



# 北京控股有限公司

## BEIJING ENTERPRISES HOLDINGS LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(website: [www.behl.com.hk](http://www.behl.com.hk))

(Stock code: 392)

## SUMMARISED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2006

### UNAUDITED INTERIM RESULTS AND INTERIM DIVIDEND

The Board to Directors (the “Board”) of Beijing Enterprises Holdings Limited (the “Company”) is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2006 and the unaudited condensed consolidated balance sheet of the Group as at 30 June 2006 with the comparative figures in 2005. The consolidated turnover of the Group was HK\$6.36 billion for the first half of 2006, increased by 23.6% comparing to the corresponding period of last year of which turnover from continuing operations was HK\$3.42 billion, increased by 19.7% comparing to the same period last year. Profit attributable to the shareholders of the Company was HK\$13.99 million, declined by 95.7% comparing to the first half of 2005.

Subsequent to the implementation of the share reform plan of Beijing Yanjing Brewery Company Ltd. (“Beijing Yanjing”), the Company recorded a one-off attributable loss of HK\$344 million, while an exceptional gain of HK\$111 million attributable to the Company was also recorded after investors had exercised most of their outstanding convertible bonds due to the share reform of Beijing Yanjing. The net loss attributable to the Company was approximately HK\$233 million. Stripping off the loss of the share reform of Beijing Yanjing and other exceptional items, net profits attributable to shareholders of the Company increased by 14% to HK\$242 million mainly driven by strong profit growth of Capital Airport Expressway (“Airport Expressway”) and Wangfujing Department Store (Group) Co., Limited (“Wangfujing”).

Net profit before exceptional items contributed by each business segment during the period were as follows:

	ended 30th June, For the six months ended 30 June 2006	
	Net profit before exceptional items HK'000	Proportion %
Infrastructure	127,700	52.7
Utilities	71,740	29.6
Consumer products	54,600	22.5
Retail & others	(11,860)	(4.8)
	<hr/>	<hr/>
	242,180	100
	<hr/> <hr/>	<hr/> <hr/>

The Board has resolved to declare an interim dividend of HK10 cents per share in cash for the six months ended 30 June 2006 (2005: HK10 cents) payable on 9 November 2006 to shareholders whose names appear on the Register of Members of the Company on 11 October 2006.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

		<b>For the six months ended 30 June</b>	
		<b>2006</b>	2005
	<i>Notes</i>	<b>Unaudited HK\$'000</b>	Unaudited HK\$'000
<b>CONTINUING OPERATIONS:</b>			
TURNOVER	2	<b>3,415,514</b>	2,854,162
Cost of sales		<u>(2,225,507)</u>	<u>(1,851,086)</u>
Gross profit		<b>1,190,007</b>	1,003,076
Interest income		<b>32,928</b>	24,065
Gain on deemed disposal of interest in a subsidiary		<b>139,363</b>	14,498
Other revenue and gains, net	3	<b>95,160</b>	38,604
Selling and distribution costs		<b>(393,335)</b>	(295,907)
Administrative expenses		<b>(398,322)</b>	(306,554)
Dilution loss on share reform of a subsidiary		<b>(429,877)</b>	–
Other operating expenses, net		<u>(48,969)</u>	<u>(22,578)</u>
<b>PROFIT FROM OPERATING ACTIVITIES</b>		<b>186,955</b>	455,204
Finance costs	4	<b>(62,160)</b>	(61,256)
Share of profits and losses of:			
Jointly-controlled entities		<b>(922)</b>	(524)
Associates		<b>8,039</b>	11,835
<b>PROFIT BEFORE TAX</b>	5	<b>131,912</b>	405,259
<b>TAX</b>	6	<u><b>(90,000)</b></u>	<u>(98,601)</u>
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>41,912</b>	306,658
<b>DISCONTINUED OPERATIONS:</b>			
<b>PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS</b>	7	<u><b>68,576</b></u>	<u>109,118</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>110,488</b></u>	<u>415,776</u>

