

INTERIM
REPORT
2018

BEIJING ENTERPRISES HOLDINGS LIMITED

Stock Code : 392



北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

CONTENTS

| | |
|-----------|--|
| 2 | Corporate Information |
| 4 | Corporate Structure |
| 5 | Financial Highlights |
| 6 | Management Discussion and Analysis |
| 17 | Condensed Consolidated Statement of Profit or Loss |
| 18 | Condensed Consolidated Statement of Comprehensive Income |
| 20 | Condensed Consolidated Statement of Financial Position |
| 22 | Condensed Consolidated Statement of Changes In Equity |
| 24 | Condensed Consolidated Statement of Cash Flows |
| 26 | Notes to Condensed Interim Consolidated Financial Statements |
| 50 | Discloseable Information |
| 56 | Corporate Governance |



CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Mr. Li Yongcheng (*Vice Chairman*)

Mr. Zhao Xiaodong (*Vice Chairman*)

Mr. E Meng (*Executive Vice President*)

Mr. Jiang Xinhao (*Vice President*)

Mr. Tam Chun Fai

(*Chief Financial Officer & Company Secretary*)

Independent Non-Executive Directors

Mr. Wu Jiesi

Mr. Lam Hoi Ham

Mr. Sze Chi Ching

Dr. Yu Sun Say

Mr. Ma She

AUDIT COMMITTEE

Mr. Wu Jiesi

Mr. Lam Hoi Ham (*Committee Chairman*)

Mr. Ma She

REMUNERATION COMMITTEE

Mr. Hou Zibo

Mr. Wu Jiesi (*Committee Chairman*)

Mr. Lam Hoi Ham

NOMINATION COMMITTEE

Mr. Hou Zibo (*Committee Chairman*)

Mr. Lam Hoi Ham

Mr. Ma She

INVESTMENT COMMITTEE

Mr. Hou Zibo (*Committee Chairman*)

Mr. Jiang Xinhao

Mr. Lam Hoi Ham

Dr. Yu Sun Say

Mr. Ma She

COMPANY SECRETARY

Mr. Tam Chun Fai *CPA CFA*

STOCK CODE

392

WEBSITE

www.behl.com.hk

SHARE REGISTRAR

Tricor Tengis Limited

Level 22, Hopewell Centre,

183 Queen's Road East,

Hong Kong

REGISTERED OFFICE

66/F., Central Plaza,

18 Harbour Road,

Wanchai, Hong Kong

Tel: (852) 2915 2898

Fax: (852) 2857 5084

AUDITORS

Ernst & Young



CORPORATE INFORMATION

LEGAL ADVISERS

Hong Kong Law

Mayer Brown JSM

PRC Law

Haiwen & Partners

US Law

Mayer Brown JSM

PRINCIPAL BANKERS

In Hong Kong

Bank of China, Hong Kong Branch

Bank of Communications, Hong Kong Branch

DBS Bank Ltd., Hong Kong Branch

In Mainland China

Agricultural Bank of China

Bank of China

China Construction Bank

The Industrial and Commercial Bank of China

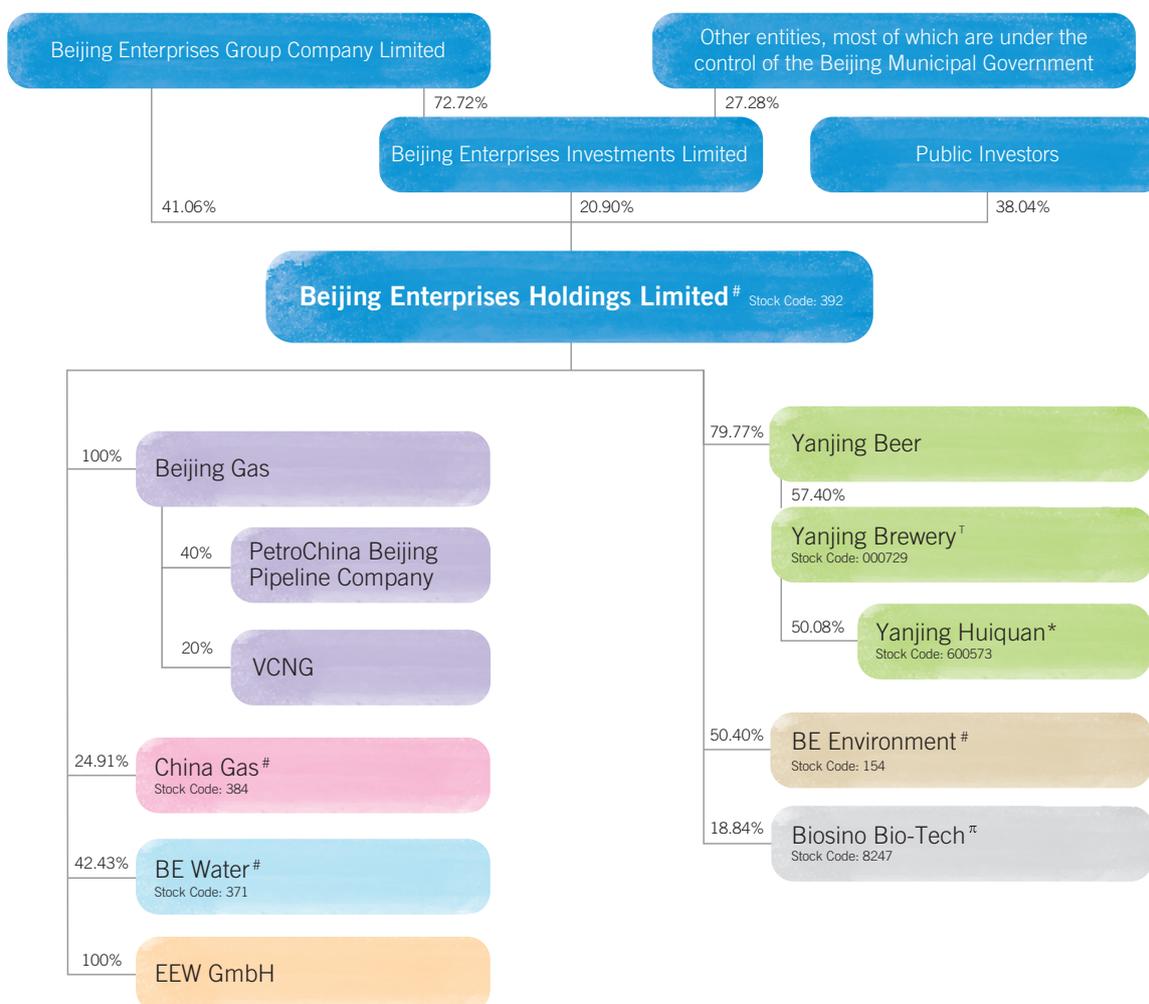
Bank of Beijing

ADR Depository Bank

The Bank of New York

CORPORATE STRUCTURE

As at 30 June 2018



* 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 2018 and the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2018 together with the comparative figures in 2017. The consolidated revenue of the Group for the first half of 2018 was HK\$34.35 billion, representing an increase of 24.5% over the corresponding period of last year. Profit attributable to shareholders of the Company was HK\$4.267 billion, representing an increase of 13% over the corresponding period in 2017.

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 | Proportion |
|--|---|-------------------|
| | <i>HK\$'000</i> | <i>%</i> |
| Piped gas operation | 3,500,291 | 70.0 |
| Beer operation | 215,718 | 4.3 |
| Water and environmental operations | 1,003,708 | 20.1 |
| Solid waste treatment operation | 278,114 | 5.6 |
| Profit from major operations | 4,997,831 | 100 |
| Other operations and headquarter expenses | (730,453) | |
| Profit attributable to shareholders of the Company | 4,267,378 | |

INTERIM DIVIDEND

The Board has resolved to declare an interim cash dividend for the six months ended 30 June 2018 of HK32 cents (2017: HK30 cents) per share, which will be payable on 23 October 2018 to shareholders whose names appear on the register of members of the Company on 21 September 2018.

