

2016 INTERIM REPORT



北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

BEIJING ENTERPRISES
HOLDINGS LIMITED

STOCK CODE : 392



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE & RISK MANAGEMENT COMMITTEE

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

COMPANY SECRETARY

Mr. Tam Chun Fai *CPA CFA*

STOCK CODE

392

WEBSITE

www.behl.com.hk

SHARE REGISTRAR

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183 Queen's Road East,
Hong Kong

REGISTERED OFFICE

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

AUDITORS

Ernst & Young

CORPORATE INFORMATION

LEGAL ADVISERS

Hong Kong Law

Mayer Brown JSM

PRC Law

Haiwen & Partners

US Law

Mayer Brown JSM

PRINCIPAL BANKERS

In Hong Kong

Bank of China, Hong Kong Branch

Bank of Communications, Hong Kong Branch

DBS Bank Ltd., Hong Kong Branch

In Mainland China

Agricultural Bank of China

Bank of China

China Construction Bank

Guangdong Development Bank

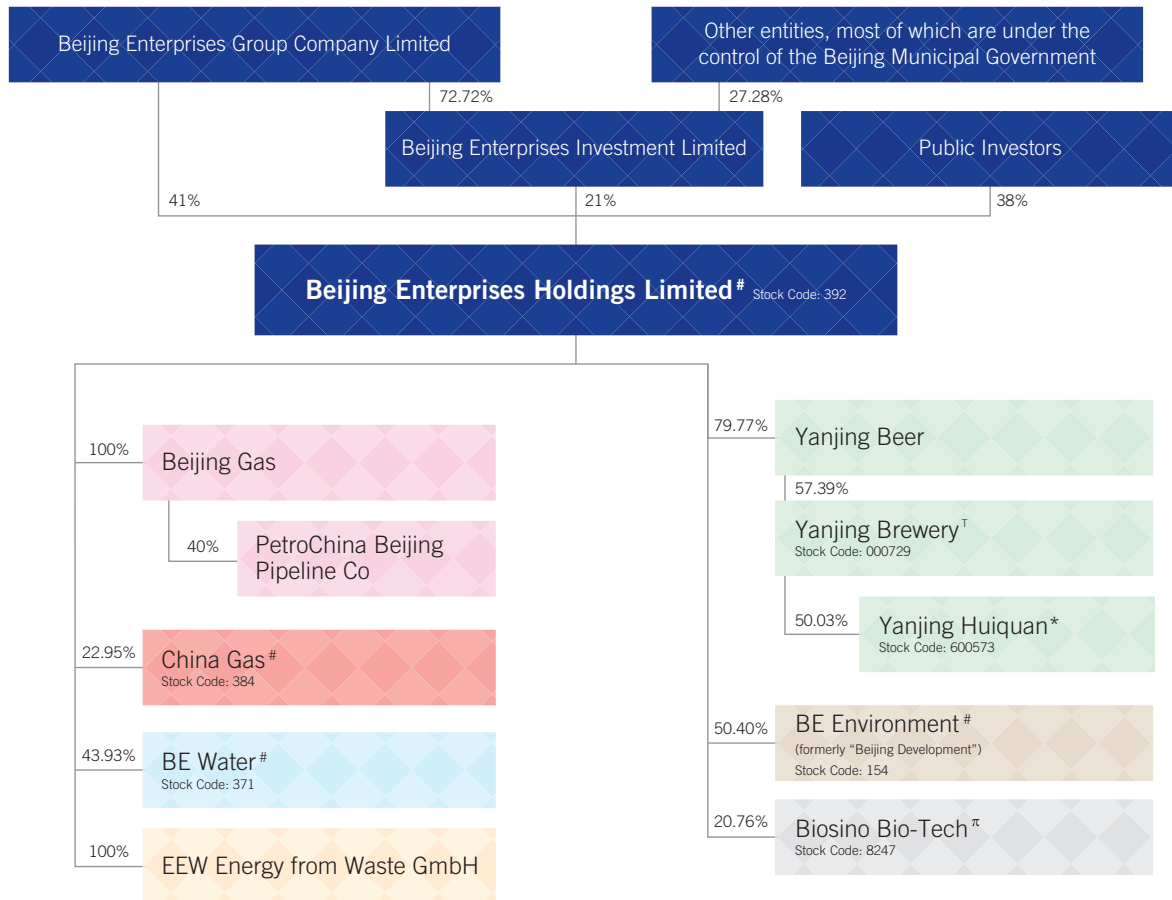
The Industrial and Commercial Bank of China

ADR Depository Bank

The Bank of New York

CORPORATE STRUCTURE

As at 30 June 2016



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

FINANCIAL HIGHLIGHTS

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Beijing Enterprises Holdings Limited (the “Company”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016 and the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2016 with the comparative figures in 2015. The consolidated revenue of the Group for the first half of 2016 was HK\$28.42 billion, representing a decrease of 3% over the corresponding period of last year. Profit attributable to shareholders of the Company was HK\$3.423 billion, representing an increase of 10.3% over the corresponding period in 2015.

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

	Profit attributable to shareholders of the Company <i>HK\$'000</i>	Proportion <i>%</i>
Piped gas operation	2,696,133	71.9
Beer production operation	229,458	6.1
Sewage and water treatment operations	691,420	18.5
Waste-to-energy and waste treatment operation	131,246	3.5
Profit from major operations	3,748,257	100
Other operations and headquarter expenses	(324,919)	
Profit attributable to shareholders of the Company	3,423,338	

INTERIM DIVIDEND

The Board has resolved to declare an interim cash dividend for the six months ended 30 June 2016 of HK30 cents (2015: HK30 cents) per share, which will be payable on about 28 October 2016 to shareholders whose names appear on the register of members of the Company on 6 October 2016.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Tuesday, 4 October 2016 to Thursday, 6 October 2016, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 3 October 2016.

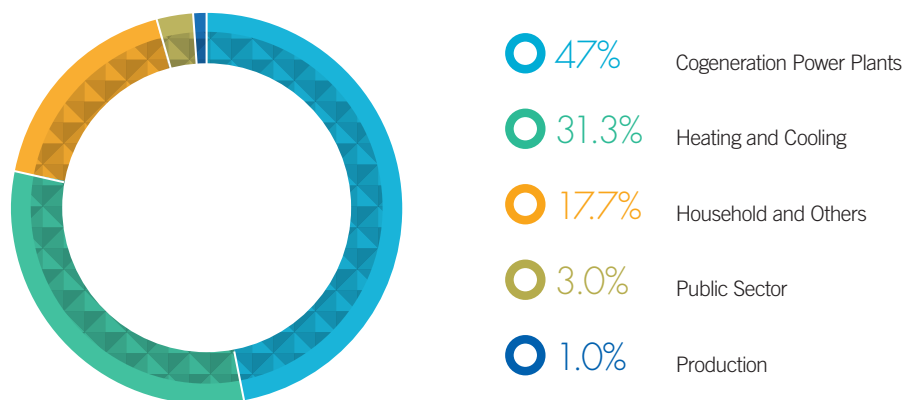
MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

Natural Gas Distribution Business

Beijing Gas Group Company Limited (“Beijing Gas”) recorded a revenue of HK\$19.579 billion in the first half of 2016, decreased by 6.3% as compared with the same period of last year, which was mainly attributable to the downward adjustment of natural gas distribution price of RMB70 cent per cubic meter in November 2015 in following the citygate price. Gas sales volume was approximately 7.308 billion cubic meters, a year-on-year increase of 21%, which was mainly attributable to newly operated Guohua thermal power plant in the second half of last year and the stable growth in utilization rate of conventional power plants such as Gaojing, Jingxi and Gaoantun thermal power plants, in which it pushed up the regular gas demand for power generation. In addition, the sustained growth of heating subscribers and the stimulating heating demand due to colder winter weather drove a higher increase in gas distribution in the first half of the year.

The gas sales volume of Beijing Gas in the first half of 2016 was approximately 7.308 billion cubic meters. An analysis by subscriber sector is shown as follows:



During the period under review, a total of 62,400 household subscribers, 1,886 public sector subscribers, and heating boiler and summer capacity of 668.85 t/h steam were developed. The subscriber growth across all user groups maintained a solid growth on a year-on-year basis. The capital expenditure of Beijing Gas in the first half year amounted to approximately HK\$582 million.

Beijing Gas formulated the 2016 Clean Air Action Plan and started the reconstructing works of “coal-to-gas conversion” for boilers and “coal-to-gas replacement” projects in villages. At the same time, it actively expanded its distributed energy business, fully expanded to energy development sectors, and focused on developing potential projects such as subsidiary center of Beijing and Tongzhou Universal Studios. Also it developed the natural gas vehicles market, initially determining the annual updating of 80 natural gas vehicles in environmental sanitation, 220 Beijing Public Transportation Group CNG buses and the newly added 19 buses for tourism. Beijing Gas also deepened its foreign investment cooperation outside Beijing, actively participated in the investment, construction and operation of Tianjin and Hebei provincial and inter-city pipe network facility and gas comprehensive utilization projects for terminal cities, and focused on implementing the projects in Xingtai, Chengde and Baoding. It set up Beijing Gas Qitaihe Company and moved forward the quality gas projects in the northeastern and other regions.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Natural Gas Transmission Business

PetroChina Beijing Natural Gas Pipeline Company Limited (中石油北京天然氣管道有限公司) (“PetroChina Beijing Pipeline Company”) achieved a gas transmission volume of 16.614 billion cubic meters in the first half of 2016, representing a year-on-year increase of 5.9%.

