



北京控股
BEIJING ENTERPRISES
HOLDINGS LIMITED



北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

BEIJING ENTERPRISES HOLDINGS LIMITED

Stock Code : 392



INTERIM REPORT
2022



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CORPORATE INFORMATION

As at 31 August 2022

DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Dai Xiaofeng
Mr. Wu Jiesi (*Committee Chairman*)
Mr. Lam Hoi Ham

NOMINATION COMMITTEE

Mr. Dai Xiaofeng (*Committee Chairman*)
Mr. Lam Hoi Ham
Dr. Yu Sun Say

INVESTMENT COMMITTEE

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

COMPANY SECRETARY

Mr. Tam Chun Fai *CPA CFA*

STOCK CODE

392

WEBSITE

www.behl.com.hk

SHARE REGISTRAR

Tricor Tengis Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong.

REGISTERED OFFICE

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

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISERS

Hong Kong Law
Mayer Brown

PRC Law

Haiwen & Partners

PRINCIPAL BANKERS

In Hong Kong

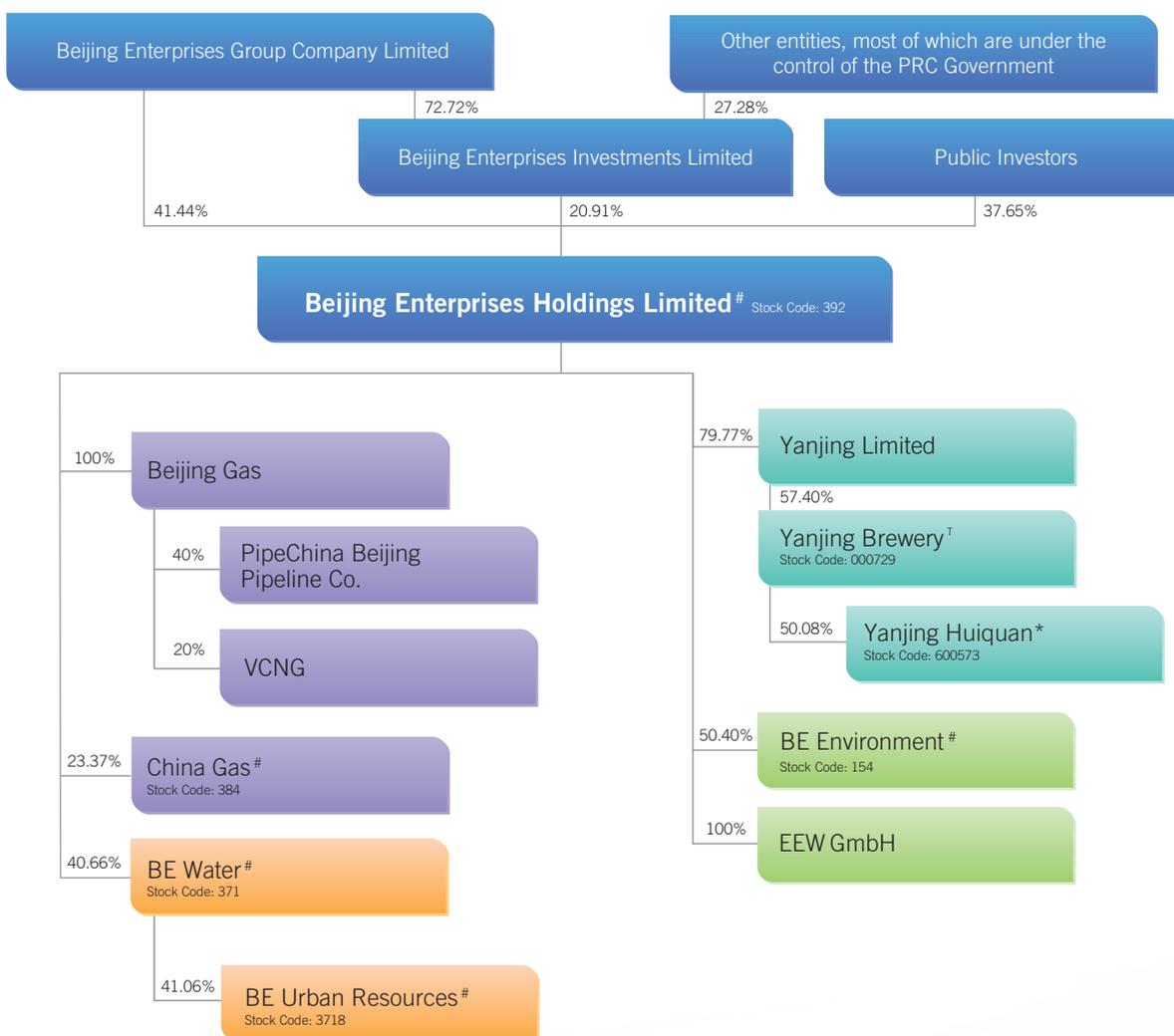
Bank of China, Hong Kong Branch
Bank of Communications, Hong Kong Branch
DBS Bank Ltd., Hong Kong Branch

In Mainland China

Agricultural Bank of China
Bank of China
China Construction Bank
The Industrial and Commercial Bank of China
Bank of Beijing

CORPORATE STRUCTURE

As at 30 June 2022



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

FINANCIAL HIGHLIGHTS

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Beijing Enterprises Holdings Limited (the “Company”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022 (the “Reporting Period”) together with the comparative figures in 2021. The consolidated revenue of the Group for the first half of 2022 was HK\$45.99 billion, representing an increase of 13.9% over the corresponding period of last year. Profit attributable to shareholders of the Company was HK\$5.03 billion. After excluding the effect of one-off events, profit attributable to shareholders of the Company amounted to HK\$5.47 billion, representing an increase of 10.8% over the corresponding period in 2021.

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

	Profit after taxation <i>HK\$'000</i>	Proportion %
Gas operation	4,622,935	76.7
Water operation	282,207	4.7
Environmental operation	634,061	10.5
Brewery operation	488,029	8.1
Profit from major operations	6,027,232	100
Corporate and others	(526,237)	
Profit of the Group	5,500,995	
Profit attributable to non-controlling interests	(472,036)	
Profit attributable to shareholders of the Company	5,028,959	

INTERIM DIVIDEND

The Board has resolved to declare an interim cash dividend for the six months ended 30 June 2022 of HK50 cents (2021: HK40 cents) per share, which will be payable on 27 October 2022 to shareholders whose names appear on the register of members of the Company on 28 September 2022.

CLOSURE OF REGISTER OF MEMBERS

The Company’s register of members will be closed from Monday, 26 September 2022 to Wednesday, 28 September 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 23 September 2022.

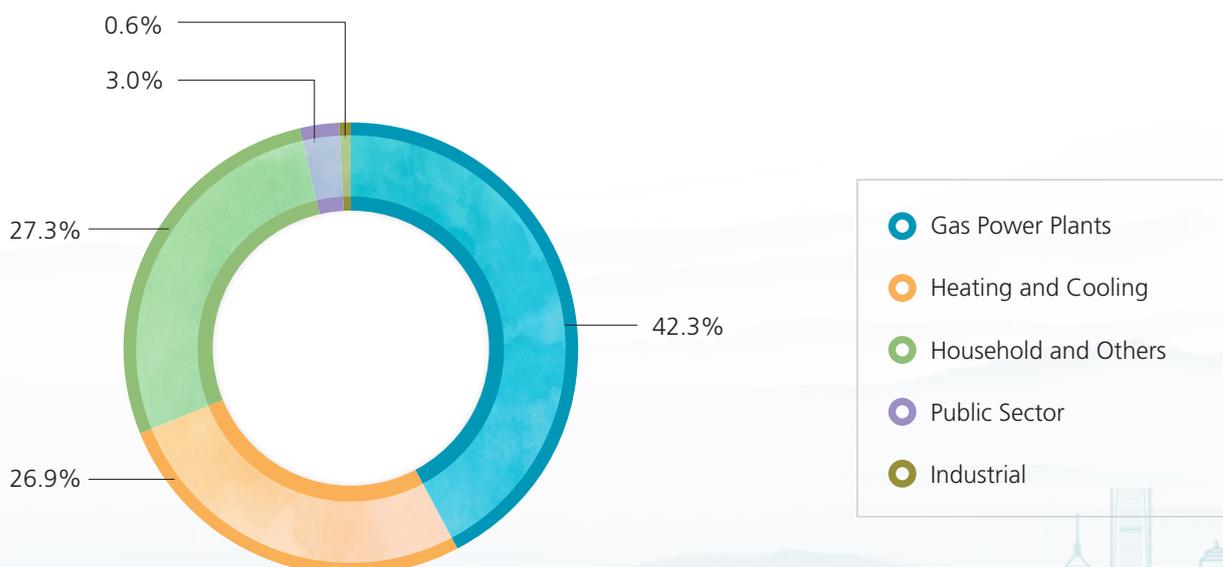
MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

In the first half of 2022 (the “Reporting Period”), compounded by international geopolitical and economic uncertainties which led to intensified worldwide inflationary pressures, the global economy, which was still in the stage of recovery from COVID-19 epidemic, faced new crisis and challenges. In encountering the complicated situation, China has made tremendous efforts to stabilise the macroeconomy, efficiently coordinated the COVID-19 prevention and control with economic and social development, further implemented various measures to maintain stable growth, and sustained long-term positive economic fundamentals. This year marks the 25th anniversary of the Company’s listing in Hong Kong. The Company insisted on reforming and innovation and stored up momentum for industrial development, with its operating results for the first half year maintained a stable growth.