CLOSURE OF REGISTER OF MEMBERS

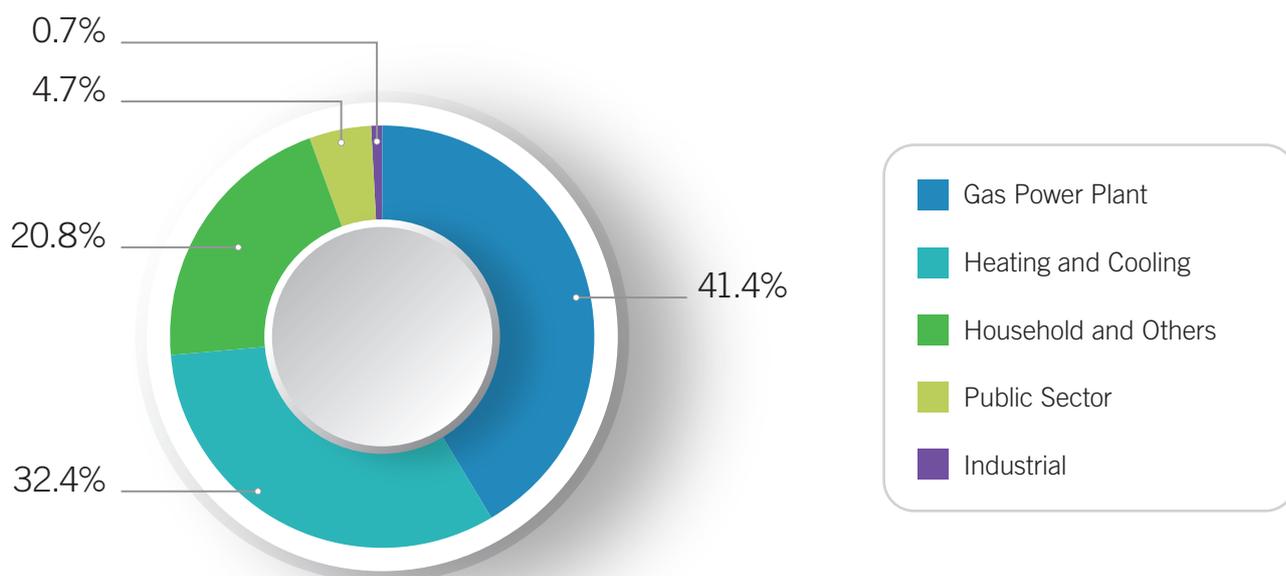
The Company’s register of members will be closed from Wednesday, 19 September 2018 to Friday, 21 September 2018, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the 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 Tuesday, 18 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

Natural Gas Distribution Business

Beijing Gas Group Company Limited (“Beijing Gas”) recorded a revenue of HK\$24.45 billion in the first half of 2018, increased by 31.3% as compared with the same period of last year. As driven by gas consumption in the public and heating sectors, the gas sales volume was approximately 8.888 billion cubic meters in the first half year, representing a year-on-year increase of 23.1%. An analysis by subscriber sector is shown as follows:



During the period, Beijing Gas developed 71,521 new household subscribers and 3,042 new public sector subscribers. New heating boiler subscribers with a capacity of 878 t/h were developed. As at 30 June 2018, Beijing Gas had a total of approximately 6.12 million piped gas subscribers in Beijing with approximately 22,300 kilometers of natural gas pipelines in operation. Beijing Gas’s capital expenditure in the first half year amounted to approximately HK\$1.96 billion.



MANAGEMENT DISCUSSION AND ANALYSIS

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

Natural Gas Distribution Business (Continued)

In the first half year, Beijing Gas actively promoted different blue-sky protection tasks, accelerated the implementation of the coal-to-gas conversion projects for boilers in suburbs, coal-to-gas replacement projects in villages and piped gas connection for all towns in plain regions. At the same time, Beijing Gas strengthened its pipeline network operation and is in active planning for its LNG receiving terminal and storage tanks facilities to continue enhancing its supply assurance capability. Beijing Gas also accelerated its intelligent business sector construction and formulated its intelligent facility and communication standard during the period, so as to provide intelligent gas planning solutions for Beijing Tongzhou sub-center and Xiong'an New District.

Natural Gas Transmission Business

Benefiting from the official operation of the No.4 Shaanxi-Beijing Pipeline at the end of 2017, 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 24.63 billion cubic meters in the first half of 2018, representing a year-on-year increase of 31.5%. Beijing Gas shared a net profit after tax of HK\$922 million during the period through its 40% equity interests in PetroChina Beijing Pipeline Company, representing a decrease of 38.2% when compared with the same period of last year, which was mainly due to the downward adjustment of the inter-provincial gas pipeline transmission price that came into effect on 1 September 2017. Total capital expenditure of PetroChina Beijing Pipeline Company was approximately HK\$620 million in the first half year.

VCNG of Rosneft

The PJSC Verkhnechonskneftegaz (“VCNG”) project of Rosneft Oil Company has become a new source of profit for the Group since the second half of 2017. VCNG achieved its petroleum sales of 4.036 million tons in the first half of 2018. Beijing Gas shared a net profit after tax of HK\$635 million through its 20% equity interest in VCNG.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review *(Continued)*

China Gas

In the first half of 2018, the Group's share of profit of China Gas Holdings Limited ("China Gas", stock code: 384) was HK\$660 million, which was computed based on the profit attributable to shareholders of China Gas for the six months ended 31 March 2018, representing a growth of 18.8% when compared with the corresponding period of last year. On the basis of continuing to consolidate its urban gas business, China Gas vigorously promoted businesses such as "replacement of coal with gas" in towns and villages and "beautiful villages", so as to ensure sustainable high growth in its traditional primary businesses. In the 2018 financial year, China Gas achieved a sales volume of 18.66 billion cubic meters in natural gas, representing a year-on-year increase of 52.6%. It achieved a sales volume of 4.03 million tons in LPG, representing a year-on-year increase of 9.0%. Approximately 3.93 million households were newly connected and the cumulative number of households connected reached 24.57 million as at 31 March 2018.

Beer Business

In the first half of 2018, as affected by continuous industry adjustments and sustained heavy rains in many places across the country, although Beijing Yanjing Brewery Co., Ltd. ("Yanjing Beer") was still under a relatively high operating pressure, Yanjing Beer was in firm confidence in adhering to its goals of overall market quality and efficiency improvement, focused on enhancing base markets construction, propelled adjustments in product mix, market mix and brand mix. Yanjing Beer has established an optimised direction of "taking refreshing beer as its base, mid-range beer as its main breakthrough and increasing its brand value by high-end beer". At the same time, Yanjing Beer followed positively the new trends of being younger, fashionable and personalized in beer consumption in China and achieved increase in its average selling price per ton of beer.

During the first half of 2018, the sales volume of Yanjing Beer was 2.6 million kilolitres, representing a year-on-year decrease of 4.8%. The sales volume of Yanjing main brand was 1.83 million kilolitres, sales volume of "1+3" brand was 2.39 million kilolitres. The revenue that Yanjing Beer recorded was HK\$6.64 billion during the period, representing a year-on-year increase of 8.9%. Its profit before tax was HK\$810 million, representing a year-on-year increase of 6.7%. The capital expenditure of Yanjing Beer in the first half year was approximately HK\$280 million.

Water and Environmental Business

Beijing Enterprises Water Group Limited ("BE Water", stock code: 371) strategically aimed at establishing the dual platforms of "assets management and operational management" and transformed itself from asset intensive to light asset model development in the first half of 2018. It continued to strengthen and expand its two core businesses in urban water business and water environment treatment and explored new profit growth points by centering on its resources advantageous segments, with its every business maintained a healthy development momentum. Its turnover increased by 9.7% to HK\$10.01 billion due to the increase in turnover from comprehensive renovation projects and water treatment services. Profit attributable to shareholders of BE Water increased by 23.6% to HK\$2.37 billion, of which HK\$1.0 billion was net profit attributable to the Group representing a year-on-year increase of 20.1%.



MANAGEMENT DISCUSSION AND ANALYSIS

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

Water and Environmental Business (Continued)

As at 30 June 2018, BE Water already participated in 860 water plants which are or will be in operation, including 704 sewage treatment plants, 133 water distribution plants, 21 reclaimed water plants and 2 seawater desalination plants. The total design capacity was 34.04 million tons/day, and the net increase in daily design capacity during the period was 2.65 million tons.

Solid Waste Treatment Business

At the end of the first half year, the solid waste treatment business segment of the Group had realized a waste incineration and power generation integrated treatment capacity of 24,768 tons/day. During the period, EEW Energy from Waste GmbH (“EEW GmbH”) achieved an operating revenue of HK\$2.52 billion, representing a year-on-year increase of 8.5%. Beijing Enterprises Environment Group Limited (“BE Environment”, Stock Code: 154) and Beijing Enterprises Holdings Environment Technology Co., Ltd (“BEHET”) together achieved a total operating revenue of HK\$690 million during the period and profit attributable to shareholders of the Group of HK\$68.59 million. The capital expenditure of solid waste related business in the first half year amounted to approximately HK\$660 million.