Beijing Gas shared a net profit after tax of HK\$1.408 billion in the first half of 2016 through its 40% equity interests in PetroChina Beijing Pipeline Company, representing an increase of 6.7% when compared with the same period of last year. The increase in profit was basically in line with the increase in gas transmission volume. The total capital expenditure of PetroChina Beijing Pipeline Company was HK\$416 million in the first half year.

China Gas

In the first half of 2016, the Group's share of profit of China Gas Holdings Limited (“China Gas”) was HK\$211 million, which was based on the profit attributable to shareholders of China Gas for the six months ended 31 March 2016, representing a decrease of 42.9% when compared with the corresponding period of last year. It was mainly due to the one-off or non-operating factors, including the exchange losses incurred by the subsidiary of China Gas as a result of the depreciated RMB against US dollar, provision for impairment of fixed assets and provision for some other fees. In the 2016 financial year, China Gas achieved a sales volume of 9.86 billion cubic metres in pipeline gas, representing a year-on-year increase of 9.9%, and achieved a sales volume of 3.10 million tons in LPG, representing a year-on-year increase of 28.6%. There are 2.10 million households newly connected and the cumulative number of households connected reached 14.69 million.

Beer Business

During the first half of 2016, China's brewery industry still faced the pressure and challenges of continuous consumption shrinkage, intensified industry competition, increased operating costs and more stringent energy conservation and emission reduction criteria. Beijing Yanjing Brewery Co., Ltd. (“Yanjing Beer”) grasped the strategic opportunity and was innovative in its thinking to focus on three key structural adjustment missions in products, market and branding. On one hand, it endeavored to expand the market to improve the proportion of sales volume of mid-to-high end beers and increased the income per ton. On the other hand, it kept on strengthening basic enterprise management, vigorously created and improved the Group's management and control platform, strictly controlled product quality and carried out in-depth energy conservation and emission reduction to improve management efficiency and save costs. In the first half of the year, the proportion of sales volume of the Company's products with price over RMB2,500/KL has reached 54%, of which, the sales volume of cans recorded a year-on-year increase of 6%, representing 12%. The sales volume of Yanjing fresh beer recorded a year-on-year increase of 5%, representing 28%. The proportion of sales volume of “1+3” brand was 91%, of which 71% is for Yanjing's main brands.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review (Continued)

Beer Business (Continued)

During the first half year, sales volume of Yanjing Beer was 2.67 million kilolitres and revenue recorded was HK\$6.739 billion. Its profit before tax was HK\$760 million. Profit attributable to the Company in the first half year was HK\$229 million. The capital expenditure of Yanjing Beer in the first half of 2016 was approximately HK\$407 million.

Water and Environmental Business

The sewage treatment and water businesses of Beijing Enterprises Water Group Limited (stock code: 371) (“BE Water”) developed rapidly in the first half of 2016. Its turnover increased by 36% to HK\$7.852 billion as a result of the increase in income from its construction service. Profit attributable to shareholders of BE Water increased by 36% to HK\$1.574 billion, of which HK\$691 million was net profit attributable to the Company, representing a year-on-year increase of 35.8%. As at the end of June 2016, BE Water already participated in 391 water plants which are or will be in operation, including 282 sewage treatment plants, 100 water distribution plants, 8 reclaimed water plants and 1 seawater desalination plant. The total designed capacity was 24.94 million tons/day.

Total designed capacity of new projects for the period was 1.873 million tons/day. In addition, BE Water accelerated the preliminary works of seawater desalination project designed to supply water to Beijing, and actively negotiated with the relevant government commissions, offices and bureaus in Beijing, Tianjin and Hebei provinces for the implementation of water distribution plan and construction conditions of water production projects. BE Water promoted the construction of key projects including Liangshuihe Comprehensive Water Environment Renovation Project, Plant A Project of Beijing No. 10 Waterworks and Malaysia Pantai Sewage Treatment Project in an orderly manner. BE Water participated in various projects that spread across 19 provinces, 2 autonomous regions and 4 municipalities nationwide as well as in Malaysia and Portugal and has developed itself into one of the leading water companies in China.

Solid Waste Treatment Business

At the end of the first half of the year, the solid waste treatment business segment of the Group has realized waste incineration power generation business capacity of 28,025 tons/day, and hazardous waste treatment capacity of 0.3 million tons/year. In the first half year, we achieved an increase in solid waste operation capacity of 13,000 tons/day, which was mainly derived from the EEW project in Germany. The EEW project achieved an operating revenue of HK\$1.501 billion from 2 March, the date of acquisition completion, until 30 June, actual waste treatment volume of 1.533 million tons and sale of electricity of 945.21 million KWH. Beijing Enterprises Holdings Environment Technology Co., Ltd (“BEHET”) achieved an operating revenue of HK\$207 million, and realised a profit after tax of HK\$35.58 million. The solid waste treatment projects of Beijing Development (Hong Kong) Limited (Stock Code: 154) (“Beijing Development”) achieved an operating revenue of HK\$161 million, with profit after tax of HK\$25.63 million in the first half year. The capital expenditure of solid waste related business in the first half year amounted to approximately HK\$398 million.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review (Continued)

Solid Waste Treatment Business (Continued)

In the first half of 2016, the solid waste treatment business of the Group in China completed a waste treatment volume of 1.88 million tons. It accomplished an on-grid power generation volume of 469.41 million KWH and hazardous waste input volume of 25,893 tons. During the period, Beijing Development successfully completed the assets spinning off of its technology consultancy business, and focused on the operating development of environmental protection solid waste treatment business. The operation of its Tai An and Chengde projects went steadily, and Haidian project entered into its comprehensive settlement stage, with production equipment in commissioning phase. BEHET strengthened its management in operation projects, increased its facilities capacity expansion, and realised a rapid growth in operating revenue of solid waste treatment. Of which, both the revenue of waste incineration treatment and the revenue of hazardous waste increased steadily. BEHET also expanded its markets actively, optimized its market competitive strategies, adjusted its market development mechanism and explored intensively new solid waste treatment projects within the province and its surrounding provinces and cities.

Material Capital Operation

In the first half of the year, through market bidding, the Company successfully completed the merger and acquisition of the 100% equity interest of EEW, the largest waste incineration power enterprise in Germany. It is by far the largest overseas merger and acquisition project by a Chinese enterprise in the waste utilization sector. It is also the largest merger and acquisition project by a Chinese enterprise in Germany. The merger and acquisition of EEW is another significant capital operation in actively expanding into overseas market with proactive implementation of the “Going Global” strategy by state-owned enterprises, facilitating international capacity cooperation, and supporting the government’s “One Belt One Road” strategy. This acquisition will enhance the Company’s operation scale and industry standing in the solid waste treatment and environmental protection sector, and open a communication channel for learning and introducing the advanced solid waste and environmental protection ideas, technologies and management experience in Europe.

On 11 May 2016, Beijing Gas completed the subscription of 2,155,555,555 new shares and the HK\$350,000,000 convertible bonds in Blue Sky Power Holdings Limited (“Blue Sky”) (stock code: 6828), and became the largest single shareholder holding 25.54% equity interest in this Company. Beijing Gas will further develop the natural gas relevant businesses domestically by utilizing this listed platform.

After long-term deployment, the Company entered into a purchase and sale agreement with Beijing Development on 31 March at an aggregate consideration of RMB1,850,000,000, which injected five major household waste incineration projects and one hazardous and medical waste treatment project into Beijing Development for developing Beijing Development as the Group’s flagship solid waste treatment business.

In the first half of the year, total foreign financing completed by the Company were approximately HK\$17.76 billion, of which, the Company finalized the bank loan facilities of HK\$4.0 billion. In addition, in order to facilitate the merger and acquisition of the EEW project, the Company successfully obtained a 1-Year bridging loan facility of EUR1.665 billion from Bank of China Luxembourg Branch, which was timely received in providing the project finance support.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Prospects

Natural Gas Distribution Business

Beijing Gas will continue to actively implementing the Clean Air Action Plan to ensure the “coal-to-gas conversion” for boilers and “coal-to-gas replacement” projects in villages can be completed successfully. It will strive to promote the construction of key projects, prepare well for securing gas supply and optimize its business structure. Meanwhile, it will focus on the development of emerging businesses, continue to expand its advantages in the market and guarantee the facilitation and development of distributed energy business in the sub-center of Beijing, New capital airport, New aerospace city in Daxing, Universal Studios and other projects.

As of vehicle gas business, Beijing Gas aims at targeting precisely the potential large customers (such as long haul freight transport, public transportation and environmental sanitation, and taxi driver training schools), fully vitalize the current gas station operation, and endeavor to expand the CNG market in cities around Beijing. Meanwhile, it will further integrate the sourcing resources in Beijing, establish a LNG joint sourcing platform and strengthen the overall control and the bargaining power of LNG.

Beer Business

In the second half of 2016, the situation of contracting consumption and fierce competitive external environment will continue. In facing the adverse situation, Yanjing Beer will continue to put more efforts in the three key structural adjustment missions in products, market and branding, firmly grasp the golden season opportunity of beer production and distribution to strive for faster growth in sales volume during peak seasons. Yanjing Beer will improve its management standards in market and quality by adopting centralized platform for market management, quality control, production/consumption matching and bulk materials sourcing and purchasing.