Natural Gas Distribution Business of Beijing Gas

Beijing Gas Group Company Limited (“Beijing Gas”) recorded a revenue of HK\$34.16 billion in the first half of 2022, representing a year-on-year increase of 16.3%, which was primarily due to the favourable factors such as the year-on-year increase in pipeline gas sales and gas prices in Beijing, more downstream users resulting from its expansion into the market outside Beijing, and the surge in overseas LNG prices. Profit before taxation from principal businesses (including natural gas distribution business, natural gas transmission business and VCNG of Rosneft) was HK\$3.87 billion, representing an increase of 32.4% over the corresponding period of last year. The combined natural gas sales volume of Beijing Gas in the first half of the year was 10.88 billion cubic metres, of which gas sales volume within Beijing was 9.355 billion cubic metres, gas sales volume of the subsidiaries outside Beijing was 1.115 billion cubic metres and LNG international trade amounted to 528 million cubic metres. Affected by the positive factors such as temperature, the extension of heating and increasing demand, the natural gas sales volume accomplished inside Beijing increased by 5.5% year-on-year to 9.355 billion cubic meters. An analysis of the same by subscriber sector is shown as follows:



MANAGEMENT DISCUSSION AND ANALYSIS

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

Natural Gas Distribution Business of Beijing Gas (Continued)

During the Reporting Period, Beijing Gas developed approximately 70,900 new household subscribers and 1,492 new public sector subscribers. New heating boiler subscribers with a capacity of 437 t/h were developed. As of 30 June 2022, Beijing Gas had a total of approximately 7.19 million gas subscribers in Beijing and approximately 30,100 kilometers of natural gas pipelines in operation. Beijing Gas' capital expenditure in the first half of the year amounted to approximately HK\$4.523 billion.

In the first half year, with safety production as the foundation, Beijing Gas propelled the construction of major projects and its key tasks steadily and orderly. During the period, the service support for the Beijing Winter Olympics and Winter Paralympic Games was successfully completed. Under the guidance of the nationwide and Beijing municipal gas safety inspection and rectification requirements, investigations and rectifications of hidden hazards in gas construction, supply and use were conducted. The principal part of the outbound pipelines for the Tianjin Nangang LNG Emergency Reserve Project was completed, and the same of its terminal project was qualified for acceptance inspection. The four storage tanks and receiving stations under the first phase was completed 85% or more. The LNG business secured a stable growth, with deepened international cooperation, while its popularity and influence in the international market had enhanced, it effectively responded to the decline in market demand and adjusted its sales strategies and export prices in a flexible manner to facilitate the scalable growth of LNG sales. It made strenuous effort in expanding new energy projects, proactively developed new markets for heating supply, and continued to develop the photovoltaic market in Beijing. The management system of value-added business had improved and while the business was developing in a regulated and healthy manner, the categories of terminal products had increased correspondingly along with the daily life usage scenarios of family.

Natural Gas Transmission Business

PipeChina Group Beijing Pipeline Co., Ltd. ("PipeChina Beijing Pipeline Co.,") recorded a gas transmission volume of 31.8 billion cubic meters in the first half of 2022, representing a year-on-year increase of approximately 19%. During the period, Beijing Gas's share of net profit after taxation, through its 40% equity interests in PipeChina Beijing Pipeline Co., amounted to HK\$1.15 billion, representing an increase of 21% when compared with the same period of last year. The total capital expenditure of PipeChina Beijing Pipeline Co., for the first half of the year was approximately HK\$120 million.

VCNG project of Rosneft

The PJSC Verkhnechonskneftegaz ("VCNG") project of Rosneft Oil Company achieved its petroleum sales of 3.146 million tons during the Reporting Period, representing a year-on-year decrease of 7.3%. The military conflict between Russia and Ukraine did not exert any direct impact on the production and operation of the VCNG project. Beijing Gas shared a net operating profit after taxation of HK\$0.86 billion through its 20% equity interest in VCNG project in the first half of the year, representing a significant year-on-year increase, which was mainly due to an increase in international oil prices beyond expectation resulting from the military conflict between Russia and Ukraine.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review *(Continued)*

China Gas

The Group's share of profit of China Gas Holdings Limited ("China Gas", stock code: 384) in the first half of 2022 was HK\$0.81 billion, which was calculated based on the share of profit attributable to shareholders of China Gas for the six months ended 31 March 2022 and representing a decrease of 36.5% when compared with the same period of last year. This year also marks the 20th anniversary of the founding of China Gas. Facing the internal and external environment abound with challenges and opportunities, China Gas increased the investments in digital safety management in the first half of the year, and accelerated the development of an OMP system (Operation Management Platform) with group-wide coverage and advanced technology. Meanwhile, China Gas published a carbon neutrality action report in the first half year, set the goals for carbon neutrality, and specified the path of net-zero emission, which is of great significance for realising its own low-carbon transformation and driving energy conservation, carbon reduction and green development of the industrial chain. In the 2022 fiscal year, China Gas's total natural gas sales increased by 17.6% to 36.703 billion cubic metres; its LPG sales recorded 4.27 million tons and integrated energy sales recorded 7.6 billion KWH.

Water Business

Beijing Enterprises Water Group Limited ("BE Water", stock code: 371) centered on its mid- to long-term strategic goals and advanced its key tasks according to planned milestones. It continued to promote technological innovation and achieve breakthroughs in major technologies. During the period, it unveiled two technical products, BEAOA and BEWG speedgrain (北控速粒), which are of paramount significance to sewage treatment, pollution reduction and carbon reduction and the virtuous circle of the ecosystem. In the first half of the year, BE Water's revenue amounted to HK\$10.65 billion, profit attributable to its shareholders amounted to HK\$0.694 billion. The net profit attributable to the Group was HK\$0.282 billion.

As at 30 June 2022, BE Water already participated in 1,412 water plants which are or will be in operation, including 1,165 sewage treatment plants, 185 water distribution plants, 60 reclaimed water treatment plants and 2 seawater desalination plants, with a total design capacity of 45.38 million tons/day. The net increase in design capacity for the period was 0.5 million tons/day.

Environmental Business

At the end of the first half of the year, the environmental business segment of the Group realised a waste incineration and power generation treatment capacity of 30,465 tons/day. During the period, EEW Energy from Waste GmbH ("EEW GmbH") accomplished a waste treatment volume of 2.36 million tons, which remained the same year-on-year. The sales of electricity were 866 million KWH, which remained unchanged over the same period of last year. The sales volume of heat was 503 million KWH, representing a slight year-on-year decrease. The sales volume of steam was 1.217 billion KWH, representing a year-on-year increase of 14.0%. The revenue increased by 4.4% year-on-year to HK\$3.09 billion, which was mainly due to the higher sales prices of energy (electricity, heat, steam) than that of the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review *(Continued)*

Environmental Business (Continued)

In the first half of the year, the domestic environmental business segment of the Group recorded a waste treatment volume of 2.9053 million tons, representing a year-on-year increase of 15.4%. It completed an on grid power generation volume of 862.9 million KWH, representing a year-on-year increase of 2.3%. The solid waste projects in China includes Beijing Enterprises Environment Group Limited (“BE Environment”, stock code: 154) and Beijing Enterprises Holdings Environment Technology Co., Ltd (“BEHET”) etc., together achieved a total revenue of HK\$1.475 billion during the period, representing a year-on-year increase of 16.3%. During the period, the domestic environmental business segment achieved improved enterprise operational efficiency carried out diversified operations of coordinated processing, upgraded energy-saving transformation, improved production capacity utilisation, conducted centralised procurement to reduce production costs. It stepped up efforts in facilitating the reform of loss-making enterprises by adopting the one policy for one enterprise approach, strengthened regional coordination to implement technological upgrade to improve management standards. BE Environment completed the first carbon emission quota transaction, marking a breakthrough in “carbon emission reduction”. Moreover, proactive efforts have been made for its key project, the Beihai Domestic Waste Incineration Power Generation Project. The capital expenditure for the environmental business (both domestic and overseas) during the first half of the year was approximately HK\$1.179 billion.