In the first half of 2018, EEW GmbH accomplished a waste treatment volume of 2.281 million tons, representing a year-on-year increase of 3.8%, and sales of electricity of 830 million KWH, representing a year-on-year increase of 5.1%. The solid waste treatment business of the Group in China completed a waste treatment volume of 2.084 million tons, representing a year-on-year increase of 30.1%. It accomplished an on-grid power generation volume of 550 million KWH, representing a year-on-year increase of 41%. The signature Haidian Domestic Waste Incineration Project of BE Environment has entered into commercial operation and began to generate stable operating profit. At the same time, the Group’s domestic projects conducted in-depth training and communication on technology and management with EEW GmbH and its overall economic efficiency increased in a stable manner.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Prospects

Natural Gas Business

With the system construction in production, supplies, storage and distribution of China's natural gas industry moving forward in an orderly manner, Beijing Gas will insist on its whole industry chain development strategy to gradually form an up and downstream integrated development model. Apart from providing sound natural gas supply to the municipality and continuously promoting coal-to-gas projects, Beijing Gas will keep on carrying out its intelligent pipeline network construction to form an intelligent construction standard system. Meanwhile, it will also further expand its distributed energy market, fully strengthen its CNG and LNG market shares and actively promote the preparation works of the LNG receiving terminal in Tianjin Nangang.

Beer Business

Currently, the beer industry in China is still at its adjustment recovery stage characterised by no apparent growth in market consumption demand, but the consumption upgrade trend has emerged. Meanwhile, the consumption demand in beer market is transforming to high-quality mid-to-high end products and enterprise competition layout tends to be rational. Yanjing Beer will emphasize the construction of premier quality management system and continue to make improvements by imitating industry international standards. Yanjing Beer will focus on reinforcing its innovativeness in marketing models, intensifying its base markets construction and consolidate the market shares of its main products. It will also focus on strengthening product innovation, following the consumption mix upgrading trend, focusing on mid-to-high end markets, promoting brand influence and enlarging the wider recognition of products to facilitate product mix optimisation and enhancing quality supply.

Water and Environmental Business

In the second half year and for a longer period of time in the future, the water environment treatment market will be in a period of development opportunities. BE Water will focus on the dual-platform strategy, position itself as a leading professional integrated service provider in water environment, enhance the integration ability of internal and external resources, and promote the rapid development of the principal businesses and emerging businesses. BE Water will strengthen its cash flow and financing management to improve capital efficiency, enhance technical services to meet business development needs, improve project management systems and strengthen project safety inspections. At the same time, BE Water will strive to achieve the basic set up of an intelligent platform and endeavour for operational excellence.



MANAGEMENT DISCUSSION AND ANALYSIS

II. Prospects *(Continued)*

Solid Waste Treatment Business

The Group's solid waste treatment business segment will accelerate the assimilation and conversion of the operational management experience of EEW GmbH, so as to ensure the security and quality of the projects under construction and to enhance both economic and social efficiency of the projects in operation. Meanwhile, it will strictly control the operational risks such as production safety and environmental emissions. It will keep on propelling the establishment of big data operational management system to comprehensively strengthen the overall market competition of the Group's solid waste treatment segment.

In the second half of 2018, the Group will put high-quality development as its core objective and further consolidate the sound developments in its various business segments. It will also strive to achieve the balance and stable growth between enterprise's operational quality and economic efficiency. The Group will grasp opportunities to boost capital operation, extend the value potential of the complete industry chain and consolidate and expand the Group's strategic layout in the utilities and environmental industry sector.

III. Financial Review

Revenue

The revenue of the Group's operations in the first half of 2018 was approximately HK\$34.35 billion, increased by 24.5% when compared with the corresponding period of last year, which was mainly due to the increase in the revenue of gas sales. The revenue of gas sales was HK\$24.45 billion, representing a year-on-year increase of 31.3%. The revenue of beer sales was HK\$6.64 billion, representing an increase of 8.9%. The revenue of solid waste treatment and environmental protection business was HK\$3.26 billion, representing an increase of 13%, which included the revenue of EEW GmbH amounting to HK\$2.52 billion. Other solid waste treatment businesses contributed aggregate revenue of HK\$740 million.

Cost of Sales

Cost of sales increased by 23% to HK\$28.0 billion on a year-on-year basis. The cost of sales for gas distribution business mainly included the purchase cost of natural gas as well as the depreciation of gas pipeline network. Cost of sales for beer business included raw materials, wage expenses and certain direct management fees etc. Cost of sales of solid waste treatment operation included fuel charges, amortisation and waste collection costs.

Gross Profit Margin

The overall gross profit margin was 18.5% when compared with the 17.5% in corresponding period of last year, representing an increase of 1% on a year-on-year basis, which was mainly due to an increase in the gross profit margin from natural gas business that represented the highest proportion of total turnover when compared with the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review *(Continued)*

Gain on Deemed Disposal of Partial Interest in an Associate

During the first half of 2018, BE Water issued ordinary shares under the placement and subscription exercise. The Group recognized a gain of HK\$330 million on the deemed disposal of partial interest in an associate as a result of the decrease in shareholding in BE Water from this placement and subscription exercise.

Other Income and Gains, net

Other income and gains, net mainly included interest income of HK\$151 million, the income on sales of waste and beer bottles by Yanjing Beer of HK\$52 million, government grant of HK\$83 million and rental income of HK\$20 million etc.

Selling and Distribution Expenses

Selling and distribution expenses of the Group in the first half of 2018 increased by 3.7% to HK\$1.08 billion, the selling and distribution expense remained stable on a year-on-year basis.

Administrative Expenses

Administrative expenses of the Group in the first half of 2018 were HK\$2.39 billion, increased by 34% when compared with the corresponding period of last year, which was mainly due to the increase in relevant expenses resulting from employee benefits improvement under defined benefit plans of Beijing Gas as well as the increase in administrative expenses of Yanjing Beer that was in line with the increase in its revenue.

Other Operating Expenses, net

Other operating expenses, net mainly included the impairment on certain construction in progress.

Finance Costs

Finance costs of the Group in the first half of 2018 was HK\$917 million, increased by 29.5% when compared with the corresponding period of last year, which was mainly due to the recognition of 6 months interest expenses during the period for the guaranteed note amounted to US\$500 million issued by Beijing Gas in May last year.

Share of Profits and Losses of Associates

Share of profits and losses of associates mainly included the 40% share of profit attributable to shareholders of PetroChina Beijing Pipeline Company, the 20% share of profit attributable to shareholders of VCNG, the 24.91% share of profit attributable to shareholders of China Gas and the 42.42% share of profit attributable to shareholders of BE Water.



MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review *(Continued)*

Share of Profits and Losses of Associates (Continued)

In the first half of 2018, the Group shared the profit after taxation of PetroChina Beijing Pipeline Company amounting to HK\$922 million, the Group shared of profit after taxation of VCNG amounting to HK\$635 million, and the Group shared the profit after taxation of China Gas amounting to HK\$660 million and shared net profit of BE Water amounting to HK\$1.0 billion.

Taxation

The effective income tax rate was 34.1%, higher than the 29.2% in the corresponding period of last year, which was mainly due to the higher income tax rate of EEW GmbH and non-deductible operating expenses being higher than that in the corresponding period of last year.

Profit Attributable to Shareholders of the Company

In the first half of 2018, profit attributable to shareholders of the Company was HK\$4.267 billion, representing an increase of 13% when compared with the same period of last year.

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

Non-current Assets

The net book value of property, plant and equipment increased by HK\$489 million as compared with the end of 2017, which was mainly attributable to the increase in the coal-to-gas conversion project of Beijing Gas.

Other intangible assets were mainly from EEW GmbH.

Interests in associates increased by HK\$5.77 billion, which was mainly due to the Group's share of profit of VCNG in the first half year, and the Group's share of profit of PetroChina Beijing Pipeline Company, BE Water and China Gas in the first half year.

Under the revised HKFRS 9, available-for-sale investments are reclassified to equity instruments at fair value through other comprehensive income, the balance of which decreased by HK\$830 million as compared with the end of last year, which was mainly due to the adjustment in fair value.

Balance of receivables under finance lease was from EEW GmbH.

Financial assets at fair value through profit or loss represented the convertible bond of Beijing Gas Blue Sky Holdings Limited ("Blue Sky") subscribed by Beijing Gas.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review *(Continued)*

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

Current Assets

The balance of inventories increased by HK\$490 million, which was mainly due to the increase in inventories of Yanjing Beer.

The balance of trade and bills receivables increased by HK\$1.45 billion, which was mainly due to the account receivables of Beijing Gas incurred during the heating season that remained outstanding at the end of the period. It is expected that such receivables would be recovered one after another in the second half year.

