099	1,060,606	–	7,308,538
Income tax	(216,303)	(121,402)	–	(220,975)	(12,426)	–	(571,106)
Profit for the period	3,741,230	365,218	995,680	587,124	1,048,180	–	6,737,432
Segment profit attributable to shareholders of the Company	3,757,079	106,982	995,680	407,937	1,048,180	–	6,315,858

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

3. OPERATING SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2020

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

3. OPERATING SEGMENT INFORMATION *(Continued)*

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Total assets:		
Piped gas operation	128,765,060	122,118,783
Brewery operation	24,806,116	22,978,662
Water and environmental operation	16,444,196	15,836,203
Solid waste treatment operation	41,512,344	38,284,776
Corporate and others	14,456,707	13,442,424
Eliminations	(8,392,841)	(7,856,427)
	217,591,582	204,804,421
Total liabilities:		
Piped gas operation	38,979,295	38,747,877
Brewery operation	9,355,740	7,899,876
Solid waste treatment operation	23,224,085	19,544,802
Corporate and others	50,112,126	49,042,571
Eliminations	(8,392,841)	(7,856,427)
	113,278,405	107,378,699

During each of the six months ended 30 June 2021 and 2020, no single external customer contributed 10% or more of the Group's revenue.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

4. REVENUE

Revenue of the Group for each of the periods ended 30 June 2021 and 2020 was all revenue from contracts with customers and the following tables set out the disaggregated revenue information for revenue from contracts with customers:

Period ended 30 June 2021

Segments	Piped gas operation (Unaudited) HK\$'000	Brewery operation (Unaudited) HK\$'000	Solid waste treatment operation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Types of goods or services				
Sale of piped natural gas	26,707,953	–	–	26,707,953
Sale of gas-related equipment	472,823	–	–	472,823
Sale of brewery products	–	6,783,066	–	6,783,066
Trading of liquefied natural gas	1,935,941	–	–	1,935,941
Construction services	257,846	–	358,323	616,169
Solid waste collection services	–	–	2,778,886	2,778,886
Sale of electricity, steam and heat	–	–	1,093,347	1,093,347
Total revenue from contracts with customers	29,374,563	6,783,066	4,230,556	40,388,185
Geographical markets				
Mainland China	29,374,563	6,783,066	1,268,672	37,426,301
Germany	–	–	2,961,884	2,961,884
Total revenue from contracts with customers	29,374,563	6,783,066	4,230,556	40,388,185
Timing of revenue recognition				
Goods transferred at a point in time	29,116,717	6,783,066	1,093,347	36,993,130
Services transferred at a point in time	–	–	2,778,886	2,778,886
Services transferred over time	257,846	–	358,323	616,169
Total revenue from contracts with customers	29,374,563	6,783,066	4,230,556	40,388,185

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

4. REVENUE *(Continued)*

Period ended 30 June 2020

Segments	Piped gas operation (Unaudited) HK\$'000	Brewery operation (Unaudited) HK\$'000	Solid waste treatment operation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Types of goods or services				
Sale of piped natural gas	22,529,755	–	–	22,529,755
Sale of gas-related equipment	137,610	–	–	137,610
Sale of brewery products	–	5,547,023	–	5,547,023
Trading of liquefied natural gas	339,935	–	–	339,935
Construction services	100,770	–	152,630	152,630
Solid waste collection services	–	–	2,298,990	2,298,990
Sale of electricity, steam and heat	–	–	931,874	931,874
Total revenue from contracts with customers	23,108,070	5,547,023	3,383,494	32,038,587
Geographical markets				
Mainland China	23,108,070	5,547,023	743,244	29,398,337
Germany	–	–	2,640,250	2,640,250
Total revenue from contracts with customers	23,108,070	5,547,023	3,383,494	32,038,587
Timing of revenue recognition				
Goods transferred at a point in time	23,007,300	5,547,023	931,874	29,486,197
Services transferred at a point in time	–	–	2,298,990	2,298,990
Services transferred over time	100,770	–	152,630	253,400
Total revenue from contracts with customers	23,108,070	5,547,023	3,383,494	32,038,587