Water and Environmental Business

In the second half of 2016, BE Water will accelerate the completion of market volume forecast and resource analysis of each business region, identify key regions, regional development themes and key projects, and further improve the resources-oriented business layout. It will drive and build up the full operational capability of each level of business unit by promoting the standardization of new operation projects, achieve incubation transformation through creating independent operational capability of business region to improve the corporate's quality operational capability.

With respect to the new businesses, while the overseas operations will put its geographical focus in Southeast Asia, the domestic strategy will focus on the seawater desalination projects in Beijing, the nationwide layout of the environmental businesses, a breakthrough in membrane technology and industrial wastewater treatment, improve the design capacity and the development of clean energy business.

In the meantime, the escalating number of new entrants, many of which are large conglomerates, into the environmental protection industry will make the competition more intense. In moving away from the traditional focus on securing a particular water project, enterprises are vying for a better integration of their industry chains and greater diversification in their environmental businesses. The sector is now characterised by competition in terms of comprehensive industry chain and resource planning, as well as a more professional and sophisticated demand for environmental protection products and this will give facilitate technology advancements.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Prospects *(Continued)*

Solid Waste Treatment Business

By relying on the two platforms of Beijing Enterprises Environment Group Limited (formerly known as Beijing Development) and BEHET, the solid waste treatment business of the Group will quickly strengthen its project reserve, formulate a regional market centering on the already invested projects and fully exploit the nationwide market. It will further take the synergistic advantages of every industry sector to share market resources and reduce market management costs. The Company will also proactively expand the emerging businesses such as hazardous waste disposal, food waste treatment to achieve scale advantages through multiple synergistic aspects. The Company will quickly release the economies of scale benefits from projects that are already put into operation, improve professional standards, enhance expenses control and cost analysis and fully promote the comprehensive operating management standard of environmental protection solid waste and hazardous waste project with safety production as the core.

By leveraging on the communication platform with EEW, the Group is likely to introduce the advanced industry development concept in Europe in full strength. Through various measures such as establishing piloting plants, providing technology reform and operating support for existing waste treatment projects, it will learn the achievements and experience, essence of application in technology, operation, service and control from the industry standard to improve the overall standard of solid waste industry in China, and bring comprehensive and continuous development on the overall management quality and industrial competitiveness of the Company.

In the second half of 2016, the Group will continue its capital operation, provide assistance to the business reorganization and strategy layout of its core businesses, further accelerate the integration pace of quality assets and listing resources, optimize shareholding structure, put into full play the advantages of the Group in seizing opportunities and encountering challenges, continuously move forward the pace of deepening reform and rapidly improve enterprise's earnings growth standards and sustainable development capacity to provide support in achieving the high-end strategy development of the Company during the "13th Five-Year Plan" period.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review

Revenue

The revenue of the Group's operations in the first half of 2016 was approximately HK\$28.42 billion, decreased by 3% when compared with the corresponding period of last year, which was mainly attributable to the downward adjustment of natural gas distribution price of RMB70 cent per cubic meter last November in following the citygate price. The revenue of gas sales was HK\$19.579 billion, representing a year-on-year decrease of 6.3%. The revenue of beer sales was HK\$6.739 billion. The revenue of solid waste treatment and environmental protection business was HK\$2.067 billion, which included the four months' revenue of the EEW project amounting to HK\$1,501 million. Other solid waste treatment businesses contributed an aggregate revenue of HK\$566 million.

Cost of Sales

Cost of sales decreased by 2.5% to HK\$23.43 billion on an year-on-year basis, which was mainly attributable to the downward adjustment of citygate price of RMB70 cent per cubic meter at the end of last year. The cost of sales for gas distribution business mainly included the purchase cost of natural gas as well as the depreciation of gas pipeline network. Cost of sales for beer business included raw materials, wage expenses and certain direct management fees etc. Cost of sales of solid waste treatment operation included fuel charges, amortization and waste collection costs.

Gross Profit Margin

The overall gross profit margin was 17.6% compared with the 18% in corresponding period of last year. The decrease in overall gross profit margin was mainly due to the dropping in proportion of revenue of beer business with higher gross profit margin attributable to total revenue.

Gain on deemed disposal of the partial interest in an associate

During the first half of 2016, BE Water issued ordinary shares upon the exercise of share options by its employees. The Group recognized a gain on deemed disposal of the partial interest in an associate of HK\$1.13 million.

Other Income and Gains, net

Other income and gains, net mainly included interest income of HK\$239 million, government grant of HK\$96 million and rental income of HK\$35 million etc.

Selling and Distribution Expenses

Selling and distribution expenses of the Group in the first half of 2016 decreased by 13.2% to HK\$1.093 billion, which was mainly due to the enhancement of marketing efficiency and effective cost control.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review *(Continued)*

Administration Expenses

Administration expenses of the Group in the first half of 2016 were HK\$1.82 billion, decreased by 2.8% when compared with the corresponding period of last year, which was slightly lower than the decrease in its operating revenue.

Finance Costs

Finance costs of the Group in the first half of 2016 was HK\$694 million, increased by 3.7% when compared with the corresponding period of last year, which was mainly due to the additional 5-year syndicated loans amounting to HK\$4.0 billion and the issue of the 25-year bonds amounting to US\$200 million respectively in November and December last year, and the drawdown of the EUR1.665 billion bridging loans for acquiring the EEW project in March this year.

Share of Profits and Losses of Associates

Share of profits and losses of associates mainly included the 40% share of profit after taxation of PetroChina Beijing Pipeline Company, the 22.95% share of profit attributable to shareholders of China Gas and the 43.93% share of profit attributable to shareholders of BE Water.

In the first half of 2016, the Group shared the profit after taxation of PetroChina Beijing Pipeline Company amounting to HK\$1.408 billion, and in the same year, the Group shared the profit after taxation of China Gas amounting to HK\$211 million and the share of net profit of BE Water amounting to HK\$691 million.

Taxation

The effective income tax rate was 22.4%, which was slightly lower than the 22.7% in the corresponding period of last year. This was mainly due to the stable business structure that contributed higher profit in the first half of 2016.

Profit Attributable to Shareholders of the Company

In the first half of 2016, profit attributable to shareholders of the Company was HK\$3.423 billion, representing an increase of 10.3% when compared with the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review (Continued)

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

Non-current Assets

The net book value of property, plant and equipment increased significantly by HK\$6.3 billion as compared with the end of 2015, which was mainly attributable to the merging of the property, plant and equipment related to the EEW acquisition in Germany.

Net goodwill increased significantly by HK\$6.415 billion, which was mainly due to the goodwill arising from the acquisition of the EEW project in Germany.

Other intangible assets, net, increased significantly by HK\$4.466 billion, which was mainly due to the consolidation of its intangible assets after the acquisition of the EEW project in Germany.

Interests in associates increased by HK\$2.346 billion, which was mainly due to its share of profit of PetroChina Beijing Pipeline Company, BE Water and China Gas in the first half year respectively.

The balance of available-for-sale investment increased by HK\$2.608 billion as compared with the end of last year, which was mainly due to the conversion of the balance of a prepayment amounting to RMB2 billion as available-for-sale investment.

Balance of amounts due from contract customers decreased by HK\$379 million, which was mainly due to certain solid waste plants have already put into production and the relevant balance was carried forward to operating concessions.

Balance of receivables under finance lease represented the respective balance of consolidating the EEW project.

Balance of prepayments, deposits and other receivables decreased by HK\$2.636 billion, which was mainly due to the conversion of a prepayment amounting to RMB2 billion on available-for-sale investment.

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

The increase in the balance of deferred tax assets by HK\$865 million was mainly due to the consolidation of the EEW project.

Current Assets

The balance of inventories increased by HK\$643 million, which was mainly due to the increase of approximately HK\$400 million in inventories of Yanjing Beer, and the increase of approximately HK\$200 million in inventories arising from the consolidation of the EEW project.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review (Continued)

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

Current Assets (Continued)

The balance of trade and bills receivables increased by HK\$1.442 billion, which was mainly due to the continuous growth in gas purchasing volume of users in gas power plants of Beijing Gas. In addition, the consolidation of the EEW project also increased the balance by HK\$543 million.

The balance of prepayments, deposits and other receivables decreased significantly by HK\$1.891 billion, which was mainly due to the decline of deposit prepayments after the downward adjustment of citygate price.

The balance of other taxes recoverable decreased by HK\$263 million, which was mainly due to the decrease of the prepayment of gas purchase input VAT by Beijing Gas in the first half of the year arising from the downward adjustment of citygate price.

Cash balance decreased by HK\$1.011 billion, which was mainly due to the decline in cash flow during the period.

The balance of assets held for sale mainly included the investment balance of the proposed disposal of the twelve city gas projects by Beijing Gas to China Gas, the 12 sewage treatment plants in Jinzhou Water and the coal to gas project in Keshiketeng County.

Non-current Liabilities

The portion for the balance increase of banks and other borrowings, balance of defined benefit plans, balance of other non-current liabilities and deferred tax liabilities were due to the consolidation of the balance by the acquisition of the EEW project. The increase in the balance of provision for onerous contracts and major overhauls of HK\$584 million was mainly due to the consolidation of the provision of certain onerous contracts of the EEW project.