Cash balance decreased by HK\$1.37 billion, which was mainly due to the decrease in cash flow during the period.

The balance of assets held for sale was nil, which was due to completion of the disposal of PetroChina Jingtang LNG Co., Ltd. to Blue Sky by Beijing Gas during the period.

Non-current Liabilities

The balance of bank and other borrowings increased by HK\$1.72 billion, which was mainly due to the additional term loan facility denominated in Hong Kong dollar.

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review *(Continued)*

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

Current Liabilities

The balance of trade and bills payables decreased by HK\$311 million, which was mainly due to the gas payment made by Beijing Gas during the period.

The balance of receipts in advance decreased by HK\$1.34 billion, which was mainly due to the decline of natural gas sales volume in summer.

Other payables and accruals increased by HK\$1.51 billion, which was mainly due to the final dividend for 2017 not yet paid by the Group and the increase in payables for construction works of Beijing Gas as at the end of the period.

The balance of bank and other borrowings decreased by HK\$1.21 billion, which was mainly due to the partial repayment of bridging loan balance during the period.

IV. Financial Position of the Group

Cash and Bank Borrowings

As at 30 June 2018, cash and bank deposits held by the Group amounted to HK\$16.52 billion, representing a decrease of HK\$1.37 billion as compared with the year end of 2017.

The Group's total borrowings amounted to HK\$60.78 billion as at 30 June 2018, which comprised, inter alia, guaranteed bonds and senior notes of US\$2.5 billion in total, Euro guaranteed bonds amounting to EUR1.3 billion, medium and long-term loans amounting to HK\$16.94 billion and bridging loans amounting to EUR355 million.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Liquidity and Capital Resources

As at 30 June 2018, the Group had net current assets of HK\$1.69 billion. The Group maintains sufficient banking facilities both in Hong Kong and Mainland China for its working capital requirements and had abundant cash resources to finance its capital expenditures in the foreseeable future.

As at 30 June 2018, the issued capital of the Company was 1,262,053,268 shares and equity attributable to shareholders of the Company was HK\$70.85 billion. Total equity was HK\$82.7 billion when compared with HK\$79.17 billion as at the end of 2017. Gearing ratio, being interest-bearing bank borrowings, guaranteed bonds, notes and senior notes divided by the sum of total equity, interest-bearing bank borrowings, guaranteed bonds, notes and senior notes, was 42% (31 December 2017: 43%).

Foreign Exchange Exposure

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

By order of the Board

Hou Zibo

Chairman and Chief Executive Officer

Hong Kong, 30 August 2018



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

| | | For the six months ended 30 June | |
|---|-------|-------------------------------------|-----------------------|
| | | 2018 | 2017 |
| | Notes | Unaudited HK\$'000 | Unaudited HK\$'000 |
| REVENUE | 3 | 34,345,042 | 27,596,856 |
| Cost of sales | | (28,001,513) | (22,771,469) |
| Gross profit | | 6,343,529 | 4,825,387 |
| Gain on deemed disposal of partial interest in an associate | | 330,394 | 6,982 |
| Other income and gains, net | 4 | 500,333 | 719,252 |
| Selling and distribution expenses | | (1,077,789) | (1,039,380) |
| Administrative expenses | | (2,388,842) | (1,783,155) |
| Other operating expenses, net | | (524,445) | (255,049) |
| PROFIT FROM OPERATING ACTIVITIES | 5 | 3,183,180 | 2,474,037 |
| Finance costs | 6 | (917,062) | (707,956) |
| Share of profits and losses of: | | | |
| Joint ventures | | (22,134) | 23,922 |
| Associates | | 3,257,021 | 2,932,363 |
| PROFIT BEFORE TAX | | 5,501,005 | 4,722,366 |
| Income tax | 7 | (772,664) | (515,066) |
| PROFIT FOR THE PERIOD | | 4,728,341 | 4,207,300 |
| ATTRIBUTABLE TO: | | | |
| Shareholders of the Company | | 4,267,378 | 3,776,378 |
| Non-controlling interests | | 460,963 | 430,922 |
| | | 4,728,341 | 4,207,300 |
| EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY | 9 | | |
| Basic and diluted | | HK\$3.38 | HK\$2.99 |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

| | For the six months ended 30 June | |
|--|-------------------------------------|-----------------|
| | 2018 | 2017 |
| | Unaudited | Unaudited |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| PROFIT FOR THE PERIOD | 4,728,341 | 4,207,300 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Items to be reclassified to profit or loss in subsequent periods: | | |
| Available-for-sale investments: | | |
| Changes in fair value | – | (63,906) |
| Exchange differences: | | |
| Translation of foreign operations | (38,160) | 1,749,494 |
| Reclassification adjustments for a foreign operation disposed of during the period | – | (15,530) |
| | (38,160) | 1,733,964 |
| Share of other comprehensive income of associates | 421,683 | 79,978 |
| Net other comprehensive income to be reclassified to profit or loss in subsequent periods | 383,523 | 1,750,036 |



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

| | For the six months ended 30 June | |
|--|-------------------------------------|-------------------------------|
| | 2018 Unaudited HK\$'000 | 2017 Unaudited HK\$'000 |
| Items not to be reclassified to profit or loss in subsequent periods: | | |
| Defined benefit plans: | | |
| Actuarial losses | (108,425) | (111,423) |
| Income tax effect | 27,106 | 27,825 |
| | (81,319) | (83,598) |
| Equity investments at fair value through other comprehensive income: | | |
| Changes in fair value | (591,602) | – |
| Income tax effect | 122,061 | – |
| | (469,541) | – |
| Share of other comprehensive income/(loss) of associates | 3,919 | (3,080) |
| Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods | (546,941) | (86,678) |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX | (163,418) | 1,663,358 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 4,564,923 | 5,870,658 |
| ATTRIBUTABLE TO: | | |
| Shareholders of the Company | 4,107,094 | 4,900,003 |
| Non-controlling interests | 457,829 | 970,655 |
| | 4,564,923 | 5,870,658 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

| | <i>Notes</i> | 30 June 2018 Unaudited HK\$'000 | 31 December 2017 Audited HK\$'000 |
|--|--------------|--|--|
| ASSETS | | | |
| Non-current assets: | | | |
| Property, plant and equipment | 10 | 52,217,734 | 51,728,816 |
| Investment properties | | 1,184,285 | 1,184,287 |
| Prepaid land premiums | | 1,605,623 | 1,622,278 |
| Goodwill | | 16,748,168 | 16,910,280 |
| Operating concessions | | 3,142,124 | 3,118,641 |
| Other intangible assets | | 3,433,874 | 3,637,627 |
| Investments in joint ventures | | 295,423 | 344,850 |
| Investments in associates | | 53,757,102 | 47,982,745 |
| Available-for-sale investments | | – | 6,432,085 |
| Equity instruments at fair value through other comprehensive income | | 5,602,090 | – |
| Amount due from contract customers | | 10,655 | 10,608 |
| Receivables under service concession arrangements | 11 | 1,877,790 | 1,895,320 |
| Receivables under finance lease | | 898,972 | 955,843 |
| Prepayments, deposits and other receivables | 13 | 1,146,425 | 890,781 |
| Debt component of convertible bond receivables | | – | 98,682 |
| Derivative component of convertible bond receivables | | – | 40,376 |
| Financial assets at fair value through profit or loss | | 149,034 | – |
| Deferred tax assets | | 1,344,488 | 1,293,072 |
| Total non-current assets | | 143,413,787 | 138,146,291 |
| Current assets: | | | |
| Prepaid land premiums | | 43,262 | 38,747 |
| Inventories | | 5,784,788 | 5,294,480 |
| Receivables under finance lease | | 80,118 | 90,421 |
| Amount due from contract customers | | 77,491 | 29,021 |
| Receivables under service concession arrangements | 11 | 89,488 | 85,492 |
| Trade and bills receivables | 12 | 5,467,840 | 4,013,063 |
| Prepayments, deposits and other receivables | 13 | 4,152,706 | 4,185,818 |
| Other taxes recoverable | | 469,272 | 630,797 |
| Restricted cash and pledged deposits | | 41,633 | 43,311 |
| Cash and cash equivalents | | 16,474,264 | 17,841,609 |
| Total current assets | | 32,680,862 | 33,402,727 |
| Assets of a disposal group classified as held for sale | 14 | – | 1,149,968 |
| TOTAL ASSETS | | 176,094,649 | 171,549,018 |