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

5. OTHER INCOME AND GAINS, NET

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	341,800	155,243
Finance income on the net investment in a finance lease	30,300	30,899
Rental income	41,078	21,885
Investment income of a financial asset at fair value through profit or loss	154,550	152,415
Government grants	102,502	87,394
Transfer of assets from customers	13,974	11,062
Gain on disposal of items of property, plant and equipment, net	–	2,902
Foreign exchange differences, net	5,444	–
Others	298,140	257,343
Other income and gain, net	987,788	719,143

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

6. FINANCE COSTS

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and other loans	338,065	499,671
Interest on guaranteed bonds and notes	558,123	535,834
Interest on lease liabilities	14,455	19,022
Total interest expenses	910,643	1,054,527
Increase in discounted amounts of provision for major overhauls arising from the passage of time	294	531
Total finance costs	910,937	1,055,058
Less: Interest capitalised in construction in progress	(14,356)	(2,189)
	896,581	1,052,869

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of items of property, plant and equipment	1,914,843	1,693,787
Depreciation of right-of-use assets	85,736	108,711
Amortisation of operating concession*	103,470	66,639
Amortisation of other intangible assets [#]	145,512	135,649
Loss on disposal of items of property, plant and equipment, net	6,878	–
Foreign exchange differences, net	–	18,151
Impairment of non-current non-financial assets [@]	–	404,145
Impairment of financial assets, net:		
Impairment of trade receivables, net [^]	6,040	1,869
Impairment of other receivables, net [^]	1,755	45,554
	7,795	47,423

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

[#] HK\$122,111,000 (six months ended 30 June 2020: HK\$113,045,000) and HK\$23,401,000 (six months ended 30 June 2020: HK\$22,604,000) of the amortisation of other intangible assets for the period are included in "Cost of sales" and "Administrative expenses" on the face of the condensed consolidated statement of profit or loss, respectively.

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

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

8. INCOME TAX

	Six months ended 30 June 2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current:		
Hong Kong	–	37
Mainland China	368,081	254,661
Germany	211,525	186,151
Others	32,263	26,698
Deferred	(40,763)	26,530
Total tax expense for the period	571,106	494,077

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company's subsidiaries enjoy income tax exemptions and reductions.

9. INTERIM DIVIDEND

On 31 August 2021, the Board declared an interim cash dividend of HK40 cents per share (six months ended 30 June 2020: HK40 cents per share), totalling approximately HK\$504,821,000 (six months ended 30 June 2020: HK\$504,821,000) for the six months ended 30 June 2021.

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit attributable to shareholders of the Company of HK\$6,315,858,000 (six months ended 30 June 2020: HK\$3,568,116,000), and the weighted average number of ordinary shares of 1,262,053,268 (six months ended 30 June 2020: 1,262,053,268) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for each of the six months ended 30 June 2021 and 2020 for a dilution as the Group had no dilutive potential ordinary shares in issue during these periods.

11. GAIN ON DEEMED DISPOSAL OF PARTIAL INTERESTS IN AN ASSOCIATE

During the period, the Group's equity interest in China Gas Holdings Limited was diluted from 23.74% to 22.08% upon placing of 392,000,000 new shares by China Gas Holdings Limited under a top-up placing arrangement, resulting in a gain on deemed disposal of HK\$1,717,201,000 recognised by the Group in the condensed consolidated statement of profit or loss which was included in "Corporate and others" segment in the operating segment information set out in note 3.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment at a total cost of HK\$4,412,328,000 (six months ended 30 June 2020: HK\$1,217,460,000), which did not include property, plant and equipment acquired through transfer of assets from customers with a total deemed cost of HK\$13,974,000 (six months ended 30 June 2020: HK\$11,062,000) (note 5).

Property, plant and equipment with an aggregate carrying amount of HK\$100,618,000 (six months ended 30 June 2020: HK\$137,010,000) were disposed of by the Group during the six months ended 30 June 2021, resulting in a net loss on disposal of HK\$6,878,000 (note 7) (six months ended 30 June 2020: net gain on disposal of HK\$2,902,000 (note 5)).

13. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

The Group's receivables under service concession arrangements represented the Group's unconditional right to receive cash or another financial asset for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service under service concession arrangements. They were all unbilled as at 30 June 2021 and 31 December 2020.

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Contract assets included in:		
Operating concessions	2,353,876	2,122,312
Receivables under service concession arrangements	886,060	689,926
	3,239,936	2,812,238

Contract assets are initially recognised for revenue earned from the provision of construction services for solid waste incineration plants during the period of construction under the service concession arrangements. Pursuant to the service concession agreements, the Group receives no payment from grantors during the construction period and receives service fees when relevant solid waste collection service is rendered. The receivables under service concession arrangement (including the contract assets therein) are not yet due for payment and will be settled by service fees to be received during the operating periods of the service concession arrangements. Amounts billed will then be transferred to trade receivables (note 14). The increase in contract assets as at 30 June 2021 was the result of the increase in the ongoing service concession arrangements in the initial construction stage and more unbilled amounts were noted.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

14. TRADE RECEIVABLES

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

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Billed:		
Within one year	7,531,186	3,721,305
One to two years	312,812	176,892
Two to three years	72,636	56,807
Over three years	85,318	13,066
	8,001,952	3,968,070
Unbilled*	227,276	2,802,795
	8,229,228	6,770,865

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

Included in the Group's trade receivables as at 30 June 2021 were aggregate amounts of HK\$38,859,000 (31 December 2020: HK\$45,425,000) and HK\$82,845,000 (31 December 2020: HK\$111,519,000) due from fellow subsidiaries and a joint venture of the Group, arising from transactions carried out in the ordinary course of business of the Group, respectively. The balances are unsecured, interest-free and are repayable within credit periods similar to those offered by the Group to its major customers.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

15. SHARE CAPITAL

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Issued and fully paid:		
1,262,053,268 ordinary shares	30,401,883	30,401,883

16. BANK AND OTHER BORROWINGS

	Notes	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Bank loans:			
Secured		2,083,732	1,832,608
Unsecured	(a)	29,125,625	31,574,023
		31,209,357	33,406,631
Other loans:			
Unsecured	(b)	4,725,926	3,761,990
Total bank and other borrowings		35,935,283	37,168,621
Portion classified as current liabilities		(7,475,472)	(15,398,065)
Non-current portion		28,459,811	21,770,556

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

16. BANK AND OTHER BORROWINGS *(Continued)*

Notes:

- (a) The loan agreements in respect of certain bank loans outstanding as at 30 June 2021 include certain conditions imposing specific performance obligations on the Company's holding companies, among which the following events would constitute events of default on the loan facilities:
- (i) if Beijing Enterprises Group does not or ceases to own, directly or indirectly, at least 40% or 50% of the beneficiary interest of the Company; and
 - (ii) if Beijing Enterprises Group ceases to be controlled and supervised by the Beijing Municipal Government.

A summary of these bank loans as at 30 June 2021 is as follows:

	Year of drawdown	Contractual interest rate per annum	Final maturity
Five-year HK\$3 billion term loan	2016	1-month HIBOR+0.68%	22 November 2021
Five-year HK\$1.94 billion term loan	2016	1-month HIBOR+1.06%	7 December 2021
Five-year HK\$4 billion term loan	2017	1-month HIBOR+0.62%	13 July 2022
Five-year EUR350 million term loan	2018	1-month EURIBOR+1.09%	17 July 2023
Five-year HK\$4 billion term loan	2020	1-month HIBOR+1.15%	27 November 2025
HK\$1 billion revolving loan	2020	1-month HIBOR+0.7%	N/A
Five-year HK\$2 billion term loan	2021	1-month HIBOR+1.1%	18 February 2026
Five-year HK\$4 billion term loan	2021	1-month HIBOR+1.1%	18 June 2026
US\$160 million revolving loan	2021	1-month LIBOR+0.8%	N/A

To the best knowledge of the directors of the Company, none of the above default events took place during the period ended 30 June 2021 and as at the date of approval of this financial information.