Current Liabilities

The balance of trade and bills payables decreased by HK\$872 million, which was mainly due to citygate price downward adjustment of RMB70 cent per cubic meter.

The balance of receipts in advance by HK\$1.183 billion, which was mainly due to the decline of natural gas sales volume in summer.

Other payables and accruals increased by HK\$1.5 billion, which was mainly due to the final dividend for 2015 not yet paid and the consolidation of EEW by the Group as at the end of the period.

The balance of bank and other borrowings increased significantly by HK\$14.11 billion, which was mainly due to the drawdown of the EUR1.665 billion bridging loans as the consideration of acquiring the EEW project.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Financial Position of the Group

Cash and Bank Borrowings

As at 30 June 2016, cash and bank deposits held by the Group amounted to HK\$12.755 billion, representing a decrease of HK\$1.011 billion as compared with the year end of 2015.

The Group's bank and other borrowings, guaranteed bonds and senior notes amounted to HK\$50.722 billion as at 30 June 2016, which mainly comprised the 10-year, 25-year and 30-year US dollar guaranteed senior notes of US\$2 billion in total, the 5-year Euro guaranteed bonds of EUR500 million, syndicated loans amounting to HK\$3 billion, term loan facility of HK\$4.1 billion, bridging loans amounting to EUR1,665 million and HK dollar floating loans amounting to HK\$3.4 billion.

Liquidity and Capital Resources

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

As at 30 June 2016, the issued capital of the Company was 1,262,153,268 shares and equity attributable to shareholders of the Company was HK\$58.242 billion. Total equity was HK\$69.492 billion when compared with HK\$68.652 billion as at the end of 2015. Gearing ratio, being interest-bearing bank borrowings, guaranteed bonds and senior notes divided by the sum of total equity, interest-bearing bank borrowings, guaranteed bonds and senior notes, was 42.2% (31 December 2015: 30.6%).

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 foreign currency risk.

By order of the Board

Wang Dong

Chairman

Hong Kong, 31 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

		For the six months ended 30 June	
		2016	2015
		Unaudited	Unaudited
	Notes	HK\$'000	HK\$'000
REVENUE	3	28,417,102	29,308,938
Cost of sales		(23,428,367)	(24,024,169)
Gross profit		4,988,735	5,284,769
Gain on deemed disposal of partial interest in an associate		1,125	1,279
Other income and gains, net	4	646,848	386,179
Selling and distribution expenses		(1,092,622)	(1,258,314)
Administrative expenses		(1,821,594)	(1,873,425)
Other operating expenses, net		(103,920)	(149,918)
PROFIT FROM OPERATING ACTIVITIES	5	2,618,572	2,390,570
Finance costs	6	(693,512)	(669,057)
Share of profits and losses of:			
Joint ventures		977	257
Associates		2,376,584	2,260,991
PROFIT BEFORE TAX		4,302,621	3,982,761
Income tax	7	(430,336)	(390,704)
PROFIT FOR THE PERIOD		3,872,285	3,592,057
ATTRIBUTABLE TO:			
Shareholders of the Company		3,423,338	3,103,778
Non-controlling interests		448,947	488,279
		3,872,285	3,592,057
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	9		
Basic and diluted		HK\$2.69	HK\$2.42

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	3,872,285	3,592,057
OTHER COMPREHENSIVE LOSS		
Items to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	(45,302)	69,262
Reclassification adjustments for gain on disposal included in the consolidated statement of profit or loss	–	(20,875)
Income tax effect	–	5,219
	(45,302)	53,606
Exchange differences:		
Translation of foreign operations	(1,670,577)	(43,982)
Reclassification adjustments for gain on deemed disposal of partial interest in an associate included in the consolidated statement of profit or loss	83	(200)
	(1,670,494)	(44,182)
Share of other comprehensive loss of associates	(314,118)	(2,921)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	(2,029,914)	6,503

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Items not to be reclassified to profit or loss in subsequent periods:		
Defined benefit plans:		
Actuarial losses	(157,787)	(54,136)
Income tax effect	43,388	13,534
	(114,399)	(40,602)
Share of other comprehensive loss of associates	(7,344)	(5,631)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods	(121,743)	(46,233)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX	(2,151,657)	(39,730)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,720,628	3,552,327
ATTRIBUTABLE TO:		
Shareholders of the Company	1,610,117	3,064,950
Non-controlling interests	110,511	487,377
	1,720,628	3,552,327

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

		30 June 2016 Unaudited HK\$'000	31 December 2015 Audited HK\$'000
	Notes		
ASSETS			
Non-current assets:			
Property, plant and equipment	10	44,046,953	37,735,621
Investment properties		1,166,417	1,194,258
Prepaid land premiums		1,837,396	1,888,032
Goodwill		15,342,603	8,927,959
Operating concessions		2,830,741	2,250,526
Other intangible assets		4,749,298	282,844
Investments in joint ventures		187,901	192,651
Investments in associates		33,945,504	31,599,399
Available-for-sale investments		3,620,769	1,012,557
Amounts due from contract customers		9,993	388,771
Receivables under service concession arrangements	11	1,621,486	1,655,090
Receivables under finance lease		1,002,403	–
Prepayments, deposits and other receivables	13	584,606	3,220,569
Debt component of convertible bond receivables		233,177	–
Derivative component of convertible bond receivables		305,395	–
Deferred tax assets		1,644,877	779,713
Total non-current assets		113,129,519	91,127,990
Current assets:			
Prepaid land premiums		40,068	45,222
Inventories		5,287,484	4,644,199
Amounts due from contract customers		100,469	39,623
Receivables under service concession arrangements	11	123,554	135,675
Trade and bills receivables	12	4,986,011	3,544,455
Prepayments, deposits and other receivables	13	1,944,022	3,835,300
Other taxes recoverable		1,074,351	1,336,880
Restricted cash and pledged deposits		98,289	73,003
Cash and cash equivalents		12,657,145	13,693,804
Assets of a disposal group classified as held for sale	14	26,311,393 6,201,450	27,348,161 6,289,889
Total current assets		32,512,843	33,638,050
TOTAL ASSETS		145,642,362	124,766,040

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

	Notes	30 June 2016 Unaudited HK\$'000	31 December 2015 Audited HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	15	30,401,883	30,401,883
Reserves		27,840,501	27,785,384
		58,242,384	58,187,267
Non-controlling interests		11,249,174	10,464,903
TOTAL EQUITY		69,491,558	68,652,170
Non-current liabilities:			
Bank and other borrowings	16	10,009,358	8,263,049
Guaranteed bonds and senior notes	17	19,554,861	19,444,592
Defined benefit plans		1,539,158	827,960
Provision for onerous contracts and major overhauls		611,958	28,363
Other non-current liabilities		1,133,857	761,946
Derivatives financial instruments		52,591	–
Deferred tax liabilities		3,194,813	480,481
Total non-current liabilities		36,096,596	29,806,391
Current liabilities:			
Trade and bills payables	18	2,768,832	3,640,954
Amounts due to contract customers		303,698	329,589
Receipts in advance		4,183,685	5,366,453
Other payables and accruals		9,757,185	8,256,953
Income tax payables		355,180	494,147
Other taxes payables		498,336	198,802
Bank and other borrowings	16	21,158,146	7,047,965
		39,025,062	25,334,863
Liabilities directly associated with the assets of a disposal group classified as held for sale	14	1,029,146	972,616
Total current liabilities		40,054,208	26,307,479
TOTAL LIABILITIES		76,150,804	56,113,870
TOTAL EQUITY AND LIABILITIES		145,642,362	124,766,040

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2016

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

* These reserve accounts comprise the consolidated reserves of HK\$27,840,501,000 (unaudited) (31 December 2015: HK\$27,785,384,000 (audited)) in the condensed consolidated statement of financial position as at 30 June 2016.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2015