Beer business

Faced with multiple difficulties such as the negative impact of COVID-19 on consumption, acute market competition and surging raw material costs, Beijing Yanjing Brewery Co., Ltd. (“Yanjing Brewery”) deepened its reforms, moved forward under pressure, and achieved sound performance in overall growth in terms of key economic indicators. In the first half year, Yanjing Brewery further promoted its core strategy by firmly focusing on the U8 strategy, increased investments in marketing resources, and adopted the Online-Merge-Offline approach to form an all-round, wide-coverage, three-dimensional branding, released brand marketing potential along the entire chain to radiate the national market. During the period, new products such as “fresh beer 2022”, U8plus and high-end Lager Super12 Pilsner have been launched one after another, which further enriched the mid- and high-end product matrix. In particular, the special Yanjing 12° launched during the year won the gold medal at the first National Light Industrial Products Expo (全國輕工產品博覽會), the gold medal at the 31st Brussels Expo and other well-known domestic and international awards. Yanjing Brewery took a number of measures to actively respond to the dual pressures of COVID-19 epidemic and the rising cost of raw and auxiliary materials, locked prices in advance to control the increase in raw material costs, accelerated the pace of product mix adjustment, increased income stream, optimised production capacity, and tapped potential to reduce costs and increase efficiency to facilitate the steady growth of economic benefits. In addition, Yanjing Brewery established a ESG Development Committee during the period, formulated an ESG strategic plan, established reasonable rules of procedure, and formed a top-down ESG management organization system. It will carry out “green governance” through deep cultivation of modern governance, green environmental protection, industrial innovation, and talent cultivation, so as to improve risk response capabilities, and achieve green, low-carbon, recyclable, and sustainable development.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Beer business (Continued)

Benefiting from the series of reforms in product matrix, marketing layout, brand culture, Yanjing Brewery achieved a sales volume of 2.15 million kilolitres during the Reporting Period, representing a year-on-year increase of 0.9%, of which, the sales volume of Yanjing U8 recorded 214,000 kilolitres, representing a year-on-year increase of 58%, which was one of the fastest-growing bulk single product in the industry in the past two years. The revenue that Beijing Yanjing Brewery Investments Co., Limited (北京燕京啤酒投資有限公司) (“Yanjing Limited”) recorded during the period was HK\$7.26 billion, representing a year-on-year increase of 7%, with its profit before taxation of HK\$597 million, representing a year-on-year increase of 22.6%. The capital expenditure of Yanjing Limited for the first half of the year was approximately HK\$264 million.

II. **Prospects**

At present, the Group is still bewildered by the complicated impact of many interference factors in the internal and external environment, and its industrial development is still in the critical stage of strategic transformation and upgrading. In the second half year, the Group will continue to promote the implementation of various key tasks, accelerate self-reform, promote industrial transformation and upgrading, leverage the strengths of its own capital operation to help subsidiaries to flourish new growth potential and strive to reshape the value of the capital market.

Natural gas distribution business of Beijing Gas

Beijing Gas will endeavour to support its supply and service, consolidate and increase its market scale and facilitate the integrated development of its value-added business and principal business. It will accelerate the integration of the piped gas market in Beijing, continue to develop high-quality users in Daxing, Tongzhou and Economic Development Zone. It will adopt the two approaches of piped gas replacement and liquid gas source supply to integrate the point-to-point supply market. It will accelerate the development of integrated energy and photovoltaic new energy business; continue to promote the long-term contracted procurement of LNG resources, and secure long-term resources for the Tianjin Nangang project. It will increase the sourcing and sales of domestic resources and propel the unified procurement of market-based resources for proprietary terminal piped gas to expand the liquid gas sales market. It will promote the integrated development of its value-added business and principal business to enrich terminal product offering to meet the diversified product demands from users.

VCNG of Rosneft

Although the military conflict between Russia and Ukraine has not had a substantial impact on the production and operation of the VCNG project for the time being, future changes in the military conflict between Russia and Ukraine are difficult to predict and may bring uncertainties to key factors affecting VCNG’s profitability, such as oil prices, ruble exchange rates and market supply. Greater risks exist whether future investment returns will continue to be as favourable as those in the first half of this year. Accordingly, Beijing Gas will continue to monitor the development of the Russia-Ukraine situation and market changes, and actively explore measures to maintain capital security under extreme circumstances.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Prospects (Continued)

China Gas

In the second half year, on top of further promoting safe operation and management, China Gas will focus on digital development. Relying on the strengths of its channels, it will rapidly facilitate industrial chain extension to lead the gas business moving up to a new level. Meanwhile, it will pay close attention to national policy changes and vigorously develop value-added service business under the light-asset model. It will actively incubate and cultivate its dual-carbon and new energy business, continuously promote the innovative and sustainable development of new businesses to devote contributions in achieving the national “dual-carbon” targets.

Water business

The water business segment will pursue its medium-term and long-term strategic goals, follow its “customer-oriented and innovation-driven” business philosophy, continue to develop the traditional water services business, and actively explore new businesses such as sludge treatment, wastewater reutilisation and industrial wastewater treatment. It will constantly accelerate its digitalisation transformation, build up smart operation management capability, develop customer-oriented innovative technological products, improve operational quality excellence, enhance its core corporate competitive strengths, establish a strong brand image that customers trust, and strive for its vision of “becoming the world-class provider of reliable and leading water services and environmental services”.

Environmental business

The environmental business will focus on quality and efficiency improvement and business scope expansion. Leveraging the strengths of its platform, it will devote every effort to create a new landscape of industrial development. The Solid Waste Platform will improve the level of production and operation in an all-round way. With economic benefits improvement as a backbone, it will enhance its refined management, and make better its capabilities in cost control, energy conservation and environmental protection and intelligent operation to name a few. It will step up efforts in market development, accelerate the pace of project technology reform, and expand income stream while continuing to improve its cash flow. In the overseas markets, EEW GmbH will actively pay attention to the impact of the Russia-Ukraine situation on the economic growth of Germany and the EU, make preparations in case of shortage in supply of raw materials, auxiliary materials and operating materials as well as deteriorating market prices, and proactively communicate with all parties to minimise the uncertainty to the greatest extent caused by the disruption on project production and operation.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Prospects *(Continued)*

Beer business

The beer business segment will reinforce the strategic core position of U8 and scale up the existing achievements. With developing super bulk single product as the goal, it will concentrate on its advantageous marketing resources, and actively explore innovative model of cooperation with more business categories. It will enrich the matrix of mid-to-high-end products, increase high-end products offering, and create model product category. It will continue to strengthen the governance of loss-making enterprises, optimise production capacity layout, and perform well in idle assets transformation and reuse. It will promote the transformation of supply chain to reduce costs; accelerate the process of production system reform, propel the breadth and depth of premier management systems and optimise system-wide standardised processes.

III. Financial Review

Revenue

The Group's revenue from operating activities in the first half of 2022 was approximately HK\$45.99 billion, increased by 13.9% when compared with the corresponding period of last year, which was mainly due to the increase in revenue of gas sales. The revenue of gas sales was HK\$34.16 billion. The revenue of beer sales was HK\$7.26 billion. The revenue of the environmental businesses was HK\$4.57 billion, which included the revenue of EEW GmbH amounting to HK\$3.09 billion and the revenue of other environmental businesses amounting to HK\$1.48 billion in total.

Cost of Sales

Cost of sales increased by 14.6% to HK\$39.23 billion year-on-year. Cost of sales of gas distribution business mainly included the purchase costs of natural gas as well as the depreciation charges of gas pipeline network. Cost of sales of brewery business included raw materials, wage expenses and absorption of certain direct overheads. Cost of sales of environmental businesses included fuel charges, amortisation and waste collection costs.

Gross Profit Margin

The overall gross profit margin was 14.7% when compared with that of 15.2% over the same period of last year. The slight decrease in gross profit was mainly due to the increase in operating costs of Yanjing Brewery.

Gain on Deemed Disposal of Partial Interests in an Associate

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

There was no related gain in the first half of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review *(Continued)*

Other income and gains, net

Other income and gains, net mainly comprised bank interest income amounting to HK\$328 million, investment income of a financial asset at fair value through profit or loss amounting to HK\$157 million, government grants of HK\$140 million and rental income of HK\$20 million.