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

| | <i>Notes</i> | 30 June 2018 Unaudited HK\$'000 | 31 December 2017 Audited HK\$'000 |
|---|--------------|--|--|
| EQUITY AND LIABILITIES | | | |
| Equity attributable to shareholders of the Company | | | |
| Share capital | 15 | 30,401,883 | 30,401,883 |
| Reserves | | 40,444,135 | 37,166,167 |
| | | 70,846,018 | 67,568,050 |
| Non-controlling interests | | 11,857,296 | 11,604,955 |
| TOTAL EQUITY | | 82,703,314 | 79,173,005 |
| Non-current liabilities: | | | |
| Bank and other borrowings | 16 | 24,405,045 | 22,684,864 |
| Guaranteed bonds, notes and senior notes | 17 | 31,194,591 | 31,410,505 |
| Defined benefit plans | | 2,400,977 | 1,852,033 |
| Provision for onerous contracts and major overhauls | | 327,495 | 332,987 |
| Other non-current liabilities | | 1,713,359 | 1,550,980 |
| Deferred tax liabilities | | 2,356,940 | 2,594,476 |
| Total non-current liabilities | | 62,398,407 | 60,425,845 |
| Current liabilities: | | | |
| Trade and bills payables | 18 | 3,810,526 | 4,121,974 |
| Amounts due to contract customers | | 743,940 | 653,635 |
| Receipts in advance | | 5,608,571 | 6,952,774 |
| Other payables and accruals | | 13,923,169 | 12,417,239 |
| Provision for onerous contracts | | 52,021 | 53,156 |
| Income tax payables | | 1,147,767 | 1,077,325 |
| Other taxes payables | | 526,974 | 282,326 |
| Bank and other borrowings | 16 | 5,179,960 | 6,391,739 |
| Total current liabilities | | 30,992,928 | 31,950,168 |
| TOTAL LIABILITIES | | 93,391,335 | 92,376,013 |
| TOTAL EQUITY AND LIABILITIES | | 176,094,649 | 171,549,018 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2018

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

* These reserve accounts comprise the consolidated reserves of HK\$40,444,135,000 (unaudited) (31 December 2017: HK\$37,166,167,000 (audited)) in the condensed consolidated statement of financial position as at 30 June 2018.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2017

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2018

| | Six months ended 30 June | |
|--|--------------------------|--------------------|
| | 2018 | 2017 |
| | Unaudited | Unaudited |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| OPERATING ACTIVITIES | | |
| Cash generated from operations | 2,591,090 | 3,154,217 |
| Mainland China income tax paid | (722,316) | (780,242) |
| Overseas income tax paid | – | (11,651) |
| Net cash flows from operating activities | 1,868,774 | 2,362,324 |
| INVESTING ACTIVITIES | | |
| Purchases of items of property, plant and equipment | (2,711,459) | (1,925,726) |
| Disposal of subsidiaries | – | (232,997) |
| Acquisition of/increase in investments in associates | (1,000,000) | (9,156,640) |
| Dividends received from associates | 845,174 | 2,574,044 |
| Proceeds from disposal items of property, plant and equipment | 24,408 | 196,332 |
| Decrease in time deposits with maturity of more than three months | 829,788 | 41,056 |
| Other cash flows from investing activities | 127,906 | 237,709 |
| Net cash flows used in investing activities | (1,884,183) | (8,266,222) |
| FINANCING ACTIVITIES | | |
| Capital contributions from non-controlling equity holders | 1,531 | 5,458 |
| Proceed from issue of guaranteed notes and bonds, net of issuance cost | – | 10,842,095 |
| Repurchase of the Company's shares | – | (3,733) |
| New loans | 2,580,488 | 5,245,115 |
| Repayment of loans | (1,895,632) | (8,726,643) |
| Interest paid | (909,277) | (554,168) |
| Other cash flows used in financing activities | (254,029) | (181,547) |
| Net cash flows from/(used in) financing activities | (476,919) | 6,626,577 |



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2018

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2018 | 2017 |
| | Unaudited | Unaudited |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net increase/(decrease) in cash and cash equivalents | (492,328) | 722,679 |
| Cash and cash equivalents at beginning of period | 16,959,763 | 15,838,487 |
| Effect of foreign exchange rate changes, net | (35,351) | 491,644 |
| Cash and cash equivalents at end of period | 16,432,084 | 17,052,810 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances: | | |
| Placed in banks | 9,590,552 | 11,382,275 |
| Placed in a financial institution | 927,061 | 1,062,967 |
| Time deposits: | | |
| Placed in banks | 4,106,615 | 3,753,861 |
| Placed in a financial institution | 1,891,669 | 989,570 |
| Less: Restricted cash and pledged deposits | (41,633) | (39,738) |
| | 16,474,264 | 17,148,935 |
| Less: Time deposits with maturity of more than three months when acquired | (42,180) | (96,125) |
| | 16,432,084 | 17,052,810 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2017.

The accounting policies and basis of preparation used in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of the revised HKFRSs effective as of 1 January 2018 as disclosed in note 2 below.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group. Taking into account the Group’s internal financial resources, available banking facilities and new banking facilities currently under negotiation, the directors of the Company considered that the Group will be able to continue as a going concern. Accordingly, the unaudited interim condensed consolidated financial statements have been prepared on a going concern basis.

The financial information relating to the year ended 31 December 2017 that is included in the unaudited interim 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 2017 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 2018

1. BASIS OF PREPARATION *(Continued)*

The Company's auditors have reported on the financial statements for the year ended 31 December 2017. The auditor's report was unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|--|--|
| Amendments to HKFRS 2 | <i>Classification and Measurement of Share-based Payment Transactions</i> |
| Amendments to HKFRS 4 | <i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> |
| HKFRS 9 | <i>Financial Instruments</i> |
| HKFRS 15 | <i>Revenue from Contracts with Customers</i> |
| Amendments to HKFRS 15 | <i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> |
| Amendments to HKAS 40 | <i>Transfers of Investment Property</i> |
| HK(IFRIC)-Int 22 | <i>Foreign Currency Transactions and Advance Consideration</i> |
| <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i> | <i>Amendments to HKFRS 1 and HKAS 28</i> |

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and Amendments to HKFRS 15, the adoption of the above revised standards has had no significant financial effect on the interim condensed consolidated financial statements of the Group.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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

The nature and the impact of the changes are described below:

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements and the comparative information is not restated with the transition adjustments against the opening balance of equity at 1 January 2018. The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(i) Classification and measurement

Except for certain debtors, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, financial instruments are subsequently measured at fair value through profit or loss (“FVPL”), amortised cost, or fair value through other comprehensive income (“FVOCI”). The classification is based on two criteria: the Group’s business model for managing the assets; and whether the instruments’ contractual cash flows represent “solely payments of principal and interest” on the principal amount outstanding (the “SPPI criterion”).

The new classification and measurement of the Group’s financial assets is as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows and the contractual terms of the instruments meet the SPPI criterion.
- Financial assets at fair value through profit or loss include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.
- Equity instruments at FVOCI: dividends from these equity instruments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9. On 1 January 2018, the Group classified its equity instruments as equity instruments at FVOCI without recycling. Under HKAS 39, the Group’s unquoted equity instruments were classified as available-for-sale (“AFS”) financial assets.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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

HKFRS 9 *Financial Instruments* *(Continued)*

(i) Classification and measurement (Continued)

At the date of initial application of HKFRS 9, that is 1 January 2018, the group determined whether the objective of the Group's business model for managing any of its financial assets is to hold them in order to collect contractual cash flows or for collecting contractual cash flows and selling them. For that purpose, the Group determines whether the financial assets meet the definition of held for trading as if the Group had purchased the assets at 1 January 2018. The assessment of contractual terms of the debt instruments on whether the SPPI criteria is met was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The convertible bond receivables which were previously separated and recognised as debt and derivative components had been classified as financial assets at fair value through profit or loss on 1 January 2018. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

The adoption of HKFRS 9 has had no significant impact on the Group's interim condensed consolidated financial statements on classification and measurement of its financial assets and financial liabilities.

(ii) Impairment

HKFRS 9 requires an impairment on trade and bills receivables, receivables under service concession arrangements, amounts due from contract customers, other financial assets, deposits and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on its trade and bills receivables and amounts due from contract customers. The Group applied general approach and recorded twelve month expected losses on its other financial asset, receivables under service concession arrangements, deposits and other receivables. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method to all contracts that are not completed at the date of initial application. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

For the six months ended 30 June 2018, the Group has concluded that the adoption of HKFRS 15 did not have a material impact on the timing of revenue recognition.

The Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount and uncertainty of revenue and cash flows are affected by economic factors. The Group has also disclosed revenue information for each reportable segment as set out in note 3 to these condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

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

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

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



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

3. OPERATING SEGMENT INFORMATION *(Continued)*

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2018 and 2017, respectively.