	Attributable to shareholders of the Company										Total equity Unaudited HK\$'000
	Share Capital Unaudited HK\$'000	Capital reserve Unaudited HK\$'000	Available for-sale investment revaluation reserve Unaudited HK\$'000	Property revaluation reserve Unaudited HK\$'000	Defined benefits plans reserve Unaudited HK\$'000	Exchange fluctuation reserve Unaudited HK\$'000	PRC reserve funds Unaudited HK\$'000	Retained profits Unaudited HK\$'000	Total Unaudited HK\$'000	Non- controlling interests Unaudited HK\$'000	
At 1 January 2015	30,401,883	877,088	195,646	43,843	16,552	5,236,494	6,302,438	14,102,412	57,176,356	10,874,635	68,050,991
Profit for the period	–	–	–	–	–	–	–	3,103,778	3,103,778	488,279	3,592,057
Other comprehensive income/(loss) for the period:											
Available-for-sale investments:											
Change in fair value	–	–	66,271	–	–	–	–	–	66,271	2,991	69,262
Reclassification adjustments for gain on disposals included in the consolidated statement of profit or loss	–	–	(16,700)	–	–	–	–	–	(16,700)	(4,175)	(20,875)
Income tax effect	–	–	4,175	–	–	–	–	–	4,175	1,044	5,219
Exchange differences:											
Translation of foreign operations	–	–	–	–	–	(43,220)	–	–	(43,220)	(762)	(43,982)
Reclassification adjustments for gain on deemed disposal of partial interest in an associate included in the consolidated statement of profit or loss	–	–	–	–	–	(200)	–	–	(200)	–	(200)
Defined benefits plan:											
Actuarial losses	–	–	–	–	(54,136)	–	–	–	(54,136)	–	(54,136)
Income tax effect	–	–	–	–	13,534	–	–	–	13,534	–	13,534
Share of other comprehensive loss of associates	–	–	–	–	(5,631)	(2,921)	–	–	(8,552)	–	(8,552)
Total comprehensive income/(loss) for the period	–	–	53,746	–	(46,233)	(46,341)	–	3,103,778	3,064,950	487,377	3,552,327
Capital contribution from non-controlling equity holders	–	–	–	–	–	–	–	–	–	1,354	1,354
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	8,059	8,059
Acquisition of non-controlling interests	–	(163,678)	–	–	–	–	–	–	(163,678)	(137,215)	(300,893)
Deemed disposal of partial interest in a subsidiary	–	5,281	–	–	–	(83)	–	–	5,198	102,419	107,617
Share of reserve of associates	–	50,955	–	4,687	–	–	–	–	55,642	–	55,642
Share of reserve of joint ventures	–	(1,580)	–	–	–	–	–	–	(1,580)	–	(1,580)
Final 2014 dividend	–	–	–	–	–	–	–	(796,297)	(796,297)	–	(796,297)
Dividend paid to non-controlling equity holders	–	–	–	–	–	–	–	–	–	(315,835)	(315,835)
Transfer to reserves	–	–	–	–	–	–	61,322	(61,322)	–	–	–
At 30 June 2015	30,401,883	768,066	249,392	48,530	(29,681)	5,190,070	6,363,760	16,348,571 [#]	59,340,591	11,020,794	70,361,385

[#] Retained profits have been adjusted for the dividends declared/proposed final 2015 dividend in accordance with the current period's presentation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2016

	Six months ended 30 June	
	2016 Unaudited HK\$'000	2015 Unaudited HK\$'000
OPERATING ACTIVITIES		
Cash generated from operations	4,053,282	5,869,556
Dividends received from joint ventures and associates	195,043	2,287,269
Mainland China income tax paid	(685,980)	(354,882)
Net cash flows from operating activities	3,562,345	7,801,943
INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(1,029,093)	(1,817,730)
Acquisition of non-controlling interest	–	(300,893)
Acquisition of subsidiaries (note 19)	(12,108,174)	(88,972)
Acquisition of/increase in investments in joint ventures and associates	(1,158,572)	(17,000)
Decrease in time deposits with maturity of more than three months	11,602	121,021
Subscription of convertible bond	(350,000)	–
Dividends received from an associate	63,304	24,887
Other cash flows from investing activities	46,004	37,980
Net cash flows used in investing activities	(14,524,929)	(2,040,707)
FINANCING ACTIVITIES		
Capital contributions from non-controlling equity holders	–	1,354
Proceed from issue of guaranteed bonds, net of issuance cost	–	4,374,436
Repurchase of shares	(705,052)	–
New loans	17,056,914	6,194,794
Repayment of loans	(4,933,703)	(11,323,238)
Interest paid	(511,396)	(679,213)
Dividends paid	(833,853)	(796,297)
Other cash flows used in financing activities	(84,082)	(319,304)
Net cash flows from/(used in) financing activities	9,988,828	(2,547,468)
Net increase/(decrease) in cash and cash equivalents	(973,756)	3,213,768
Cash and cash equivalents at beginning of period	14,209,132	11,223,622
Effect of foreign exchange rate changes, net	(235,819)	(70,593)
Cash and cash equivalents at end of period	12,999,557	14,366,797
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances:		
Placed in banks	8,713,313	10,809,984
Placed in a financial institution	739,559	2,896,707
Time deposits:		
Placed in banks	1,743,294	382,048
Placed in a financial institution	1,559,268	110,000
Less: Restricted cash and pledged deposits	(98,289)	(29,953)
	12,657,145	14,168,786
Less: Time deposits with maturity of more than three months when acquired	–	(33,750)
Add: Cash and bank balances attributable to disposal groups (note 14)	342,412	231,761
	12,999,557	14,366,797

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with 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 “Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The accounting policies and basis of preparation used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the Group’s annual consolidated financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) issued by the HKICPA, accounting policies generally accepted in Hong Kong and the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 2 below.

During the period under review, the Company might not have satisfied a financial covenant of certain loans. The Company is in the process of negotiation with the lenders for a consent waiver. The Directors are of the view that the lenders are very likely to grant such consent waiver subject to the provision of the latest financial information for approval purpose. No reclassification of related loans has been made.

In preparing the consolidated financial statements, the Directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that as at 30 June 2016 its current liabilities exceeded its current assets. Taking into account of internal resources and future banking facilities, the Directors of the Company considered that the Group will be able to operate on a going concern basis. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The financial information relating to the year ended 31 December 2015 that is included in the condensed consolidated statement of financial position as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

1. BASIS OF PREPARATION *(Continued)*

The Company's auditors have reported on the financial statements for the year ended 31 December 2015. The auditors' report was unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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

2. EFFECT OF CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exceptions</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operation</i>
HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

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

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

3. OPERATING SEGMENT INFORMATION

During the six months ended 30 June 2016, upon the acquisition of the entire shares in EEW Holding GmbH and the entire partnership interests in M+E Holding GmbH & Co. KG (the "EEW Group"), further details of which are set out in note 19 to the financial statements, the solid waste treatment operation became a reportable operating segment.

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

3. OPERATING SEGMENT INFORMATION *(Continued)*

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

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2016 and 2015, respectively.

For the six months ended 30 June 2016

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

3. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2015 (restated)

	Piped gas Operation Unaudited HK\$'000	Brewery operation Unaudited HK\$'000	Sewage and water treatment operations Unaudited HK\$'000	Solid waste treatment operation Unaudited HK\$'000	Corporate and others Unaudited HK\$'000	Inter- segment elimination Unaudited HK\$'000	Consolidated Unaudited HK\$'000
Segment revenue	20,886,159	7,917,825	–	465,550	39,404	–	29,308,938
Cost of sales	(18,740,790)	(4,930,070)	–	(332,915)	(20,394)	–	(24,024,169)
Gross profit	2,145,369	2,987,755	–	132,635	19,010	–	5,284,769
Profit/(loss) from operating activities	1,300,083	1,096,297	–	116,151	(44,182)	(77,779)	2,390,570
Finance costs	(154,040)	(56,871)	–	(61,199)	(474,726)	77,779	(669,057)
Share of profits and losses of:							
Joint ventures	(1,204)	–	–	–	1,461	–	257
Associates	1,719,133	730	509,171	–	31,957	–	2,260,991
Profit/(loss) before tax	2,863,972	1,040,156	509,171	54,952	(485,490)	–	3,982,761
Income tax	(169,488)	(217,853)	–	(2,597)	(766)	–	(390,704)
Profit/(loss) for the period	2,694,484	822,303	509,171	52,355	(486,256)	–	3,592,057
Segment profit/(loss) attributable to shareholders of the Company	2,691,239	333,930	509,171	35,336	(465,898)	–	3,103,778

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

3. OPERATING SEGMENT INFORMATION *(Continued)*

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

	30 June 2016 Unaudited HK\$'000	31 December 2015 Audited HK\$'000
Total assets:		
Piped gas operations	70,682,504	71,097,885
Brewery operation	23,379,202	22,246,260
Sewage and water treatment operations	7,819,002	7,565,313
Solid waste treatment operation	26,252,724	16,035,078
Corporate and others	26,866,942	11,692,116
Eliminations	(9,358,012)	(3,870,612)
	145,642,362	124,766,040
Total liabilities:		
Piped gas operations	14,603,052	16,663,896
Brewery operation	8,097,012	7,174,547
Solid waste treatment operation	14,987,419	11,958,815
Corporate and others	47,821,333	24,187,224
Eliminations	(9,358,012)	(3,870,612)
	76,150,804	56,113,870

During each of the six months ended 30 June 2016 and 2015, none of the Group's individual customers contributed 10% or more of the Group's revenue.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

4. OTHER INCOME AND GAINS, NET

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	HK\$'000	HK\$'000
OTHER INCOME		
Interest income	239,247	52,107
Rental income	35,017	48,657
Government grants	96,309	114,673
Transfer of assets from customers	13,046	12,076
Others	242,561	112,929
	626,180	340,442
GAINS, NET		
Fair value gain on investment properties	–	20,814
Gain on disposal of an available-for-sale investment carried at fair value, net	–	20,875
Foreign exchange differences, net	20,668	4,048
	20,668	45,737
Other income and gains, net	646,848	386,179

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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5. PROFIT FROM OPERATING ACTIVITIES

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

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Depreciation	1,345,408	1,265,804
Amortisation of prepaid land premium	29,590	28,584
Amortisation of customer contracts*	150,638	–
Amortisation of operating concession*	45,745	40,933
Amortisation of operating right*	1,641	1,744
Amortisation of patents*	1,307	1,061
Amortisation of computer software**	17,152	11,620

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

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

6. FINANCE COSTS

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest on bank loans and other loans	252,161	314,837
Interest on guaranteed bonds and senior notes	441,351	371,526
Interest on convertible bonds	–	444
Imputed interest on convertible bonds	–	786
Total interest costs	693,512	687,593
Less: Interest included in construction in progress	–	(18,536)
	693,512	669,057

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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7. INCOME TAX

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Current – Mainland China	461,820	437,224
Current – Elsewhere	44,194	–
Deferred	(75,678)	(46,520)
Total tax expense for the period	430,336	390,704

No provision for Hong Kong profits tax has been made during the six months ended 30 June 2016 as the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2015: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company's subsidiaries enjoy income tax exemptions and reductions.