Selling and Distribution Expenses

Selling and distribution expenses of the Group in the first half of 2022 were HK\$1.06 billion, decreased by 5.5% when compared with the corresponding period of last year, which was mainly due to the decrease in sales and distribution expenses of Yanjing Brewery.

Administrative Expenses

Administrative expenses of the Group in the first half of 2022 were HK\$3.03 billion, increased by 20.2% when compared with corresponding period of last year, which was mainly attributable to the increase in administrative expenses of Beijing Gas and Yanjing Brewery.

Finance Costs

Finance costs of the Group in the first half of 2022 were HK\$907 million, which was approximate to that of corresponding period in last year in general.

Share of Profits and Losses of Associates

Share of profits and losses of associates mainly included the 40% share of profit attributable to shareholders of PipeChina Beijing Pipeline Co., the 20% share of profit attributable to shareholders of VCNG, the 22.96% share of profit attributable to shareholders of China Gas and the 40.66% share of profit attributable to shareholders of BE Water.

In the first half of 2022, the Group shared the profit after taxation of PipeChina Beijing Pipeline Co., amounting to HK\$1.15 billion, the Group shared the profit after taxation of VCNG amounting to HK\$860 million, the Group shared the profit after taxation of China Gas amounting to HK\$810 million and the Group shared the net profit of BE Water amounting to HK\$282 million.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review *(Continued)*

Taxation

The effective income tax rate was 19.2%, which was higher than the 14.2% in the corresponding period of last year, which was mainly due to the gain on deemed disposal of partial interests in an associate in the same period of last year that was not subject to taxation.

Profit Attributable to Shareholders of the Company

Profit attributable to shareholders of the Company in the first half of 2022 was HK\$5.03 billion.

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

Non-current Assets

The net value of property, plant and equipment increased by HK\$739 million as compared with the end of 2021, which was mainly due to the increase in construction projects of Beijing Gas.

Other intangible assets were mainly from EEW GmbH.

Investments in associates increased by HK\$2.01 billion, which was mainly due to the fact that the Group sharing the first half profits of VCNG, PipeChina Beijing Pipeline Co., BE Water and China Gas.

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

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

The balance of prepayments, other receivables and other assets decreased by HK\$397 million, which was mainly due to the decrease in balance of prepaid project amounts by Beijing Gas for the LNG project in Nangang, Tianjin.

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

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Review *(Continued)*

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

Current Assets

Inventories mainly represented the inventory balance of Yanjing Brewery.

The balance of trade receivables increased by HK\$1.43 billion, which mainly represented the account receivables of Beijing Gas for selling gas during the heating season.

The balance of prepayments, other receivables and other assets increased by HK\$1.17 billion, which was mainly due to dividends receivables of VCNG and PipeChina Beijing Pipeline Co..

Cash balance was HK\$31.29 billion, decreased by HK\$1.95 billion as compared with the balance at the end of 2021, which was mainly due to repayment of bank loans and payment of project amounts by Beijing Gas during the period.

Non-current Liabilities

The balance of bank and other borrowings was basically unchanged as compared with that at the end of 2021.

The balance of guaranteed bonds and notes increased by HK\$3.45 billion, which was mainly due to the issuance of US\$500 million guaranteed bonds by Beijing Gas during the period in exchange for US dollar guaranteed bonds with equal amounts when due.

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

Current Liabilities

The balance of trade and bills payables decreased by HK\$336 million, which was mainly due to partial payment of project amounts by Beijing Gas during the period.

Other payables, accruals and contract liabilities increased by HK\$2.73 billion, which was mainly due to the increase in project amounts payable of the LNG project of Beijing Gas in Nangang, Tianjin.

The balance of guaranteed bonds and notes decreased by HK\$17.17 billion, which was mainly due to the replacement of EUR800 million guaranteed bonds and US\$800 million guaranteed notes when due with bridge bank loans during the period.

The balance of bank and other borrowings increased by HK\$13.14 billion, which was mainly due to the replacement of guaranteed bonds and guaranteed notes when due with bridge bank loans during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Financial Position of the Group

Cash and Bank Borrowings

As at 30 June 2022, cash and bank deposits held by the Group amounted to HK\$31.29 billion, representing a decrease of HK\$1.95 billion as compared with that at the end of 2021.

The Group's total borrowings amounted to HK\$71.83 billion as at 30 June 2022, which mainly comprised guaranteed bonds and notes of US\$1.8 billion in total, Euro guaranteed bonds amounting to EUR900 million, bridge loans amounting to US\$800 million, bridge loans amounting to EUR800 million and medium- and long-term loans amounting to HK\$20.1 billion.

Liquidity and Capital Resources

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

As at 30 June 2022, the issued capital of the Company was 1,261,253,268 shares and equity attributable to shareholders of the Company was HK\$96.23 billion. Total equity was HK\$109.06 billion when compared with HK\$109.07 billion as at the end of 2021. The gearing ratio, being interest-bearing bank borrowings, guaranteed bonds and notes divided by the sum of total equity, interest-bearing bank borrowings, guaranteed bonds and notes, was 40% (31 December 2021: 40%).

Foreign Exchange Exposure

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		Six months ended 30 June	
	Notes	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
REVENUE	4	45,989,161	40,388,185
Cost of sales		(39,227,536)	(34,237,613)
Gross profit		6,761,625	6,150,572
Gain on deemed disposal of partial interests in an associate	11	–	1,717,201
Other income and gains, net	5	1,216,083	987,788
Selling and distribution expenses		(1,062,057)	(1,123,681)
Administrative expenses		(3,033,122)	(2,522,990)
Other operating expenses, net		(178,551)	(301,502)
Finance costs	6	(906,875)	(896,581)
Share of profits and losses of:			
Joint ventures		(5,460)	8,813
Associates		3,247,404	3,288,918
PROFIT BEFORE TAX	7	6,039,047	7,308,538
Income tax	8	(538,052)	(571,106)
PROFIT FOR THE PERIOD		5,500,995	6,737,432
ATTRIBUTABLE TO:			
Shareholders of the Company		5,028,959	6,315,858
Non-controlling interests		472,036	421,574
		5,500,995	6,737,432
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted	10	HK\$3.99	HK\$5.00

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June 2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	5,500,995	6,737,432
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(2,325,741)	946,960
Share of other comprehensive income/(loss) of associates	(730,466)	741,741
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	(3,056,207)	1,688,701
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Defined benefit obligations:		
Actuarial gain, net	320,661	163,335
Income tax effect	(101,449)	(47,436)
	219,212	115,899
Equity investments at fair value through other comprehensive income:		
Changes in fair value	(303,938)	(229,088)
Income tax effect	27,423	55,766
	(276,515)	(173,322)
Share of other comprehensive income of associates	693	4,501
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(56,610)	(52,922)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX	(3,112,817)	1,635,779
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,388,178	8,373,211
ATTRIBUTABLE TO:		
Shareholders of the Company	2,455,726	7,840,718
Non-controlling interests	(67,548)	532,493
	2,388,178	8,373,211

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment	12	61,373,725	60,634,700
Investment properties		1,174,385	1,213,849
Right-of-use assets		2,324,001	2,470,636
Goodwill		15,714,159	16,253,581
Operating concessions		5,326,262	5,297,244
Other intangible assets		2,863,439	3,183,885
Investments in joint ventures		319,083	333,274
Investments in associates		68,460,484	66,452,026
Equity investments at fair value through other comprehensive income		2,417,744	2,802,836
Financial asset at fair value through profit or loss		2,371,849	2,523,115
Receivables under service concession arrangements	13	3,383,746	3,365,226
Receivable under a finance lease		463,316	556,361
Prepayments, other receivables and other assets		2,426,410	2,823,303
Deferred tax assets		2,004,199	2,102,515
Total non-current assets		170,622,802	170,012,551
Current assets:			
Inventories		5,641,939	6,218,945
Receivables under service concession arrangements	13	134,255	121,046
Receivable under a finance lease		95,065	98,516
Trade receivables	14	8,092,408	6,659,686
Prepayments, other receivables and other assets		7,008,861	5,837,534
Other tax recoverables		698,006	599,016
Financial assets at fair value through profit or loss		670,588	–
Restricted cash and pledged deposits		151,899	35,958
Cash and cash equivalents		31,291,403	33,238,799
Total current assets		53,784,424	52,809,500
TOTAL ASSETS		224,407,226	222,822,051