- (b) Included in the Group's other borrowings as at 30 June 2021 were loans of HK\$1,345 million (31 December 2020: HK\$1,032 million) in total advanced from an associate, which bear interest at rates ranging from 3.85% to 5.05% per annum (31 December 2020: from 3-month HIBOR plus 1.05% to 5.32%). Interest expenses of HK\$27,733,000 (six months ended 30 June 2020: HK\$27,377,000) were recognised in profit or loss during the period in respect of the loans (note 21(a)(x)).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

17. GUARANTEED BONDS AND NOTES

A summary of the guaranteed bonds and notes issued by the Group and outstanding as at 30 June 2021 is as follows:

	Principal at original currency 'million	Contractual interest rate per annum	Maturity	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
2011 First Senior Notes	US\$600	5%	2021	–	4,611,320
2011 Second Senior Notes	US\$400	6.375%	2041	3,043,775	3,074,208
2012 Senior Notes	US\$800	4.5%	2022	6,181,996	6,170,101
2015 US\$ Bonds	US\$200	4.99%	2040	1,509,956	1,507,778
2017 EUR Bonds	EUR800	1.3%	2022	7,358,413	7,561,416
2017 Guaranteed Notes	US\$500	2.75%	2022	3,873,129	3,864,495
2020 Green Bonds	EUR500	1%	2025	4,561,658	4,683,085
2021 Series 1 US Bonds	US\$300	2.00%	2026	2,310,836	–
2021 Series 2 US Bonds	US\$400	3.125%	2031	3,056,217	–
2021 Green Bonds	EUR400	0.361%	2026	3,666,409	–
				35,562,389	31,472,403
Portion classified as current liabilities				(17,413,538)	(4,611,320)
				18,148,851	26,861,083

Except for the 2017 Guaranteed Notes which is guaranteed by Beijing Gas Group Company Limited (“Beijing Gas”), a wholly-owned subsidiary of the Company, and the 2021 Green Bonds which is guaranteed by EEW Holding GmbH, a wholly-owned subsidiary of the Company, all the above guaranteed bonds and notes are guaranteed by the Company.

During the period, the 2011 First Senior Notes, which were issued to certain institutional investors on 12 May 2011 pursuant to the subscription agreement dated 5 May 2011, were fully repaid during the period on the maturity date of 12 May 2021.

On 6 May 2021, Talent Yield International Limited, a wholly-owned subsidiary of the Company, issued guaranteed bonds with aggregate principal amounts of US\$300 million (the “2021 Series 1 US Bonds”) and US\$400 million (the “2021 Series 2 US Bonds”), respectively, to certain institutional investors. Pursuant to the 2021 Series 1 US Bonds and the 2021 Series 2 US Bonds purchase agreements dated 6 May 2021, of which, unless redeemed prior to their maturity pursuant to the terms thereof and of the indenture, (i) the 2021 Series 1 US Bonds, bearing interest at the rate of 2.0% per annum, will mature on 6 May 2025; (ii) the 2021 Series 2 US Bonds, bearing interest at the rate of 3.125% per annum, will mature on 6 May 2031, respectively.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

17. GUARANTEED BONDS AND NOTES *(Continued)*

On 30 June 2021, EEW Energy from Waste GmbH, a wholly-owned subsidiary of the Company, issued guaranteed bonds with aggregate principal amounts of EUR400 million (the “2021 Green Bonds”) to certain institutional investors. Pursuant to the 2021 Green Bonds purchase agreements dated 30 June 2021, the 2021 Green Bonds bear interest at the rate of 0.361% per annum and, unless redeemed prior to their maturity pursuant to the terms thereof and of the indenture, will mature on 26 June 2026.

The fair value of the Group’s guaranteed bonds and notes as at 30 June 2021 was HK\$37.7 billion (31 December 2020: HK\$33.8 billion), based on price quotations from financial institutions at the reporting date.