8. INTERIM DIVIDEND

On 31 August 2016, the Board declared an interim cash dividend of HK30 cents per share (six months ended 30 June 2015: HK30 cents per share), totalling HK\$378,646,000 (six months ended 30 June 2015: HK\$385,305,000).

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amount was based on the profit attributable to shareholders of the Company, and the weighted average number of ordinary shares of 1,270,984,543 (2015: 1,284,350,268) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2016 and 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during that period.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired property, plant and equipment with a total cost of HK\$1,029,093,000 (six months ended 30 June 2015: HK\$1,836,266,000), excluding property, plant and equipment acquired through transfer of assets from customers with a total deemed cost of HK\$13,046,000 (six months ended 30 June 2015: HK\$12,076,000 (note 4)) and acquisition of subsidiaries of HK\$7,422,244.

Property, plant and equipment with an aggregate carrying amount of HK\$26,212,000 (six months ended 30 June 2015: HK\$15,203,000) were disposed of by the Group during the six months ended 30 June 2016, resulting in a net loss on disposal of HK\$546,000 (six months ended 30 June 2015: HK\$1,107,000).

11. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

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

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

	30 June 2016 Unaudited HK\$'000	31 December 2015 Audited HK\$'000
Billed:		
Within one year	27,206	29,568
Unbilled	1,717,834	1,761,197
	1,745,040	1,790,765
Portion classified as current assets	(123,554)	(135,675)
	1,621,486	1,655,090
Non-current portion		

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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12. TRADE AND BILLS RECEIVABLES

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

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

	30 June 2016 Unaudited HK\$'000	31 December 2015 Audited HK\$'000
Billed:		
Within one year	4,358,391	1,733,227
One to two years	88,715	46,493
Two to three years	44,635	13,489
Over three years	32,856	35,677
	4,524,597	1,828,886
Unbilled	461,414	1,715,569
	4,986,011	3,544,455

Included in the Group's trade and bills receivables as at 30 June 2016 was an aggregate amount of HK\$185,380,841 (31 December 2015: HK\$95,612,000) due from certain fellow subsidiaries of the Group arising from transactions carried out in the ordinary course of business of the Group. The balances are unsecured, interest-free and are repayable within credit periods similar to those offered by the Group to its major customers.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		30 June 2016 Unaudited HK\$'000	31 December 2015 Audited HK\$'000
	Notes		
Prepayments	(a)	789,705	3,636,967
Deposits and other debtors	(a)	1,000,216	1,771,971
Due from holding companies	(b)	296,468	1,449,844
Due from fellow subsidiaries	(b)	111,520	113,735
Due from joint ventures	(b)	231,420	78,571
Due from related parties	(b)	223,644	131,277
		2,652,973	7,182,365
Impairment		(124,345)	(126,496)
		2,528,628	7,055,869
Portion classified as current assets		(1,944,022)	(3,835,300)
		584,606	3,220,569
Non-current portion			

Notes:

- (a) The Group's deposits and other debtors as at 30 June 2016 included, inter alia, certain deposits of HK\$114,410,000 (31 December 2015: HK\$98,911,000) in total paid for the construction of buildings and purchase of pipelines, equipment and machinery. The deposits are classified as non-current assets.

During the period ended 30 June 2016, an advance of RMB600 million (equivalent to approximately HK\$698 million) was repaid by a local government.

During the period ended 30 June 2016, prepayment of RMB2,016 million (equivalent to approximately HK\$2,400 million) made to a capital investment fund in prior year for investing in a company engaged in piped gas transportation was transferred to available-for-sale investments upon the completion of the investment.

- (b) The amounts due from holding companies, fellow subsidiaries, joint ventures and related parties are unsecured, interest-free and have no fixed terms of repayment.

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The major classes of assets and liabilities classified as held for sale are as follows:

	2016				2015
	GSWG	Beijing Gas	Others	Total	Total
	HK'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(note (a))	(note (b))	(note (c))		(note (a))
Assets					
Property, plant and equipment	41,070	996,461	–	1,037,531	980,412
Prepaid land premium	11,312	–	–	11,312	8,081
Goodwill	579,285	250,812	–	830,097	657,372
Operating concession	305,805	–	–	305,805	317,687
Other intangible assets	528	106,140	–	106,668	34,080
Deferred tax assets	–	3,825	–	3,825	3,916
Investments in associates	757,506	354,335	1,811,683	2,923,524	3,240,099
Investments in joint ventures	80,560	–	–	80,560	93,505
Available-for-sale investment	2,791	42,751	–	45,542	2,857
Amounts due from contract customers	–	–	–	–	833
Inventories	915	178,986	–	179,901	84,736
Trade and bills receivables	31,123	118,294	–	149,417	140,456
Prepayments, deposits and other receivables	53,380	89,838	–	143,218	146,212
Income tax recoverable	–	41,638	–	41,638	35,629
Restricted cash and pledged deposits	–	–	–	–	16,946
Cash and bank balances	118,143	224,269	–	342,412	527,068
Assets of disposal groups classified as held for sale	1,982,418	2,407,349	1,811,683	6,201,450	6,289,889

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

	2016				2015
	GSWG	Beijing Gas	Others	Total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(note (a))	(note (b))	(note (c))		(note (a))
Liabilities					
Bank and other borrowings	(254,052)	(151,163)	–	(405,215)	(394,874)
Amounts due to contract customers	–	–	–	–	(319)
Trade and bills payables	(17,727)	(82,112)	–	(99,839)	(210,809)
Other payables and accruals	(50,665)	(25,007)	–	(75,672)	(196,574)
Receipts in advance	(1,881)	(360,361)	–	(362,242)	(168,458)
Income tax payables	(1,723)	–	–	(1,723)	(1,582)
Other non-current liabilities	(680)	(83,775)	–	(84,455)	–
Liabilities directly associated with the assets of disposal groups classified as held for sale	(326,728)	(702,418)	–	(1,029,146)	(972,616)
Net assets of disposal groups held for sale	1,655,690	1,704,931	1,811,683	5,172,304	5,317,273

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

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

Notes:

- (a) On 9 December 2015, the Group entered into a share purchase agreement with Beijing Enterprises Water Group Limited (“BE Water”), an associate of the Group, pursuant to which the Group agreed to transfer the entire equity in Golden State Water Group Corporation (“GSWG”) to BE Water at a consideration of RMB1,508 million (equivalent to approximately HK\$1,824 million), which shall be satisfied by BE Water allotting and issuing 300,001,592 ordinary shares to the Group. Further details were set out in the announcement of BE Water published on the website of the Hong Kong Stock Exchange on 9 December 2015. On 29 July 2016, the Group entered into a termination agreement with BE Water, pursuant to which the Group and BE Water have unconditionally and irrevocably agreed that the share purchase agreement shall be fully terminated. Further details were set out in the announcement of BE Water published on the website of the Hong Kong Stock Exchange on 29 July 2016.

In the opinion of the directors, since the Group remained committed to dispose of the sewage and water treatment projects of GSWG, GSWG remained to be classified as disposal groups held for sale as at 30 June 2016.

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

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

Beijing Gas Development was classified as a disposal group held for sale as at 30 June 2016. The transaction had not been completed as at the date of approval of these financial statements.

- (c) On 28 August 2015, the Group entered into a disposal agreement with 北京控股集團有限公司 (“Beijing Enterprises Group”, the ultimate holding company), pursuant to which the Group agreed to sell and Beijing Enterprises Group agreed to purchase the entire equity interest in Keqi Coal-based Gas Company (“Keqi Gas”, an 34% owned associate of the Group) at the cash consideration of RMB1,700 million (equivalent to approximately HK\$2,024 million). The transaction was approved by the independent shareholders of the Company on 15 January 2016. Keqi Gas was classified as disposal group held for sale as at 30 June 2016. The transaction had not been completed as at the date of approval of these financial statements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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15. SHARE CAPITAL

	30 June 2016 Unaudited HK\$'000	31 December 2015 Audited HK\$'000
Issued and fully paid: 1,262,153,268 (2015: 1,282,850,268) ordinary shares	30,401,883	30,401,883

A summary of movements in the Company's share capital is as follows:

	<i>Notes</i>	Number of shares in issue	Share capital HK\$'000	Total HK\$'000
At 1 January 2016		1,282,850,268	30,401,883	30,401,883
Shares repurchased in 2015 and cancelled	(a)	(1,000,000)	–	–
Shares repurchased and cancelled	(b)	(19,697,000)	–	–
At 30 June 2016		1,262,153,268	30,401,883	30,401,883

Notes:

- (a) During the year ended 31 December 2015, the Company repurchased a total of 2,500,000 ordinary shares of the Company on the Hong Kong Stock Exchange at a weighted average cost of HK\$46.24 per share and the total consideration paid amounted to approximately HK\$115,594,000 (and transaction cost of HK\$413,000), which was paid wholly out of retained profits in accordance with section 257 of the Hong Kong Companies Ordinance. 1,500,000 of the repurchased shares were cancelled by the Company during year ended 31 December 2015 and the total amount paid for the repurchase of these shares of HK\$69,384,000 has been charged to retained profits of the Company. The remaining 1,000,000 ordinary shares were cancelled during the period and the total amount paid for the repurchase of these shares of HK\$46,623,000 has been charged to retained profits of the Company.
- (b) During the period ended 30 June 2016, the Company repurchased a total of 19,697,000 ordinary shares of the Company on the Hong Kong Stock Exchange at a weighted average cost of HK\$35.62 per share and the total consideration paid amounted to approximately HK\$701,605,000 (and transaction cost of HK\$3,447,000), which was paid wholly out of retained profits in accordance with section 257 of the Hong Kong Companies Ordinance. The repurchased shares were cancelled by the Company during the period and the total amount paid for the repurchase of these shares of HK\$705,052,000 has been charged to retained profits of the Company.