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	<i>15</i>	30,401,883	30,401,883
Reserves		65,829,482	65,575,827
		96,231,365	95,977,710
Non-controlling interests		12,825,140	13,089,259
TOTAL EQUITY		109,056,505	109,066,969
Non-current liabilities:			
Bank and other borrowings	<i>16</i>	28,205,213	27,797,718
Guaranteed bonds and notes	<i>17</i>	21,305,394	17,854,936
Lease liabilities		471,305	592,163
Defined benefit obligations		2,539,155	2,857,692
Provision for major overhauls and onerous contracts		284,751	375,908
Other non-current liabilities		1,920,428	1,974,292
Deferred tax liabilities		2,333,667	2,497,220
Total non-current liabilities		57,059,913	53,949,929
Current liabilities:			
Trade and bills payables	<i>18</i>	3,990,214	4,326,135
Other payables, accruals and contract liabilities		29,803,535	27,070,190
Provision for major overhauls and onerous contracts		46,689	50,093
Income tax payables		822,360	1,249,468
Other tax payables		825,682	390,504
Bank and other borrowings	<i>16</i>	22,320,258	9,179,370
Guaranteed bonds and notes	<i>17</i>	–	17,173,276
Lease liabilities		482,070	366,117
Total current liabilities		58,290,808	59,805,153
TOTAL LIABILITIES		115,350,721	113,755,082
TOTAL EQUITY AND LIABILITIES		224,407,226	222,822,051

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2022

	Attributable to shareholders of the Company										
	Share capital	Capital reserve	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) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 January 2022	30,401,883	1,701,951*	(354,464)*	84,051*	(321,888)*	4,407,190*	14,783,342*	45,275,645*	95,977,710	13,089,259	109,066,969
Profit for the period	-	-	-	-	-	-	-	5,028,959	5,028,959	472,036	5,500,995
Other comprehensive income/(loss) for the period:											
Equity investments at fair value through other comprehensive income:											
Changes in fair value	-	-	(303,938)	-	-	-	-	-	(303,938)	-	(303,938)
Income tax effect	-	-	27,423	-	-	-	-	-	27,423	-	27,423
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,786,157)	-	-	(1,786,157)	(539,584)	(2,325,741)
Defined benefit obligations:											
Actuarial gains	-	-	-	-	320,661	-	-	-	320,661	-	320,661
Income tax effect	-	-	-	-	(101,449)	-	-	-	(101,449)	-	(101,449)
Share of other comprehensive income/(loss) of associates	-	-	(396)	-	1,089	(730,466)	-	-	(729,773)	-	(729,773)
Total comprehensive income/(loss) for the period	-	-	(276,911)	-	220,301	(2,516,623)	-	5,028,959	2,455,726	(67,548)	2,388,178
Repurchase of shares	-	-	-	-	-	-	-	(22,257)	(22,257)	-	(22,257)
Acquisition of non-controlling interests	-	(91,158)	-	-	-	-	-	-	(91,158)	114,276	23,118
Share of reserves of associates	-	(1,015,911)	-	-	-	-	-	-	(1,015,911)	-	(1,015,911)
Final 2021 dividend	-	-	-	-	-	-	-	(1,072,745)	(1,072,745)	-	(1,072,745)
Dividends paid to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	(310,847)	(310,847)
Transfer to PRC reserve funds	-	-	-	-	-	-	688,403	(688,403)	-	-	-
At 30 June 2022	30,401,883	594,882*	(631,375)*	84,051*	(101,587)*	1,890,567*	15,471,745*	48,521,199*	96,231,365	12,825,140	109,056,505

* These reserve accounts comprise the consolidated reserves of HK\$65,829,482,000 (unaudited) (31 December 2021: HK\$65,575,827,000 (audited)) in the condensed consolidated statement of financial position as at 30 June 2022.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2022

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	5,078,459	5,236,568
Finance income on the net investment in a finance lease received	25,141	30,300
Mainland China income tax paid	(959,916)	(515,284)
Overseas income tax paid	(18,532)	(112,836)
Net cash flows from operating activities	4,125,152	4,638,748
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(5,424,379)	(4,412,328)
Decrease/(increase) in investments in associates	(1,220,612)	148,223
Dividends received from associates	1,388,569	445,318
Proceeds from disposal of items of property, plant and equipment	168,344	93,740
Proceeds from disposal of a right-of-use asset	60,241	–
Receipt of assets-related government grants	602,410	–
Increase in time deposits with maturity of more than three months when acquired	(274,348)	(738,774)
Purchases of financial assets at fair value through profit or loss	(686,747)	(265,060)
Investment income of a financial asset at fair value through profit or loss received	157,287	–
Other cash flows from/(used in) investing activities	(192,741)	60,008
Net cash flows used in investing activities	(5,421,976)	(4,668,873)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions from non-controlling equity holders of subsidiaries	–	27,096
New loans	18,379,064	8,837,364
Repayment of loans	(3,604,250)	(9,990,989)
Proceeds from issue of guaranteed bonds, net of issuance costs	3,911,977	9,088,293
Repayment of guaranteed bonds and notes	(17,015,229)	(4,656,000)
Other interest paid	(889,207)	(871,219)
Share repurchase	(22,257)	–
Other cash flows used in financing activities	(416,101)	(383,583)
Net cash flows from financing activities	343,997	2,050,962

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net increase/(decrease) in cash and cash equivalents	(952,827)	2,020,837
Cash and cash equivalents at beginning of period	31,610,666	28,981,962
Effect of foreign exchange rate changes, net	(1,204,999)	652,498
Cash and cash equivalents at end of period	29,452,840	31,655,297
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	19,486,822	19,548,044
Saving deposits placed in a financial institution (an associate of the Group)	362,944	359,040
Time deposits:		
Placed in banks	9,751,888	10,792,090
Placed in a financial institution (an associate of the Group)	1,837,316	1,873,223
Less: Restricted cash and pledged deposits	(147,567)	(36,167)
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	31,291,403	32,536,230
Less: Time deposits with maturity of more than three months when acquired	(1,838,563)	(880,933)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	29,452,840	31,655,297

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

1. BASIS OF PREPARATION AND PRESENTATION

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 of The Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited.

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021.

The accounting policies and basis of preparation used in the preparation of the unaudited interim condensed consolidated financial information are consistent with those adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, except for the adoption of the revised HKFRSs, as disclosed in note 2 below.

In preparing the unaudited interim condensed consolidated financial information, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets as at 30 June 2022. Taking into account the historical operating performance of the Group and the following: (a) listed investments of the Group could be realised immediately for funds to enable the Group to meet its liabilities as and when they fall due; (b) refinancing a term loan of HK\$4 billion with a new 5-year HK\$4 billion term loan facility; and (c) new banking facilities currently under negotiation, the directors of the Company considered that the Group will be able to operate as a going concern. Accordingly, the unaudited interim condensed consolidated financial information has been prepared on a going concern basis.

The financial information relating to the year ended 31 December 2021 included in this unaudited interim condensed consolidated financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to those statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on the consolidated financial statements of the Company for the year ended 31 December 2021. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 *Business Combinations* an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies* if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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

(c) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*, HKFRS 9 *Financial Instruments*, Illustrative Examples accompanying HKFRS 16 *Leases*, and HKAS 41 *Agriculture*. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
- HKFRS 16: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. OPERATING SEGMENT INFORMATION

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

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

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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 2022 and 2021, respectively.

Six months ended 30 June 2022

	Gas operation (Unaudited) HK\$'000	Water operation (Unaudited) HK\$'000	Environmental operation (Unaudited) HK\$'000	Brewery operation (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000	Inter-segment elimination (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue	34,162,332	-	4,566,521	7,260,308	-	-	45,989,161
Cost of sales	(31,133,094)	-	(3,287,062)	(4,807,380)	-	-	(39,227,536)
Gross profit	3,029,238	-	1,279,459	2,452,928	-	-	6,761,625
Profit/(loss) from operating activities	2,128,214	-	1,019,227	607,632	58,482	(109,577)	3,703,978
Finance costs	(274,498)	-	(144,251)	(25,329)	(572,374)	109,577	(906,875)
Share of profits and losses of:							
Joint ventures	(5,460)	-	-	-	-	-	(5,460)
Associates	2,932,246	282,207	18,692	14,259	-	-	3,247,404
Profit before tax	4,780,502	282,207	893,668	596,562	(513,892)	-	6,039,047
Income tax	(157,567)	-	(259,607)	(108,533)	(12,345)	-	(538,052)
Profit for the period	4,622,935	282,207	634,061	488,029	(526,237)	-	5,500,995
Segment profit attributable to shareholders of the Company	4,606,215	282,207	480,275	186,489	(526,227)	-	5,028,959