18. TRADE AND BILLS PAYABLES

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Billed:		
Within one year	3,802,436	3,176,207
One to two years	183,455	137,301
Two to three years	11,902	10,611
Over three years	9,913	13,402
	4,007,706	3,337,521
Unbilled*	1,221,828	1,362,912
	5,229,534	4,700,433

* The unbilled balance was attributable to (i) purchase of natural gas near the period end which will be billed subsequently in July 2021; and (ii) accrued extra purchase costs which will be billed when the price is agreed by Beijing Gas with the supplier.

Included in the trade and bills payables as at 30 June 2021 were amounts of HK\$4,932,000 (31 December 2020: HK\$25,804,000) in total due to fellow subsidiaries, arising from transactions carried out in the ordinary course of business of the Group. The balances are unsecured, interest-free and are repayable within credit periods similar to those offered by the related parties to their major customers.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

19. BUSINESS COMBINATIONS

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

The fair values of the identifiable assets and liabilities of the subsidiaries acquired and assumed as at the date of acquisition were as follows:

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

19. BUSINESS COMBINATIONS *(Continued)*

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

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

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

	Six months ended 30 June 2020 (Unaudited) HK\$'000
Cash consideration paid	(255,952)
Cash and bank balances acquired	180,573
Cash consideration prepaid in prior year	111,111
Net inflow of cash and cash equivalents included in cash flows from investing activities	35,732

20. CAPITAL COMMITMENTS

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Contracted, but not provided for:		
Gas pipelines and plant and machinery	10,876,504	12,799,067
Service concession arrangements	1,433,761	500,510
Total	12,310,265	13,299,577

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

21. RELATED PARTY DISCLOSURES

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

			Six months ended 30 June	
			2021	2020
			(Unaudited)	(Unaudited)
Name of related party	Nature of transaction	Notes	HK\$'000	HK\$'000
Non-controlling equity holders of subsidiaries and their associates:				
北京燕京啤酒集團公司 and its associates	Purchase of bottle labels	(i)	40,331	17,210
	Purchase of bottle caps ^y	(i)	23,848	24,360
	Canning service fees paid ^y	(iii)	13,621	16,118
	Comprehensive support service fees paid ^y	(iii)	8,919	8,636
	Land rental expenses ^y	(iv)	1,061	986
	Trademark licensing fees paid ^y	(v)	28,069	27,488
	Less: refund for advertising subsidies ^y	(v)	(3,728)	(2,658)
Fellow subsidiaries:				
北京北燃實業有限公司 and its subsidiaries	Sale of piped natural gas [#]	(vi)	141,295	176,358
	Engineering service income [#]	(vii)	2,129	5,718
	Comprehensive service income [#]	(vii)	3,495	3,320
	Engineering service expenses [#]	(vii)	65,233	76,825
	Comprehensive service expenses [#]	(vii)	51,812	6,597
	Building rental expenses [#]	(viii)	92,105	3,578
	Building rental income [#]	(viii)	398	–
	Purchase of goods [#]	(viii)	62,928	30,255
	Sale of goods [#]	(ix)	55,539	20,879
Associate:				
北京控股集團財務有限公司 ("BE Group Finance")	Interest expenses [@]	(x)	27,733	27,377
	Interest income [@]	(x)	11,837	20,854

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

21. RELATED PARTY DISCLOSURES *(Continued)*

(a) *(Continued)*

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

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

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

Notes:

- (i) The purchase prices for bottle labels and bottle caps were determined by reference to the agreed prices for the preceding year and an annual adjustment determined by reference to the price index in Beijing in the preceding year.
- (ii) The canning service fees were charged at a rate equal to the costs of the canning services incurred by Yanjing Beer Group plus a mutually-agreed profit margin.
- (iii) The comprehensive support service fees paid included the following:
 - fees for security and canteen services which were determined based on the annual cost of labour, depreciation and maintenance for the preceding year and an annual adjustment by reference to the price index in Beijing; and
 - rental expenses, related to the premises occupied and used by Yanjing Brewery as its office, canteen and staff dormitories, which were determined by reference to the prevailing market rentals at the time when the relevant agreements were entered into.
- (iv) The land rental expenses were charged at a mutually-agreed amount of RMB1,849,000 (2020: RMB1,849,000) per annum.
- (v) The trademark licensing fees paid were for the use of “Yanjing” trademark and were determined based on 1% (six months ended 30 June 2020: 1%) of the annual sales of beer and mineral water products made by Yanjing Brewery and at a rate of RMB0.008 (six months ended 30 June 2020: RMB0.008) per bottle of beer sold by the subsidiaries of Yanjing Brewery. Yanjing Brewery Group would refund 20% of the trademark licensing fees from sales of beer received from Yanjing Brewery for the use by Yanjing Brewery to develop and promote the “Yanjing” trademark.
- (vi) The selling price of piped natural gas was prescribed by the PRC government.
- (vii) The service fees were determined by reference to the then prevailing market rates and set at prices not higher than the guidance prices set by the PRC government.
- (viii) The purchase prices of goods and the building rentals were determined by reference to the then prevailing market rates.
- (ix) The selling prices of goods were determined on a cost-plus basis.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