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16. BANK AND OTHER BORROWINGS

- (a) At 30 June 2016, the bank loans of the Group included a five-year HK\$3 billion syndicated loan facility, a one-year USD250 million term loan facility, a five-year HK\$4 billion term loan facility, a one-year EUR2.5 billion term loan facility and a five-year HK\$4 billion term loan facility obtained by the Group in 2014, 2015, 2015, 2016 and 2016, respectively, which bear annual interest at HIBOR+1.7%, LIBOR+1.05%, HIBOR+1.5%, EURIBOR+0.7% and HIBOR+0.88%, respectively, and are fully payable on 28 May 2019, 7 December 2016, 27 November 2020, 1 March 2017 and 24 June 2021, respectively.

The loan agreements in respect of the loans outstanding as at 30 June 2016 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% of the beneficiary interest of the Company; and
- (ii) if Beijing Enterprises Group ceases to be controlled and supervised by the Beijing Municipal Government.

Within the best knowledge of the directors, none of the above events took place during the period ended 30 June 2016 and as at the date of approval of these financial statements.

- (b) Included in the Group's bank and other borrowings as at 30 June 2016 is an aggregate amount of RMB3,813,000,000 (equivalent to HK\$4,433,000,000) (31 December 2015: RMB3,740,000,000 (equivalent to HK\$4,452,000,000)) due to Beijing Enterprises Group Finance Co., Ltd ("BE Group Finance", an associate of the Group), which bears interest at rates ranging from HIBOR to 5.32% per annum. Interest expenses of RMB15,287,000 (equivalent to HK\$17,985,000) (six months ended 30 June 2015: RMB4,890,000 (equivalent to HK\$6,113,000)) were recognised in profit or loss during the period in respect of the loans.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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17. GUARANTEED BONDS AND SENIOR NOTES

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

The above bonds and senior notes are all guaranteed by the Company.

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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18. TRADE AND BILLS PAYABLES

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

	30 June 2016 Unaudited HK\$'000	31 December 2015 Audited HK\$'000
Billed:		
Within one year	2,153,204	2,022,042
One to two years	313,483	304,034
Two to three years	139,088	140,151
Over three years	163,057	171,715
	2,768,832	2,637,942
Unbilled	–	1,003,012
	2,768,832	3,640,954

Included in the Group's trade and bills payables as at 30 June 2016 are amounts of HK\$31,565,000 (31 December 2015: HK\$48,630,000) due to related companies arising from transactions carried out in the ordinary course of business of the Group. The balances are unsecured, interest-free and are repayable within credit periods similar to those offered by the related companies and the associate to their major customers.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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19. BUSINESS COMBINATIONS

The provisional fair values of the identifiable assets and liabilities of the subsidiaries acquired during the period ended 30 June 2016 as at their respective dates of acquisition were as follows:

	30 June 2016 Total HK\$'000 (note)
Net assets acquired:	
Property, plant and equipment	7,422,244
Other intangible assets	4,630,038
Available-for-sale investments	315,636
Deferred tax assets	925,595
Inventories	203,429
Trade and bills receivables	630,556
Receivables under finance lease	1,031,469
Prepayments, deposits and other receivables	392,645
Income tax recoverable	91,100
Restricted cash and pledged deposits	27,734
Cash and cash equivalents	445,141
Bank and other borrowings	(3,931,485)
Other non-current liabilities	(398,727)
Defined benefit plans	(541,961)
Deferred tax liabilities	(2,921,314)
Provision for onerous contracts	(610,684)
Derivative financial instruments	(54,700)
Trade and bills payables	(154,440)
Income tax payables	(323,015)
Other payables and accruals	(339,785)
Total identifiable net assets at fair value	6,839,476
Non-controlling interests	(736,966)
	6,102,510
Goodwill on acquisition*	6,450,805
Consideration transferred	12,553,315

* Up to the date of these financial statements, the Group had not completed the fair value measurement of the identifiable net assets of EEW Group and the initial accounting for the acquisition was incomplete. The goodwill of HK\$6,450,805,000 on acquisition recognised by the Group represented the provision amount estimated by the directors of the Group.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

19. BUSINESS COMBINATIONS *(Continued)*

	30 June 2016 Total HK\$'000 (note)
Satisfied by:	
Cash	12,553,315
	12,553,315

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

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

	30 June 2016 Total HK\$'000 (note)
Cash and cash equivalents acquired	445,141
Cash consideration	(12,553,315)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(12,108,174)

Note:

In March 2016, the Group acquired the entire equity interest in the EEW Group from two independent third parties at a cash consideration of EUR1,453,000,000. EEW Group is principally engaged in the provision of electricity, steam and heat from waste in Germany.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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20. CONTINGENT LIABILITY

The Group did not have any significant contingent liabilities as at 30 June 2016 (31 December 2015: Nil).

21. CAPITAL COMMITMENTS

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

	30 June 2016 Unaudited HK\$'000	31 December 2015 Audited HK\$'000
Contracted, but not provided for:		
Buildings	257,717	269,373
Gas pipelines and plant and machinery	1,112,786	1,105,112
New service concession arrangements on a Build-Operate-Transfer basis	95,439	236,217
	1,465,942	1,610,702

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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22. RELATED PARTY DISCLOSURES

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

			Six months ended 30 June	
			2016	2015
Name of related party	Nature of transaction	Notes	Unaudited HK\$'000	Unaudited HK\$'000
Non-controlling equity holders of subsidiaries and their associates				
Yanjing Beer Group and its associates	Purchase of bottle labels ^γ	(i)	19,246	26,075
	Purchase of bottle caps ^γ	(i)	9,092	11,591
	Canning service fees paid ^γ	(ii)	4,629	6,841
	Comprehensive support service fees paid ^γ	(iii)	9,144	9,716
	Land rent expenses ^γ	(iv)	1,026	1,090
	Trademark licensing fees paid ^γ	(v)	39,247	37,358
	Less: Refund for advertising subsidies ^γ	(v)	(2,627)	(2,215)
Fellow subsidiaries:				
北京北燃實業有限公司 and its subsidiaries	Sale of gas [#]	(vi)	16,888	27,481
	Engineering service income [#]	(vii)	6,875	9,810
	Comprehensive service income [#]	(vii)	8,812	5,436
	Sale of goods [#]	(viii)	47,141	47,983
	Purchase of goods [#]	(ix)	19,141	44,518
	Building rental expenses [#]	(ix)	32,941	46,570
	Engineering service expenses [#]	(vii)	25,181	23,578
	Comprehensive service expenses [#]	(vii)	9,158	12,473
Associate:				
BE Group Finance	Interest income	(x)	13,631	1,508
	Interest expenses	(x)	17,985	6,113

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

22. RELATED PARTY DISCLOSURES *(Continued)*

(a) *(Continued)*

Notes:

- (i) The purchase prices for bottle labels and bottle caps were determined by reference to the agreed prices for the preceding year and an annual adjustment determined by reference to the price index in Beijing for the preceding year.
- (ii) The canning service fees were charged at a rate equal to the costs of the canning services incurred by Yanjing Beer Group plus a mutually agreed profit margin.
- (iii) The comprehensive support service fees paid included the following:
 - fees for security and canteen services which were determined based on the annual cost of labour, depreciation and maintenance for the preceding year and an annual adjustment by reference to the price index in Beijing; and
 - rental expenses, related to the premises occupied and used by Yanjing Brewery as its office, canteen and staff dormitories, which were determined by reference to the prevailing market rentals at the time when the relevant agreements were entered into.
- (iv) The land rent expenses were charged at a mutually agreed amount of RMB1,849,000 (2015: RMB1,849,000) per annum.
- (v) The trademark licensing fees paid were for the use of “Yanjing” trademark and were determined based on 0.94% of the annual sales of beer and mineral water products made by Yanjing Brewery and at a rate of RMB0.008 per bottle of beer sold by the subsidiaries of Yanjing Brewery. Yanjing Beer Group would refund 20% of the trademark licensing fees received from Yanjing Brewery for the use by Yanjing Brewery to develop and promote the “Yanjing” trademark.
- (vi) The selling price of gas and the gas transmission fee were prescribed by the PRC government.
- (vii) The service fees were determined by reference to the then prevailing market rates and set at prices not higher than the guidance prices set by the PRC government.
- (viii) The selling prices of goods were determined on a cost-plus basis.
- (ix) The purchase prices of goods and the building rentals were determined by reference to the then prevailing market rates.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

22. RELATED PARTY DISCLOSURES *(Continued)*

(a) *(Continued)*

Notes: (Continued)

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

Pursuant to a deposit services master agreement (the "Deposit Services Master Agreement") entered into between the Company and BE Group Finance on 29 December 2014, the Group may, in its ordinary and usual course of business, place and maintain deposits with BE Group Finance on normal commercial terms from time to time. The term of the Deposit Services Master Agreement shall commence on the date of the Deposit Services Master Agreement and continue up to and including 31 December 2016. Subject to compliance with the Listing Rules, upon the expiration of such initial term, the Deposit Services Master Agreement may be renewed by the Company and BE Group Finance by agreement in writing. The daily aggregate of deposits placed by the Group with BE Group Finance (including any interest accrued thereon) during the term of the Deposit Services Master Agreement will not exceed HK\$3,700 million. The deposit services provided by BE Group Finance constitute continuing connected transactions that are subject to the announcement, reporting and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

The aggregate amount of deposits placed by the Group with BE Group Finance as at 30 June 2016 amounted to RMB1,977 million (equivalent to HK\$2,299 million) (31 December 2015: RMB3,060 million (equivalent to HK\$3,643 million)).