For the six months ended 30 June 2018

| | Piped gas operation Unaudited HK\$'000 | Brewery operation Unaudited HK\$'000 | Water and environmental operations Unaudited HK\$'000 | Solid waste treatment operation Unaudited HK\$'000 | Corporate and others Unaudited HK\$'000 | Inter- segment elimination Unaudited HK\$'000 | Consolidated Unaudited HK\$'000 |
|--|---|---|---|--|--|---|---------------------------------------|
| Segment revenue | 24,450,180 | 6,636,053 | – | 3,258,809 | – | – | 34,345,042 |
| Cost of sales | (21,371,686) | (4,130,795) | – | (2,499,032) | – | – | (28,001,513) |
| Gross profit | 3,078,494 | 2,505,258 | – | 759,777 | – | – | 6,343,529 |
| Profit/(loss) from operating activities | 1,873,072 | 806,470 | – | 677,749 | (104,976) | (69,135) | 3,183,180 |
| Finance costs | (187,455) | (9,986) | – | (78,356) | (710,400) | 69,135 | (917,062) |
| Share of profits and losses of: | | | | | | | |
| Joint ventures | (22,240) | – | – | 106 | – | – | (22,134) |
| Associates | 2,230,437 | 12,935 | 1,003,708 | 9,941 | – | – | 3,257,021 |
| Profit/(loss) before tax | 3,893,814 | 809,419 | 1,003,708 | 609,440 | (815,376) | – | 5,501,005 |
| Income tax | (385,237) | (186,342) | – | (197,118) | (3,967) | – | (772,664) |
| Profit/(loss) for the period | 3,508,577 | 623,077 | 1,003,708 | 412,322 | (819,343) | – | 4,728,341 |
| Segment profit/(loss) attributable to shareholders of the Company | 3,500,291 | 215,718 | 1,003,708 | 278,114 | (730,453) | – | 4,267,378 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

3. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2017

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



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

3. OPERATING SEGMENT INFORMATION *(Continued)*

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

| | 30 June 2018 Unaudited HK\$'000 | 31 December 2017 Audited HK\$'000 |
|------------------------------------|--|--|
| Total assets: | | |
| Piped gas operations | 98,341,127 | 96,596,006 |
| Brewery operation | 23,484,650 | 22,244,581 |
| Water and environmental operations | 11,392,158 | 9,500,514 |
| Solid waste treatment operation | 36,218,063 | 35,914,563 |
| Corporate and others | 13,289,922 | 15,502,155 |
| Eliminations | (6,631,271) | (8,208,801) |
| | 176,094,649 | 171,549,018 |
| Total liabilities: | | |
| Piped gas operations | 28,386,912 | 29,959,651 |
| Brewery operation | 7,970,225 | 7,254,862 |
| Solid waste treatment operation | 17,013,441 | 17,120,199 |
| Corporate and others | 46,652,028 | 46,250,102 |
| Eliminations | (6,631,271) | (8,208,801) |
| | 93,391,335 | 92,376,013 |

During each of the six months ended 30 June 2018 and 2017, 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 2018

4. OTHER INCOME AND GAINS, NET

| | For the six months ended 30 June | |
|---|-------------------------------------|-------------------------------|
| | 2018 Unaudited HK\$'000 | 2017 Unaudited HK\$'000 |
| OTHER INCOME | | |
| Interest income | 151,487 | 139,987 |
| Rental income | 19,656 | 35,211 |
| Investment income from an available-for-sale investment | – | 117,110 |
| Government grants | 83,404 | 85,211 |
| Transfer of assets from customers | 10,818 | 15,383 |
| Others | 229,675 | 187,568 |
| | 495,040 | 580,470 |
| GAINS, NET | | |
| Gain on disposal of items of property, plant and equipment, net | 5,293 | 132,423 |
| Foreign exchange differences, net | – | 6,359 |
| | 5,293 | 138,782 |
| Other income and gains, net | 500,333 | 719,252 |



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

| | For the six months ended 30 June | |
|---------------------------------------|----------------------------------|-----------|
| | 2018 | 2017 |
| | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 |
| Depreciation | 1,623,128 | 1,505,517 |
| Amortisation of prepaid land premium | 20,266 | 20,024 |
| Amortisation of customer contracts* | 144,895 | 156,427 |
| Amortisation of operating concession* | 42,698 | 50,388 |
| Amortisation of operating right* | 1,742 | 2,304 |
| Amortisation of patents* | 590 | 1,324 |
| Amortisation of computer software** | 26,781 | 20,333 |
| Foreign exchange differences, net | 4,565 | (6,359) |

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

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

6. FINANCE COSTS

| | For the six months ended 30 June | |
|--|----------------------------------|-----------|
| | 2018 | 2017 |
| | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 |
| Interest on bank loans and other loans | 415,374 | 245,429 |
| Interest on guaranteed bonds, notes and senior notes | 493,903 | 455,449 |
| Total interest expenses | 909,277 | 700,878 |
| Increase in discounted amounts of provision for major overhauls arising from the passage of time | 7,785 | 7,078 |
| Total finance costs | 917,062 | 707,956 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

7. INCOME TAX

| | For the six months ended 30 June | |
|----------------------------------|-------------------------------------|-----------|
| | 2018 | 2017 |
| | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 |
| Current: | | |
| Mainland China | 607,028 | 441,299 |
| Germany | 194,890 | 139,748 |
| Deferred | (29,254) | (65,981) |
| Total tax expense for the period | 772,664 | 515,066 |

No provision for Hong Kong profits tax has been made during the six months ended 30 June 2018 as the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2017: 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 30 August 2018, the Board declared an interim cash dividend of HK32 cents per share (six months ended 30 June 2017: HK30 cents per share), totaling HK\$403,857,000 (six months ended 30 June 2017: HK\$378,616,000).

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amount was based on the profit attributable to shareholders of the Company, and the weighted average number of ordinary shares of 1,262,053,268 (2017: 1,262,135,588) in issue during the period.

The Group has no potentially dilutive ordinary shares in issue during the six months ended 30 June 2018 and 2017.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment with a total cost of HK\$2,711,459,000 (six months ended 30 June 2017: HK\$1,925,726,000), excluding property, plant and equipment acquired through transfer of assets from customers with a total deemed cost of HK\$10,818,000 (six months ended 30 June 2017: HK\$15,383,000 (note 4)).

Property, plant and equipment with an aggregate carrying amount of HK\$19,115,000 (six months ended 30 June 2017: HK\$63,909,000) were disposed of by the Group during the six months ended 30 June 2018, resulting in a net gain on disposal of HK\$5,293,000 (six months ended 30 June 2017: HK\$132,423,000).

11. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

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

An ageing 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 2018 Unaudited HK\$'000 | 31 December 2017 Audited HK\$'000 |
|---------------------|--|--|
| Unbilled: | | |
| Current portion | 89,488 | 85,492 |
| Non-current portion | 1,877,790 | 1,895,320 |
| | 1,967,278 | 1,980,812 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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. Ageing analysis of trade and bills receivables are prepared and closely monitored in order to minimise any credit risk associated with receivables. The Group does not hold any collateral or other credit enhancement over its trade and bills receivables.

An ageing 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 2018 Unaudited HK\$'000 | 31 December 2017 Audited HK\$'000 |
|--------------------|--|--|
| Billed: | | |
| Within one year | 5,066,298 | 2,915,255 |
| One to two years | 107,051 | 55,954 |
| Two to three years | 32,936 | 21,596 |
| Over three years | 63,649 | 57,382 |
| | 5,269,934 | 3,050,187 |
| Unbilled | 197,906 | 962,876 |
| | 5,467,840 | 4,013,063 |

Included in the Group's trade and bills receivables as at 30 June 2018 was an aggregate amount of HK\$47,725,000 (31 December 2017: HK\$36,338,000) and HK\$152,195,000 (31 December 2017: HK\$54,636,000) due from certain fellow subsidiaries and a joint venture of the Group arising from transactions carried out in the ordinary course of business of the Group, respectively. The balances are unsecured, interest-free and are repayable within credit periods similar to those offered by the Group to its major customers.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | <i>Notes</i> | 30 June 2018 Unaudited HK\$'000 | 31 December 2017 Audited HK\$'000 |
|--------------------------------------|--------------------|--|--|
| Prepayments | | 900,457 | 843,833 |
| Deposits and other receivables | <i>(a)(i),(ii)</i> | 2,458,219 | 1,839,051 |
| Due from associates | <i>(a)(iii)</i> | 14,266 | 516,305 |
| Due from holding companies | <i>(b)</i> | 1,620,744 | 1,620,744 |
| Due from fellow subsidiaries | <i>(b)</i> | 167,816 | 167,354 |
| Due from joint ventures | <i>(b)</i> | 118,866 | 93,333 |
| Due from related parties | <i>(b)</i> | 168,020 | 143,927 |
| | | 5,448,388 | 5,224,547 |
| Impairment | | (149,257) | (147,948) |
| | | 5,299,131 | 5,076,599 |
| Portion classified as current assets | | (4,152,706) | (4,185,818) |
| | | 1,146,425 | 890,781 |
| Non-current portion | | 1,146,425 | 890,781 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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