21. RELATED PARTY DISCLOSURES *(Continued)*

(a) *(Continued)*
Notes: (Continued)

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

On 20 December 2019, the Company and BE Group Finance entered into a deposit agreement (the "Deposit Agreement") whereby the Company and BE Group Finance will continue to carry out transactions under a deposit services master agreement entered on 29 December 2014 for a further period of three years from 1 January 2020 to 31 December 2022. The terms and conditions under the Deposit Agreement are substantially the same as those under the deposit services master agreement and 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\$2.23 billion.

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

The amount of deposits placed by the Group with BE Group Finance as at 30 June 2021 amounted to HK\$2,227 million (31 December 2020: HK\$2,186 million).

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

(b) Compensation of key management personnel of the group

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	2,919	4,596
Pension scheme contributions	14	14
Total compensation paid to key management personnel	2,933	4,610

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Other than guaranteed bonds and notes, the carrying amounts of the Group's financial assets and other financial liabilities which are due to be received or settled within one year are reasonable approximation of their respective fair values, and accordingly, no disclosure of the fair values of these financial instruments is made. The fair value of the Group's guaranteed bonds and notes is disclosed in note 17 to the unaudited interim condensed consolidated financial information.

The listed equity investments of the Group are stated at fair value based on their quoted market prices (as categorised within Level 1 of the fair value hierarchy) and the unlisted fund investment of the Group is stated at fair value based on a market-based valuation (as categorised within Level 3 of the fair value hierarchy).

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



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:

On 2 February 2021:

- (i) Mr. Hou Zibo resigned as Executive Director, Chairman of the Board and Chief Executive Officer, Chairman of the Nomination Committee, member of the Remuneration Committee and Chairman of the Investment Committee;
- (ii) Executive Director and Vice Chairman of the Board, Mr. Li Yongcheng, was re-designated as Executive Director and Chairman of the Board, and replaced Mr. Hou Zibo to hold the positions of Chairman of the Nomination Committee, member of the Remuneration Committee and Chairman of the Investment Committee;
- (iii) Executive Director and Vice President, Mr. Jiang Xinhao, was re-designated as Executive Director and Vice Chairman of the Board, and remains as member of the Investment Committee;
- (iv) Vice President, Mr. Dai Xiaofeng, was re-designated as Executive Director;
- (v) Mr. Xiong Bin was appointed as Executive Director and Chief Executive Officer.

On 1 June 2021:

- (i) Mr. Sze Chi Ching resigned as Independent Non-executive Director.

DISCLOSEABLE INFORMATION

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

At 30 June 2021, the interests and short positions of the Company's directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), were as follows:

(A) LONG POSITIONS IN SHARES OF THE COMPANY

Director	Number of ordinary shares directly beneficially owned	Percentage of the Company's total number of issued shares
Jiang Xinhao	20,000	0.002%
Tam Chun Fai	2,000	0.000%

(B) LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

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

(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
Tam Chun Fai	Beijing Enterprises Environment Group Limited [*]	50,000	0.003%
Yu Sun Say	Beijing Enterprises Water Group Limited [*]	100,000	0.001%

(D) LONG POSITIONS IN UNDERLYING SHARES OF ASSOCIATED CORPORATIONS

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

^{*} As at 30 June 2021, all interests in these 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)*