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

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

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

22. RELATED PARTY DISCLOSURES *(Continued)*

(b) Compensation of key management personnel of the group

	Six months ended 30 June	
	2016	2015
	Unaudited HK\$'000	Unaudited HK\$'000
Salaries, allowances and benefits in kind	11,059	11,148
Pension scheme contributions	14	14
Total compensation paid to key management personnel	11,073	11,162

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

24. OTHER FINANCIAL INFORMATION

The net current liabilities and total assets less current liabilities of the Group as at 30 June 2016 amounted to HK\$7,541,365,000 (unaudited) (31 December 2015: net current assets of HK\$7,330,571,000 (audited)) and HK\$105,588,154,000 (unaudited) (31 December 2015: HK\$98,458,561,000 (audited)), respectively.

25. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated in the preparation of these financial statements as a result of the change in reportable segments due to the acquisition of the EEW Group, details of which are set out in note 19 to the financial statements.

DISCLOSEABLE INFORMATION

BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION

On 16 March 2016:

- Executive Director Mr. Li Yongcheng was re-designated as Executive Director and Vice Chairman.

Changes in directors' information since the date of the Company's 2015 annual report are set out below:

	Resignation (effective)
Mr. Jiang Xinhao	
- Beijing Properties (Holdings) Limited <i>(Note)</i> – Executive Director	13 June 2016

Note: an associated corporation of the Company listed on the Hong Kong Stock Exchange (stock code: 925).

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

Save as disclosed above, since the issue date of the Company's 2015 annual report, there has been no change in the board of directors, and there has been no change in directors' information that is required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DISCLOSEABLE INFORMATION

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

At 30 June 2016, the interests and short positions of the Company's directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), were as follows:

(A) LONG POSITIONS IN SHARES OF THE COMPANY

Director	Number of ordinary shares directly beneficially owned	Percentage of the Company's total number of issued shares
Zhou Si	210,500	0.017%
Li Fucheng	12,000	0.001%
E Meng	30,000	0.002%
Jiang Xinhao	20,000	0.002%
Tam Chun Fai	2,000	0.000%

(B) LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

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

(C) LONG POSITIONS IN SHARES OF ASSOCIATED CORPORATIONS

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

[®] As at 30 June 2016, all interests in this associated corporations owned by the Company are indirectly held.

DISCLOSEABLE INFORMATION

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

(D) LONG POSITIONS IN UNDERLYING SHARES OF ASSOCIATED CORPORATIONS

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

Director	Number of share options directly beneficially owned				At 30 June 2016	Share options granted on (year/month/day)	Exercise period (year/month/day)	Exercise price per share (HK\$)
	At 1 January 2016	Granted during the period	Exercised during the period	Cancelled during the period				
Zhou Si	7,000,000	–	–	–	7,000,000	2011/10/28	2011/10/28 – 2021/10/27	0.465
	5,000,000	–	–	–	5,000,000	2012/06/01	2012/06/01 – 2022/05/31	0.410
	12,000,000	–	–	–	12,000,000	2013/05/24	2013/05/24 – 2023/05/23	0.574
	24,000,000				24,000,000			
E Meng	5,000,000	–	–	–	5,000,000	2011/10/28	2011/10/28 – 2021/10/27	0.465
	3,600,000	–	–	–	3,600,000	2012/06/01	2012/06/01 – 2022/05/31	0.410
	8,600,000				8,600,000			
Jiang Xinhao	5,000,000	–	–	–	5,000,000	2011/10/28	2011/10/28 – 2021/10/27	0.465
	3,300,000	–	–	–	3,300,000	2012/06/01	2012/06/01 – 2022/05/31	0.410
	6,000,000	–	–	–	6,000,000	2013/05/24	2013/05/24 – 2023/05/23	0.574
	4,000,000	–	–	–	4,000,000	2014/03/31	2014/03/31 – 2024/03/30	0.940
	2,000,000	–	–	–	2,000,000	2014/08/28	2014/08/28 – 2024/08/27	0.750
	3,000,000	–	–	–	3,000,000	2015/04/08	2015/04/08 – 2025/04/07	0.720
	23,300,000				23,300,000			

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

Director	Number of share options directly beneficially owned				At 30 June 2016	Share options granted on (year/month/day)	Exercise period (year/month/day)	Exercise price per share (HK\$)
	At 1 January 2016	Granted during the period	Exercised during the period	Cancelled during the period				
E Meng	6,770,000	–	–	–	6,770,000	2011/06/21	2011/06/21 – 2021/06/20	1.25
	6,770,000				6,770,000			

DISCLOSEABLE INFORMATION

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

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

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

Director	Number of share options directly beneficially owned				At 30 June 2016	Share options granted on (year/month/day)	Exercise period (year/month/day)	Exercise price per share (HK\$)
	At 1 January 2016	Granted during the period	Exercised during the period	Cancelled during the period				
Zhou Si	4,000,000	–	–	–	4,000,000	2014/04/16	2017/04/16 – 2019/04/15	12.40
	4,000,000				4,000,000			
Jiang Xinhao	800,000	–	–	–	800,000	2015/06/25	2017/04/16 – 2019/04/15	13.84
	800,000				800,000			

Note:

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

Save as disclosed above, as at 30 June 2016, none of the directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

The share option scheme that the Company established on 17 October 2005 was lapsed on 17 October 2015. The Company currently does not have any valid share option scheme.

DISCLOSEABLE INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR CONVERTIBLE BONDS

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

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

At 30 June 2016, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

LONG POSITIONS:

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

DISCLOSEABLE INFORMATION

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

LONG POSITIONS: *(Continued)*

Notes:

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

SHORT POSITIONS:

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

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

Save as disclosed above, as at 30 June 2016, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DISCLOSEABLE INFORMATION

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

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

Date of the Agreement(s)	Nature of the Agreement(s)	Aggregate amount (million)	Final Maturity
5 May 2011	Purchase agreement for issuance of bonds	US\$600	May 2021
5 May 2011	Purchase agreement for issuance of bonds	US\$400	May 2041
18 April 2012	Purchase agreement for issuance of bonds	US\$800	April 2022
29 May 2014	Syndicated loan facility	HK\$3,000	May 2019
29 April 2015	Subscription agreement for issuance of bonds	EUR500	May 2020
27 November 2015	Term loan facility with a bank	HK\$4,000	December 2020
1 December 2015	Subscription agreement for issuance of bonds	US\$200	December 2040
8 December 2015	Term loan facility with a bank	US\$250	December 2016
1 February 2016	Term loan facility with a bank	EUR2,500	March 2017
24 June 2016	Term loan facility with a bank	HK\$4,000	June 2021

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

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

DISCLOSEABLE INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period, the Company bought back a total of 19,697,000 ordinary shares of the Company on the Stock Exchange. These shares were subsequently cancelled by the Company. Details of the buy-backs of such ordinary shares are as follows:

Month	Number of Shares bought back	Price per Share		Total consideration paid HK\$
		Highest HK\$	Lowest HK\$	
February	11,697,000	35.35	32.60	397,605,800
May	8,000,000	38.00	38.00	304,000,000

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

EMPLOYEE

At 30 June 2016, the Group had approximately 49,000 employees. The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group's employee remuneration policy and package are periodically reviewed by the management. Apart from pension funds, discretionary bonuses are awarded to certain employees according to the assessment of individual performance.

CORPORATE GOVERNANCE

The Company is committed to ensuring high standard of corporate governance and transparency as the Directors believe it would increase efficiencies in the overall operations of the Group such that the Group could become more competitive in markets, enhancing shareholders' value in consequence. During the period under review, the Group has adopted various corporate governance practices to ensure an effective 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 2016.

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

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SHARE DEALING

The Company has adopted Appendix 10 "Model Code" to the Listing Rules to govern securities transactions by the directors. After having made specific enquiry to all directors, all directors confirm that they complied with the "Model Code" during the half year ended 30 June 2016.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. Wu Jiesi, Mr. Lam Hoi Ham (Chairman of Audit Committee) and Mr. Fu Tingmei. The Audit Committee of the Company has already reviewed the unaudited interim results for the six months ended 30 June 2016 and considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.