Notes:

- (a) The Group's prepayments, deposits and other receivables as at 30 June 2018 and 31 December 2017 include, inter alia, the following:
- (i) certain deposits of HK\$143,745,000 (31 December 2017: HK\$194,425,000) in total were paid for the construction or purchase of buildings, pipelines, equipment and machinery. The deposits are classified as non-current assets;
 - (ii) a deposit of EUR17 million (equivalent to approximately HK\$156 million) (31 December 2017: EUR23 million (equivalent to approximately HK\$217 million)) were paid to a bank for securing certain bank facilities granted. Such deposit will be refunded upon the expiry of the banking facilities; and
 - (iii) dividend of HK\$480 million receivable from VCNG as at 31 December 2017 and the amount was settled in February 2018.
- (b) The amounts due from holding companies, fellow subsidiaries, joint ventures and related parties are unsecured, interest-free and have no fixed terms of repayment, except for an aggregate amount of RMB78,400,000 (equivalent to HK\$93,333,000) (31 December 2017: RMB78,400,000 (equivalent to HK\$93,333,000)) due from a joint venture, which is unsecured, bears interest at 4.35% per annum and is repayable within one year.

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



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

14. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The major class of assets classified as held for sale was as follows:

| | 31 December 2017 |
|--|-----------------------------|
| | Jingtang |
| | Audited |
| | <i>HK\$'000</i> |
| Assets | |
| Investments in associates | 1,149,968 |
| Net assets of a disposal group held for sale | 1,149,968 |

Notes:

In September 2017, the Group acquired a 29% equity interest in PetroChina Jingtang LNG Co., Ltd. ("Jingtang") from Beijing Enterprises Group Company Limited ("BE Group") at a cash consideration of RMB966 million (equivalent to approximately HK\$1,150 million). Jingtang is principally engaged in the provision of port facilities for vessels, provision of cargo handling business service, warehousing and loading service within the port area; receiving, storage and re-gasification of liquefied natural gas.

On 3 November 2017, the Group and Blue Sky, an associate of the Group, entered into a non-legally binding memorandum of understanding, pursuant to which the Group intends to sell, and Blue Sky intends to acquire the entire equity interest of Jingtang. The consideration for the acquisition was RMB1,008 million (equivalent to approximately HK\$1,200 million), which was satisfied by Blue Sky allotting and issuing 2,407,708,800 ordinary shares to the Group. The transaction was completed on 6 June 2018.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

15. SHARE CAPITAL

| | 30 June 2018 | 31 December 2017 |
|---|-------------------------|---------------------|
| | Unaudited | Audited |
| | HK\$'000 | HK\$'000 |
| Issued and fully paid: 1,262,053,268 (2017: 1,262,053,268) ordinary shares | 30,401,883 | 30,401,883 |

16. BANK AND OTHER BORROWINGS

- (a) At 30 June 2018, the bank loans of the Group included a five-year HK\$4 billion term loan, a five-year HK\$3 billion term loan, a five-year HK\$1.94 billion term loan, a five-year HK\$4 billion term loan, a one-year EUR355 million loan, a five-year US\$290 million syndicated loan and a five-year HK\$4 billion term loan with the related facilities obtained by the Group in 2015, 2016, 2016, 2016, 2016, 2017 and 2017, respectively, which bear annual interest at HIBOR+1.15%, HIBOR+0.68%, HIBOR+1.06%, HIBOR+0.88%, EURIBOR+0.7%, LIBOR+0.825% and HIBOR+0.62%, respectively, and are fully payable on 27 November 2020, 22 November 2021, 7 December 2021, 24 June 2021, 19 July 2018, 15 May 2022 and 17 July 2022, respectively.

The loan agreements in respect of the loans outstanding as at 30 June 2018 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 BE Group does not or ceases to own, directly or indirectly, at least 40% or 50% of the beneficiary interest of the Company; and
- (ii) if BE 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 2018 and as at the date of approval of these financial statements.

- (b) Included in the Group's other borrowings as at 30 June 2018 is an aggregate amount of HK\$300 million (31 December 2017: HK\$300 million) and RMB950,000,000 (equivalent to HK\$1,131,000,000) (31 December 2017: RMB1,016,000,000 (equivalent to HK\$1,209,000,000)) due to Beijing Enterprises Group Finance Co., Ltd ("BE Group Finance", an associate of the Group), which bears interest at rates ranging from HIBOR to 4.90% per annum. Interest expenses of RMB26,286,000 (equivalent to HK\$30,924,000) (six months ended 30 June 2017: RMB21,604,000 (equivalent to HK\$24,551,000)) were recognised in profit or loss during the period in respect of the loans.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

17. GUARANTEED BONDS, NOTES AND SENIOR NOTES

- (a) On 25 April 2012 and 12 May 2011, Talent Yield Investments Limited and Mega Advance Investments Limited, wholly-owned subsidiaries of the Company, issued senior notes with aggregate principal amounts of US\$800 million (the “2012 Senior Notes”) and US\$1 billion (the “2011 First Senior Notes” for US\$600 million and the “2011 Second Senior Notes” for US\$400 million), respectively, (collectively, the “Guaranteed Senior Notes”) to certain institutional investors. Pursuant to the Guaranteed Senior Notes purchase agreements dated 18 April 2012 and 5 May 2011, respectively, of which, unless redeemed prior to their maturity pursuant to the terms thereof (i) the 2012 Senior Notes, bearing interest at the rate of 4.5% per annum, will mature on 25 April 2022; (ii) the 2011 First Senior Notes, bearing interest at the rate of 5% per annum, will mature on 12 May 2021; and (iii) the 2011 Second Senior Notes, bearing interest at the rate of 6.375% per annum, will mature on 12 May 2041.
- (b) On 7 May 2015, Talent Yield Investment (Euro) Limited (a wholly-owned subsidiary of the Company) issued guaranteed bonds with aggregate principal amounts of EUR500,000,000 (the “2015 EUR Bonds”) to certain institutional investors. Pursuant to the 2015 EUR Bonds purchase agreements dated 29 April 2015, the 2015 EUR Bonds, unless redeemed prior to their maturity pursuant to the terms thereof and of the indenture, bear interest at the rate of 1.435% per annum and will mature on 7 May 2020.
- (c) On 17 December 2015, Top Luxury Investment Limited (a wholly-owned subsidiary of the Company) issued guaranteed bonds with aggregate principal amounts of US\$200,000,000 (the “2015 US Bonds”) to certain institutional investors. Pursuant to the 2015 US Bonds purchase agreements dated 1 December 2015, the 2015 US Bonds, unless redeemed prior to their maturity pursuant to the terms thereof and of the indenture, bear interest at the rate of 4.99% per annum and will mature on 17 December 2040.
- (d) On 21 April 2017, Talent Yield European Limited (a wholly-owned subsidiary of the Company) issued guaranteed bonds with aggregate principal amounts of EUR800,000,000 (the “2017 EUR Bonds”) to certain institutional investors. Pursuant to the 2017 EUR Bonds purchase agreements dated 12 April 2017, the 2017 EUR Bonds, unless redeemed prior to their maturity pursuant to the terms thereof and of the indenture, bear interest at the rate of 1.3% per annum and will mature on 21 April 2022.
- (e) On 31 May 2017, Beijing Gas Singapore Capital Corporation (a wholly-owned subsidiary of the Company) issued guaranteed notes with aggregate principal amounts of US\$500 million (the “2017 Guaranteed Notes”) to certain institutional investors. Pursuant to the 2017 Guaranteed Notes purchase agreements dated 23 May 2017, the 2017 Guaranteed Notes, unless redeemed prior to their maturity pursuant to the terms thereof and of the indenture, bear interest at the rate of 2.75% per annum and will mature on 31 May 2022.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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

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

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

18. TRADE AND BILLS PAYABLES

An ageing 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 2018 Unaudited HK\$'000 | 31 December 2017 Audited HK\$'000 |
|--------------------|--|--|
| Billed: | | |
| Within one year | 2,142,117 | 2,560,399 |
| One to two years | 182,248 | 141,279 |
| Two to three years | 25,670 | 14,636 |
| Over three years | 36,464 | 24,189 |
| | 2,386,499 | 2,740,503 |
| Unbilled | 1,424,027 | 1,381,471 |
| | 3,810,526 | 4,121,974 |

Included in the Group's trade and bills payables as at 30 June 2018 are amounts of HK\$54,296,000 (31 December 2017: HK\$52,577,000) due to fellow subsidiaries, arising from transactions carried out in the ordinary course of business of the Group. The balances are unsecured, interest-free and are repayable within credit periods similar to those offered by the related parties to their major customers.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

19. CONTINGENT LIABILITY

The Group did not have any significant contingent liabilities as of 30 June 2018 (31 December 2017: Nil).