Save as disclosed above, as at 30 June 2021, none of the directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

The Company currently does not have any share option scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DISCLOSEABLE INFORMATION

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

At 30 June 2021, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

LONG POSITIONS:

Name	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's total number of issued shares
	Directly beneficially owned	Others	Total	
Beijing Holdings Limited ("BHL")	4,000,000	–	4,000,000	0.32%
Modern Orient Limited ("MOL")	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")	–	785,967,788 ^(c)	785,967,788	62.28%

Notes:

- (a) The interest disclosed includes the shares owned by MOL. MOL is a wholly-owned subsidiary of BEIL. Accordingly, BEIL is deemed to be interested in the shares owned by MOL.
- (b) The interest disclosed includes the shares owned by BEIL and MOL. BEIL, the holding company of MOL, 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 MOL.
- (c) The interest disclosed includes the interest in shares held by BE Group BVI as detailed in note (b) and BHL. BE Group BVI and BHL are wholly-owned subsidiaries of BE Group. Accordingly, BE Group is deemed to be interested in the shares held by BE Group BVI, BEIL, MOL and BHL.

Save as disclosed above, as at 30 June 2021, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DISCLOSEABLE INFORMATION

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

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

Date of the Agreement(s)	Nature of the Agreement(s)	Aggregate amount (million)	Final Maturity
5 May 2011	Purchase agreement for issuance of senior notes	US\$400	May 2041
18 April 2012	Purchase agreement for issuance of senior notes	US\$800	April 2022
1 December 2015	Subscription agreement for issuance of bonds	US\$200	December 2040
22 November 2016	Term loan facility with a bank	HK\$3,000	November 2021
7 December 2016	Term loan facility with a bank	HK\$1,940	December 2021
12 April 2017	Subscription agreement for issuance of bonds	EUR800	April 2022
13 July 2017	Term loan facility with a bank	HK\$4,000	July 2022
17 July 2018	Term loan facility with a bank	EUR350	July 2023
17 September 2020	Subscription agreement for issuance of bonds	EUR500	September 2025
23 November 2020	Term loan facilities with respective banks	HK\$4,000	November 2025
18 February 2021	Term loan facility with a bank	HK\$2,000	February 2026
28 April 2021	Subscription agreement for issuance of bonds	US\$300	May 2026
28 April 2021	Subscription agreement for issuance of bonds	US\$400	May 2031
18 June 2021	Term loan facility with a bank	HK\$4,000	June 2026

Agreements include certain conditions imposing specific performance obligations on the Company’s holding companies, among which are the following events which would constitute an event of default:

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

DISCLOSEABLE INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

EMPLOYEE

At 30 June 2021, the Group had approximately 38,000 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 2021.

The former Chairman, Mr. Hou Zibo had assumed the positions of Chairman and Chief Executive Officer from 1 September 2017 to 1 February 2021. This arrangement deviates from Code Provision A.2.1 which recommends that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, the Board considered that the appointment of Mr. Hou Zibo as Chairman and Chief Executive Officer during that time can bring benefits to the Company's business development and management, and would not impair the balance of power and authority between the Board and the management of the Company. Since 2 February 2021, the positions of Chairman and Chief Executive Officer have been assumed by Executive Director Mr. Li Yongcheng and Executive Director Mr. Xiong Bin, respectively. Since then, the Company has not deviated from Code Provision A.2.1.

Due to other business engagements, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 17 June 2021, which deviates from Code Provision E.1.2. However, the Chairman had arranged other directors to attend the meeting and communicate with shareholders.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SHARE DEALING

The Company has adopted Appendix 10 "Model Code" to the Listing Rules to govern securities transactions by the directors. After having made specific enquiry to all directors, all directors confirm that they complied with the "Model Code" during the half year ended 30 June 2021.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. Wu Jiesi, Mr. Lam Hoi Ham (Chairman of Audit Committee) and Dr. Yu Sun Say. The Audit Committee of the Company has already reviewed the unaudited interim results for the six months ended 30 June 2021 and considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.