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

3. OPERATING SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2021

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

3. OPERATING SEGMENT INFORMATION *(Continued)*

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Total assets:		
Gas operation	139,234,081	136,642,493
Water operation	15,584,569	16,778,181
Environmental operation	37,106,589	39,115,751
Brewery operation	26,368,409	24,758,035
Corporate and others	14,654,696	13,798,613
Eliminations	(8,541,118)	(8,271,022)
	224,407,226	222,822,051
Total liabilities:		
Gas operation	42,427,092	42,736,887
Environmental operation	20,005,681	20,848,896
Brewery operation	10,970,320	9,116,403
Corporate and others	50,488,746	49,323,918
Eliminations	(8,541,118)	(8,271,022)
	115,350,721	113,755,082

During each of the six months ended 30 June 2022 and 2021, no single external customer contributed 10% or more of the Group's revenue.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

4. REVENUE

Revenue of the Group for each of the periods ended 30 June 2022 and 2021 was all revenue from contracts with customers and the following tables set out the disaggregated revenue information for revenue from contracts with customers:

Period ended 30 June 2022

Segments	Gas operation (Unaudited) <i>HK\$'000</i>	Brewery operation (Unaudited) <i>HK\$'000</i>	Environmental operation (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Types of goods or services				
Sale of piped natural gas	29,503,597	–	–	29,503,597
Sale of gas-related equipment	471,670	–	–	471,670
Sale of brewery products	–	7,260,308	–	7,260,308
Trading of liquefied natural gas	3,847,532	–	–	3,847,532
Construction services	339,533	–	580,345	919,878
Solid waste collection services	–	–	2,596,880	2,596,880
Sale of electricity, steam and heat	–	–	1,389,296	1,389,296
Total revenue from contracts with customers	34,162,332	7,260,308	4,566,521	45,989,161
Geographical markets				
Mainland China	31,123,712	7,260,308	1,475,334	39,859,354
Germany	–	–	3,091,187	3,091,187
Others	3,038,620	–	–	3,038,620
Total revenue from contracts with customers	34,162,332	7,260,308	4,566,521	45,989,161
Timing of revenue recognition				
Goods transferred at a point in time	33,822,799	7,260,308	1,389,296	42,472,403
Services transferred at a point in time	–	–	2,596,880	2,596,880
Services transferred over time	339,533	–	580,345	919,878
Total revenue from contracts with customers	34,162,332	7,260,308	4,566,521	45,989,161

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

4. REVENUE *(Continued)*

Period ended 30 June 2021

Segments	Gas operation (Unaudited) <i>HK\$'000</i>	Brewery operation (Unaudited) <i>HK\$'000</i>	Environmental operation (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Types of goods or services				
Sale of piped natural gas	26,707,953	–	–	26,707,953
Sale of gas-related equipment	472,823	–	–	472,823
Sale of brewery products	–	6,783,066	–	6,783,066
Trading of liquefied natural gas	1,935,941	–	–	1,935,941
Construction services	257,846	–	358,323	616,169
Solid waste collection services	–	–	2,778,886	2,778,886
Sale of electricity, steam and heat	–	–	1,093,347	1,093,347
Total revenue from contracts with customers	29,374,563	6,783,066	4,230,556	40,388,185
Geographical markets				
Mainland China	27,895,984	6,783,066	1,268,672	35,947,722
Germany	–	–	2,961,884	2,961,884
Others	1,478,579	–	–	1,478,579
Total revenue from contracts with customers	29,374,563	6,783,066	4,230,556	40,388,185
Timing of revenue recognition				
Goods transferred at a point in time	29,116,717	6,783,066	1,093,347	36,993,130
Services transferred at a point in time	–	–	2,778,886	2,778,886
Services transferred over time	257,846	–	358,323	616,169
Total revenue from contracts with customers	29,374,563	6,783,066	4,230,556	40,388,185

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

5. OTHER INCOME AND GAINS, NET

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	328,393	341,800
Finance income on the net investment in a finance lease	25,141	30,300
Rental income	19,595	41,078
Investment income of a financial asset at fair value through profit or loss	157,287	154,550
Government grants	139,570	102,502
Transfer of assets from customers	21,921	13,974
Gain on disposal of a right-of-use asset	57,306	–
Foreign exchange differences, net	232,287	5,444
Others	234,583	298,140
Other income and gains, net	1,216,083	987,788

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

6. FINANCE COSTS

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and other loans	487,332	338,065
Interest on guaranteed bonds and notes	410,727	558,123
Interest on lease liabilities	21,440	14,455
Total interest expenses	919,499	910,643
Increase in discounted amounts of provision for major overhauls arising from the passage of time	330	294
Total finance costs	919,829	910,937
Less: Interest capitalised	(12,954)	(14,356)
	906,875	896,581

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	1,999,619	1,914,843
Depreciation of right-of-use assets	193,053	85,736
Amortisation of operating concession*	117,449	103,470
Amortisation of other intangible assets [#]	122,068	145,512
Loss on disposal of items of property, plant and equipment, net [^]	52,679	6,878
Impairment of financial assets, net:		
Impairment of trade receivables, net [^]	17,085	6,040
Impairment of other receivables, net [^]	1,422	1,755
	18,507	7,795

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

[#] HK\$103,437,000 (six months ended 30 June 2021: HK\$122,111,000) and HK\$18,631,000 (six months ended 30 June 2021: HK\$23,401,000) of the amortisation of other intangible assets for the period are included in "Cost of sales" and "Administrative expenses" on the face of the condensed consolidated statement of profit or loss, respectively.

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

8. INCOME TAX

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current:		
Mainland China	306,402	368,081
Germany	245,081	211,525
Others	46,365	32,263
Deferred	(59,796)	(40,763)
Total tax expense for the period	538,052	571,106

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

9. INTERIM DIVIDEND

On 31 August 2022, the Board declared an interim cash dividend of HK50 cents per share (six months ended 30 June 2021: HK40 cents per share), totalling approximately HK\$630,627,000 (six months ended 30 June 2021: HK\$504,821,000) for the six months ended 30 June 2022.

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit attributable to shareholders of the Company of HK\$5,028,959,000 (six months ended 30 June 2021: HK\$6,315,858,000), and the weighted average number of ordinary shares of 1,261,277,025 (six months ended 30 June 2021: 1,262,053,268) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for each of the six months ended 30 June 2022 and 2021 for a dilution as the impact of the dilutive potential ordinary shares of associates in issue during these periods is minimal.

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

During the six months ended 30 June 2021, the Group's equity interest in China Gas Holdings Limited was diluted from 23.74% to 22.08% upon placing of 392,000,000 new shares by China Gas Holdings Limited under a top-up placing arrangement, resulting in a gain on deemed disposal of HK\$1,717,201,000 recognised by the Group in the condensed consolidated statement of profit or loss which was included in "Corporate and others" segment in the operating segment information set out in note 3.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment at a total cost of HK\$5,424,379,000 (six months ended 30 June 2021: HK\$4,412,328,000), which did not include property, plant and equipment acquired through transfer of assets from customers with a total deemed cost of HK\$21,921,000 (six months ended 30 June 2021: HK\$13,974,000 (note 5)).

Property, plant and equipment with an aggregate carrying amount of HK\$221,023,000 (six months ended 30 June 2021: HK\$100,618,000) were disposed of by the Group during the six months ended 30 June 2022, resulting in a net loss on disposal of HK\$52,679,000 (note 7) (six months ended 30 June 2021: net loss on disposal of HK\$6,878,000 (note 7)).

13. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

The Group's receivables under service concession arrangements represented the Group's unconditional right to receive cash or another financial asset for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service under service concession arrangements. They were all unbilled as at 30 June 2022 and 31 December 2021.