20. CAPITAL COMMITMENTS

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

| | 30 June 2018 Unaudited HK\$'000 | 31 December 2017 Audited HK\$'000 |
|---------------------------------------|--|--|
| Contracted, but not provided for: | | |
| Buildings | 325 | 6,358 |
| Gas pipelines and plant and machinery | 3,332,366 | 2,506,178 |
| New service concession arrangements | 483,964 | 642,699 |
| Total capital commitments | 3,816,655 | 3,155,235 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

21. 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:

| Name of related party | Nature of transaction | Notes | Six months ended 30 June | |
|--|--|--------|-------------------------------|-------------------------------|
| | | | 2018 Unaudited HK\$'000 | 2017 Unaudited HK\$'000 |
| Non-controlling equity holders of subsidiaries and their associates | | | | |
| Yanjing Beer Group and its associates | Purchase of bottle labels ^γ | (i) | 11,500 | 20,134 |
| | Purchase of bottle caps ^γ | (i) | 7,800 | 9,525 |
| | Canning service fees paid ^γ | (ii) | 6,033 | 6,508 |
| | Comprehensive support service fees paid ^γ | (iii) | 9,145 | 8,884 |
| | Land rent expenses ^γ | (iv) | 1,159 | 967 |
| | Trademark licensing fees paid ^γ | (v) | 35,960 | 34,452 |
| | Less: Refund for advertising subsidies ^γ | (v) | (3,236) | (3,132) |
| Fellow subsidiaries: | | | | |
| 北京北燃實業有限公司 and its subsidiaries | Sale of gas [#] | (vi) | 105,883 | 38,510 |
| | Engineering service income [#] | (vii) | 10,250 | 9,188 |
| | Comprehensive service income [#] | (vii) | 4,490 | 1,809 |
| | Sale of goods [#] | (viii) | 39,072 | 33,074 |
| | Purchase of goods [#] | (ix) | 52,920 | 32,459 |
| | Building rental expenses [#] | (ix) | 10,961 | 35,318 |
| | Building rental income [#] | (ix) | 2 | 213 |
| | Engineering service expenses [#] | (vii) | 69,576 | 18,625 |
| | Comprehensive service expenses [#] | (vii) | 17,738 | 6,300 |
| Associate: | | | | |
| BE Group Finance | Interest income | (x) | 16,578 | 15,427 |
| | Interest expenses | (x) | 30,924 | 24,551 |

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 2018

21. 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 (2017: 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 2018

21. RELATED PARTY DISCLOSURES *(Continued)*

(a) *(Continued)*

Notes: (Continued)

- (x) BE Group Finance is a 38.78% (2017: 38.78%) owned associate of the Group and also a subsidiary of BE Group. BE Group Finance was established to act as platform for members of BE Group for the provision of intra-group facilities through financial products including deposit-taking, money-lending and custodian services.

Pursuant to a deposit services master agreement (the "Deposit Services Master Agreement") entered into between the Company and BE Group Finance on 29 December 2014, the Group may, in its ordinary and usual course of business, place and maintain deposits with BE Group Finance on normal commercial terms from time to time. The term of the Deposit Services Master Agreement shall commence on the date of the Deposit Services Master Agreement and continue up to and including 31 December 2017. Subject to compliance with the Listing Rules, upon the expiration of such initial term, the Deposit Services Master Agreement may be renewed by the Company and BE Group Finance by agreement in writing. The daily aggregate of deposits placed by the Group with BE Group Finance (including any interest accrued thereon) during the term of the Deposit Services Master Agreement will not exceed HK\$3,700 million.

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

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

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

The aggregate amount of deposits placed by the Group with BE Group Finance as at 30 June 2018 amounted to RMB2,368 million (equivalent to HK\$2,819 million) (31 December 2017: RMB2,394 million (equivalent to HK\$2,850 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.

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

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



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

21. RELATED PARTY DISCLOSURES *(Continued)*

(b) Compensation of key management personnel of the group

| | Six months ended 30 June | |
|---|--------------------------|-----------|
| | 2018 | 2017 |
| | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 |
| Salaries, allowances and benefits in kind | 9,911 | 11,410 |
| Pension scheme contributions | 14 | 14 |
| Total compensation paid to key management personnel | 9,925 | 11,424 |

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The listed equity investments of the Group are stated at fair value based on their quoted market prices (as categorised within Level 1 of the fair value hierarchy). The fair values of the unlisted equity investments of the Group are estimated by using market approach (as categorised within Level 3 of the fair value hierarchy).

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

23. OTHER FINANCIAL INFORMATION

The net current assets and total assets less current liabilities of the Group as at 30 June 2018 amounted to HK\$1,687,934,000 (unaudited) (31 December 2017: HK\$1,452,559,000 (audited)) and HK\$145,101,721,000 (unaudited) (31 December 2017: HK\$139,598,850,000 (audited)), respectively.

24. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and re-presented to conform to the current period's presentation.

DISCLOSEABLE INFORMATION

BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION

Since the issue date of the Company's 2017 annual report, there has been no change in the board of directors, and there has been no change in directors' information that is required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

At 30 June 2018, the interests and short positions of the Company's directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), were as follows:

(A) LONG POSITIONS IN SHARES OF THE COMPANY

| Director | Number of ordinary shares directly beneficially owned | Percentage of the Company's total number of issued shares |
|--------------|---|---|
| E Meng | 30,000 | 0.002% |
| Jiang Xinhao | 20,000 | 0.002% |
| Tam Chun Fai | 2,000 | 0.000% |

(B) LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

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

(C) LONG POSITIONS IN SHARES OF ASSOCIATED CORPORATIONS

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



DISCLOSEABLE INFORMATION

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

(D) LONG POSITIONS IN UNDERLYING SHARES OF ASSOCIATED CORPORATIONS

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

| Director | Number of share options directly beneficially owned | | | | At 30 June 2018 | Share options granted on (year/month/day) | Exercise period (year/month/day) | Exercise price per share (HK\$) |
|----------|---|---------------------------|-----------------------------|-----------------------------|-----------------|---|----------------------------------|---------------------------------|
| | At 1 January 2018 | Granted during the period | Exercised during the period | Cancelled during the period | | | | |
| E Meng | 6,770,000 | - | - | - | 6,770,000 | 2011/06/21 | 2011/06/21 – 2021/06/20 | 1.25 |
| | 6,770,000 | | | | 6,770,000 | | | |

[®] As at 30 June 2018, all interests in these associated corporations owned by the Company are indirectly held.

Save as disclosed above, as at 30 June 2018, none of the directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

The Company currently does not have any share option scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR 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.

DISCLOSEABLE INFORMATION

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

At 30 June 2018, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

LONG POSITIONS:

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

Notes:

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



DISCLOSEABLE INFORMATION

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

SHORT POSITIONS:

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

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

Save as disclosed above, as at 30 June 2018, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DISCLOSEABLE INFORMATION

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

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

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

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

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



DISCLOSEABLE INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

EMPLOYEE

At 30 June 2018, the Group had approximately 45,000 employees. The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group's employee remuneration policy and package are periodically reviewed by the management. Apart from pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

CORPORATE GOVERNANCE

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Save as disclosed below, the directors believe that the Company complied with the code provisions (the "Code Provisions") as set out in Appendix 14 "Corporate Governance Code" to the Listing Rules during the six months ended 30 June 2018.

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

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

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SHARE DEALING

The Company has adopted Appendix 10 "Model Code" to the Listing Rules to govern securities transactions by the directors. After having made specific enquiry to all directors, all directors confirm that they complied with the "Model Code" during the half year ended 30 June 2018.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. Wu Jiesi, Mr. Lam Hoi Ham (Chairman of Audit Committee) and Mr. Ma She. The Audit Committee of the Company has already reviewed the unaudited interim results for the six months ended 30 June 2018 and considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.