The amounts of contract assets included in the carrying amounts of operating concessions and receivables under service concession arrangements as at the end of the reporting period are as follows:

	30 June 2022 (Unaudited) <i>HK\$'000</i>	31 December 2021 (Audited) <i>HK\$'000</i>
Contract assets included in:		
Operating concessions	2,822,437	3,373,928
Receivables under service concession arrangements	788,391	1,150,566
Total	3,610,828	4,524,494

The above contract assets are initially recognised for revenue earned from the provision of construction services of solid waste incineration plants during the period of construction under service concession arrangements. Pursuant to the service concession agreements, the Group receives no payment from grantors during the construction period and receives service fees when relevant solid waste collection service is rendered. The receivables under service concession arrangements (including the contract assets therein) are not yet due for payment and will be settled by service fees to be received during the operating periods of the service concession arrangements. Amounts billed will then be transferred to trade receivables. The Group's trading terms and credit policy with customers are disclosed in note 14 to the financial statements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

14. TRADE RECEIVABLES

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

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Billed:		
Within one year	7,065,507	3,877,465
One to two years	347,546	52,286
Two to three years	20,637	18,103
Over three years	38,906	12,600
	7,472,596	3,960,454
Unbilled*	619,812	2,699,232
	8,092,408	6,659,686

* *The unbilled balance was attributable to (i) the sale of natural gas near the period/year end date and such sale will be billed in the next meter reading date; and (ii) entitlements to renewable energy tariff subsidies from the sale of electricity generated from waste incineration.*

Included in the Group's trade receivables as at 30 June 2022 were aggregate amounts of HK\$32,002,000 (31 December 2021: HK\$43,500,000) and HK\$145,985,000 (31 December 2021: HK\$75,890,000) due from fellow subsidiaries and a joint venture of the Group, arising from transactions carried out in the ordinary course of business of the Group, respectively. The balances are unsecured, interest-free and are repayable within credit periods similar to those offered by the Group to its major customers.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

15. SHARE CAPITAL

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Issued and fully paid:		
1,261,253,268 (31 December 2021: 1,262,053,268) ordinary shares	30,401,883	30,401,883

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

	Number of shares in issue	Share capital HK\$'000
At 1 January, 31 December 2021 and 1 January 2022	1,262,053,268	30,401,883
Shares repurchased and cancelled (note)	(800,000)	–
At 30 June 2022	1,261,253,268	30,401,883

Note: During the period ended 30 June 2022, the Company repurchased a total of 800,000 ordinary shares of the Company on the Hong Kong Stock Exchange at a weighted average cost of HK\$27.71 per share. All the repurchased shares were cancelled by the Company during the period and the total amount paid for the repurchase of these shares of HK\$22,257,000 (including transaction costs of HK\$86,000) has been charged to retained profits of the Company in accordance with section 257 of the Hong Kong Companies Ordinance.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

16. BANK AND OTHER BORROWINGS

	<i>Notes</i>	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Bank loans:			
Secured		3,058,503	2,878,986
Unsecured	<i>(a)</i>	42,162,507	28,884,698
		45,221,010	31,763,684
Other loans:			
Unsecured	<i>(b)</i>	5,304,461	5,213,404
Total bank and other borrowings		50,525,471	36,977,088
Portion classified as current liabilities		(22,320,258)	(9,179,370)
Non-current portion		28,205,213	27,797,718

Notes:

- (a) The loan agreements in respect of certain bank loans outstanding as at 30 June 2022 include certain conditions imposing specific performance obligations on the Company's holding companies, among which the following events would constitute events of default on the loan facilities:
- (i) if Beijing Enterprises Group does not or ceases to own, directly or indirectly, at least 40% or 50% of the beneficiary interest of the Company; and
 - (ii) if Beijing Enterprises Group ceases to be controlled and supervised by the Beijing Municipal Government.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

16. BANK AND OTHER BORROWINGS *(Continued)*

Notes: (Continued)

(a) *(Continued)*

A summary of these bank loans as at 30 June 2022 is as follows:

	Year of drawdown	Contractual interest rate per annum	Final maturity
Five-year HK\$4 billion term loan	2017	1-month HIBOR+0.62%	13 July 2022
Five-year EUR350 million term loan	2018	1-month EURIBOR+1.09%	17 July 2023
Five-year HK\$4 billion term loan	2020	1-month HIBOR+1.15%	27 November 2025
Five-year HK\$2 billion term loan	2021	1-month HIBOR+1.1%	18 February 2026
Five-year HK\$4 billion term loan	2021	1-month HIBOR+1.1%	18 June 2026
Five-year HK\$4.2 billion term loan	2021	1-month HIBOR+1.05%	19 November 2026
Five-year HK\$2 billion term loan	2021	1-month HIBOR+1.05%	3 December 2026
EUR200 million term loan	2022	1-month EURIBOR+0.25%	6 April 2023
EUR160 million term loan	2022	1-month EURIBOR+0.3%	11 April 2023
US\$160 million term loan	2022	1-month SOFR+1.7%	13 April 2023
US\$300 million term loan	2022	1-month SOFR+1.05%	14 April 2023
EUR100 million term loan	2022	1-month EURIBOR+0.35%	18 April 2023
EUR140 million term loan	2022	1-month SOFR+0.55%	31 December 2022
US\$37 million term loan	2022	1-month EURIBOR+0.25%	31 December 2022
US\$50 million revolving loan	2022	1-month HIBOR+0.7%	4 April 2023
EUR200 million revolving loan	2022	1-month EURIBOR+0.25%	10 April 2023
US\$200 million revolving loan	2022	1-month SOFR+0.55%	10 April 2023
HK\$1,000 million revolving loan	2022	1-month HIBOR+0.7%	22 June 2023

To the best knowledge of the directors of the Company, none of the above default events took place during the period ended 30 June 2022 and as at the date of approval of this financial information.

(b) Included in the Group's other borrowings as at 30 June 2022 were loans of HK\$2,414 million (31 December 2021: HK\$1,549 million) in total advanced from an associate, which bear interest at rates ranging from from 3-month HIBOR plus 3.80% to 4.75% per annum (31 December 2021: from 3-month HIBOR plus 3.80% to 4.75%). Interest expenses of HK\$30,481,000 (six months ended 30 June 2021: HK\$27,733,000) were recognised in profit or loss during the period in respect of the loans (note 20(a)(x)).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

17. GUARANTEED BONDS AND NOTES

A summary of the guaranteed bonds and notes issued by the Group and outstanding as at 30 June 2022 is as follows:

	Principal at original currency 'million	Contractual interest rate per annum	Maturity	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
2011 Second Senior Notes	US\$400	6.375%	2041	3,080,136	3,059,987
2012 Senior Notes	US\$800	4.5%	2022	–	6,217,965
2015 US\$ Bonds	US\$200	4.99%	2040	1,528,631	1,518,629
2017 EUR Bonds	EUR800	1.3%	2022	–	7,058,455
2017 Guaranteed Notes	US\$500	2.75%	2022	–	3,896,856
2020 Green Bonds	EUR500	1%	2025	4,084,738	4,377,755
EEW Green Notes	EUR400	0.361%	2026	3,279,112	3,519,887
2021 US\$ Bonds	US\$300	2%	2026	2,332,773	2,316,208
2021 US\$ Bonds	US\$400	3.13%	2031	3,084,230	3,062,470
2022 Green Notes	US\$500	1.875%	2025	3,915,774	–
				21,305,394	35,028,212
Portion classified as current liabilities				–	(17,173,276)
Non-current portion				21,305,394	17,854,936

Except for the 2017 Guaranteed Notes and 2022 Green Notes which are guaranteed by Beijing Gas Group Company Limited and EEW Green Notes which are guaranteed by EEW Holding GmbH, all the above guaranteed bonds and notes are guaranteed by the Company.

The fair value of the Group's guaranteed bonds and notes as at 30 June 2022 was approximately HK\$20.7 billion (31 December 2021: HK\$36.9 billion), based on price quotations from financial institutions at the reporting date.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

18. TRADE AND BILLS PAYABLES

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Billed:		
Within one year	2,881,592	3,462,533
One to two years	225,387	155,691
Two to three years	22,371	8,808
Over three years	24,107	20,697
	3,153,457	3,647,729
Unbilled*	836,757	678,406
	3,990,214	4,326,135

* The unbilled balance was attributable to (i) purchase of natural gas near the period end which was billed subsequently in July 2022; and (ii) accrued extra purchase costs which will be billed when the price is agreed by Beijing Gas with the supplier; and (iii) accrued construction costs for solid waste incineration plant and ecological construction services which have not been billed by the suppliers.

Included in the trade and bills payables as at 30 June 2022 were amounts of HK\$19,948,000 (31 December 2021: HK\$7,176,000) in total due to fellow subsidiaries, arising from transactions carried out in the ordinary course of business of the Group. The balances are unsecured, interest-free and are repayable within credit periods similar to those offered by the related parties to their major customers.

19. CAPITAL COMMITMENTS

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Contracted, but not provided for:		
Gas pipelines and plant and machinery	15,168,927	19,368,482
Service concession arrangements	515,913	534,788
Total	15,684,840	19,903,270

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

20. RELATED PARTY DISCLOSURES

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

Name of related party	Nature of transaction	Notes	Six months ended 30 June	
			2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Non-controlling equity holders of subsidiaries and their associates:				
北京燕京啤酒集團公司 and its associates	Purchase of bottle labels	(i)	44,749	40,331
	Purchase of bottle caps ^y	(i)	15,301	23,848
	Canning service fees paid ^y	(ii)	16,070	13,621
	Comprehensive support service fees paid ^y	(iii)	9,365	8,919
	Land rental expenses ^y	(iv)	1,113	1,061
	Trademark licensing fees paid ^y	(v)	33,175	28,069
	Less: refund for advertising subsidies ^y	(v)	(4,603)	(3,728)
Fellow subsidiaries:				
北京北燃實業有限公司 and its subsidiaries	Sale of piped natural gas [#]	(vi)	170,327	141,295
	Engineering service income [#]	(vii)	19,485	2,129
	Comprehensive service income [#]	(vii)	227	3,495
	Engineering service expenses [#]	(vii)	77,837	65,233
	Comprehensive service expenses [#]	(vii)	69,673	51,812
	Building rental expenses [#]	(viii)	58,726	92,105
	Building rental income [#]	(viii)	–	398
	Purchase of goods [#]	(viii)	33,737	62,928
	Sale of goods [#]	(ix)	42,115	55,539
Associate:				
北京控股集團財務 有限公司 ("BE Group Finance")	Interest expenses	(x)	30,481	27,733
	Interest income [@]	(x)	10,623	11,837

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

20. RELATED PARTY DISCLOSURES *(Continued)*

(a) *(Continued)*

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

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

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

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

Notes:

- (i) The purchase prices for bottle labels and bottle caps were determined by reference to the agreed prices for the preceding year and an annual adjustment determined by reference to the price index in Beijing in the preceding year.
- (ii) The canning service fees were charged at a rate equal to the costs of the canning services incurred by Yanjing Beer Group plus a mutually-agreed profit margin.
- (iii) The comprehensive support service fees paid included the following:
 - fees for security and canteen services which were determined based on the annual cost of labour, depreciation and maintenance for the preceding year and an annual adjustment by reference to the price index in Beijing; and
 - rental expenses, related to the premises occupied and used by Yanjing Brewery as its office, canteen and staff dormitories, which were determined by reference to the prevailing market rentals at the time when the relevant agreements were entered into.
- (iv) The land rental expenses were charged at a mutually-agreed amount of RMB1,849,000 (2021: RMB1,849,000) per annum.
- (v) The trademark licensing fees paid were for the use of “Yanjing” trademark and were determined based on 1% (six months ended 30 June 2021: 1%) of the annual sales of beer and mineral water products made by Yanjing Brewery and at a rate of RMB0.008 (six months ended 30 June 2021: RMB0.008) per bottle of beer sold by the subsidiaries of Yanjing Brewery. Yanjing Brewery Group would refund 20% of the trademark licensing fees from sales of beer received from Yanjing Brewery for the use by Yanjing Brewery to develop and promote the “Yanjing” trademark.
- (vi) The selling price of piped natural gas was prescribed by the PRC government.
- (vii) The service fees were determined by reference to the then prevailing market rates and set at prices not higher than the guidance prices set by the PRC government.
- (viii) The purchase prices of goods and the building rentals were determined by reference to the then prevailing market rates.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

20. RELATED PARTY DISCLOSURES *(Continued)*

(a) *(Continued)*

Notes: (Continued)

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

On 20 December 2019, the Company and BE Group Finance entered into a deposit agreement (the "Deposit Agreement") whereby the Company and BE Group Finance will continue to carry out transactions under a deposit services master agreement entered on 29 December 2014 for a further period of three years from 1 January 2020 to 31 December 2022. The terms and conditions under the Deposit Agreement are substantially the same as those under the deposit services master agreement and the revised daily aggregate of deposits placed by the Group with BE Group Finance (including any interest accrued thereon) during the term of the Deposit Agreement will not exceed HK\$2.23 billion.

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

The amount of deposits placed by the Group with BE Group Finance as at 30 June 2022 amounted to HK\$2,164 million (31 December 2021: HK\$2,227million).

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

(b) Compensation of key management personnel of the group

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	5,043	2,919
Pension scheme contributions	14	14
Total compensation paid to key management personnel	5,057	2,933

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

DISCLOSEABLE INFORMATION

CHANGES IN DIRECTORS' INFORMATION

Changes in directors' information required to be disclosed pursuant to Rule 13.51B(1) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out as follows:

On 26 April 2022:

- Mr. Zhao Xiaodong resigned as Executive Director and Vice Chairman of the Board of the Company.

On 11 July 2022:

- (i) Mr. Li Yongcheng resigned as Executive Director, Chairman of the Board, Chairman of the Nomination Committee, member of the Remuneration Committee and Chairman of the Investment Committee of the Company;
- (ii) Mr. Dai Xiaofeng was re-designated as Executive Director and Chairman of the Board of the Company, and replaced Mr. Li Yongcheng to hold the positions of Chairman of the Nomination Committee, member of the Remuneration Committee and Chairman of the Investment Committee of the Company;
- (iii) Mr. Xiong Bin was appointed as executive director and the chairman of the board of Beijing Enterprises Water Group Limited.

DISCLOSEABLE INFORMATION

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

At 30 June 2022, the interests and short positions of the Company's directors and chief executive in the shares, underlying shares and debentures 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
Xiong Bin	40,000	0.003%
Jiang Xinhao	20,000	0.002%
Tam Chun Fai	2,000	0.000%

(B) LONG POSITIONS IN SHARES OF ASSOCIATED CORPORATIONS

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

[®] As at 30 June 2022, all interests in these associated corporations owned by the Company are indirectly held.

Save as disclosed above, as at 30 June 2022, 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.

DISCLOSEABLE INFORMATION

SHARE OPTION SCHEME

The Company currently does not have any share option scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

At 30 June 2022, the following interests and short positions of 5% or more of the issued share of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

LONG POSITIONS:

Name	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's total number of issued shares
	Directly beneficially owned	Others	Total	
Beijing Holdings Limited ("BHL")	4,391,000	–	4,391,000	0.35%
Modern Orient Limited ("MOL")	100,050,000	–	100,050,000	7.93%
Beijing Enterprises Investments Limited ("BEIL")	163,730,288	100,050,000 ^(a)	263,780,288	20.91%
Beijing Enterprises Group (BVI) Company Limited ("BE Group BVI")	518,187,500	263,780,288 ^(b)	781,967,788	62.00%
Beijing Enterprises Group Company Limited ("BE Group")	–	786,358,788 ^(c)	786,358,788	62.35%

Notes:

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

DISCLOSEABLE INFORMATION

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

Save as disclosed above, as at 30 June 2022, 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.

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 <i>(million)</i>	Final Maturity
5 May 2011	Purchase agreement for issuance of senior notes	US\$400	May 2041
1 December 2015	Subscription agreement for issuance of bonds	US\$200	December 2040
17 July 2018	Term loan facility with a bank	EUR350	July 2023
17 September 2020	Subscription agreement for issuance of bonds	EUR500	September 2025
23 November 2020	Term loan facility with respective banks	HK\$4,000	November 2025
18 February 2021	Term loan facility with a bank	HK\$2,000	February 2026
28 April 2021	Subscription agreement for issuance of bonds	US\$300	May 2026
28 April 2021	Subscription agreement for issuance of bonds	US\$400	May 2031
18 June 2021	Term loan facility with a bank	HK\$4,000	June 2026
19 November 2021	Term loan facility with a bank	HK\$4,200	November 2026
3 December 2021	Term loan facility with a bank	HK\$2,000	December 2026
12 April 2022	Term loan facilities with respective banks	EUR500	April 2023
12 April 2022	Term loan facilities with respective banks	US\$37	April 2023
14 April 2022	Term loan facilities with respective banks	US\$710	April 2023
8 July 2022	Term loan facility with a bank	HK\$4,000	July 2027

DISCLOSEABLE INFORMATION

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS *(Continued)*

The 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 BE 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 BE Group ceases to be controlled and supervised by the People's Government of Beijing Municipality.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2022, the Company bought back a total of 800,000 ordinary shares of the Company on the Stock Exchange. These shares were subsequently cancelled by the Company on 20 May 2022. Details of the buy-backs of such ordinary shares are as follows:

Month	Number of Shares bought back	Price per Share		Total consideration paid HK\$
		Highest HK\$	Lowest HK\$	
January	800,000	28.40	27.45	22,170,550.00

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

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange for the six months ended 30 June 2022.

EMPLOYEE

At 30 June 2022, the Group had approximately 35,000 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 2022.

Due to other business engagements, the former Chairman of the Board, Mr. Li Yongcheng was unable to attend the annual general meeting of the Company held on 17 June 2022, which deviates from Code Provision F.2.2. However, he had arranged other directors to attend the meeting and communicate with shareholders.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 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 six months ended 30 June 2022.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. Wu Jiesi, Mr. Lam Hoi Ham (Chairman of Audit Committee) and Dr. Yu Sun Say. The Audit Committee of the Company has already reviewed the unaudited interim results for the six months ended 30 June 2022 and considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.