**ATTRIBUTABLE TO:**

Shareholders of the Company:			
	Continuing operations	(8,242)	221,299
	Discontinued operations	22,230	105,589
		13,988	326,888
	Minority interests	96,500	88,888
		<u>110,488</u>	<u>415,776</u>
<b>DIVIDEND</b>			
	Interim	8	62,250
			<u>62,250</u>
<b>EARNINGS/(LOSS) PER SHARE</b>			
<b>ATTRIBUTABLE TO SHAREHOLDERS</b>			
<b>OF THE COMPANY</b>			
	Basic for profit for the period	9	HK\$0.02
			<u>HK\$0.53</u>
	Basic for profit/(loss) from continuing operations		HK\$(0.01)
			<u>HK\$0.36</u>
	Diluted for profit for the period		HK\$0.02
			<u>HK\$0.52</u>
	Diluted for profit/(loss) from continuing operations		HK\$(0.01)
			<u>HK\$0.35</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**  
30 June 2006

		30 June 2006 Unaudited HK\$'000	31 December 2005 Audited HK\$'000
	<i>Notes</i>		
<b>ASSETS</b>			
Non-current assets:			
	Property, plant and equipment	7,170,527	8,037,017
	Investment properties	301,150	446,820
	Prepaid land premiums	257,345	377,320
	Goodwill	196,631	275,777
	Other intangible assets	1,458,838	1,517,866
	Interests in jointly-controlled entities	33,162	182,918
	Interests in associates	221,368	248,849
	Long term trade receivables	10	11,704
	Other receivables	303,448	33,202
	Pledged bank balances	30,082	303,448
	Available-for-sale financial assets	460,980	34,684
	Deferred tax assets	15,201	460,980
		<u>10,460,436</u>	<u>67,772</u>
	Total non-current assets		12,046,044

Current assets:			
Prepaid land premiums		<b>6,696</b>	12,684
Properties under development		–	322,301
Properties held for sale		–	39,406
Inventories		<b>1,457,680</b>	1,574,923
Amounts due from customers for contract work		<b>14,844</b>	25,238
Trade and bills receivables	10	<b>630,515</b>	928,709
Other receivables		<b>958,249</b>	1,092,481
Investments held for trading		<b>68,571</b>	45,551
Cash and cash equivalents		<b>2,430,215</b>	3,523,612
		<b>5,566,770</b>	7,564,905
Assets of a disposal group and non-current assets classified as held for sale		<b>3,362,499</b>	19,319
Total current assets		<b>8,929,269</b>	7,584,224
<b>TOTAL ASSETS</b>		<b>19,389,705</b>	19,630,268
		<b>30 June 2006 Unaudited HK\$'000</b>	31 December 2005 Audited HK\$'000

*Notes*

## EQUITY AND LIABILITIES

### Equity attributable to shareholders of the Company:

Issued capital		<b>62,250</b>	62,250
Reserves		<b>8,207,920</b>	8,256,191
Proposed dividend		<b>62,250</b>	124,500
		<b>8,332,420</b>	8,442,941
Minority interests		<b>4,805,337</b>	4,064,052
<b>TOTAL EQUITY</b>		<b>13,137,757</b>	12,506,993
Non-current liabilities:			
Bank and other borrowings		<b>419,625</b>	373,311
Convertible bonds		<b>838</b>	548,785
Other long term liabilities		<b>13,782</b>	32,682
Deferred tax liabilities		<b>28,503</b>	168,527
Total non-current liabilities		<b>462,748</b>	1,123,305

Current liabilities:			
Trade and bills payables	11	514,660	1,165,555
Amounts due to customers for contract work		66,850	48,580
Other payables and accruals		1,610,847	1,839,417
Taxes payable		470,230	395,132
Bank and other borrowings		1,454,695	2,505,132
		<u>4,117,282</u>	<u>5,953,816</u>
Liabilities directly associated with assets of a disposal group and non-current assets classified as held for sale		1,671,918	46,154
		<u>1,671,918</u>	<u>46,154</u>
Total current liabilities		5,789,200	5,999,970
		<u>5,789,200</u>	<u>5,999,970</u>
TOTAL LIABILITIES		6,251,948	7,123,275
		<u>6,251,948</u>	<u>7,123,275</u>
TOTAL EQUITY AND LIABILITIES		19,389,705	19,630,268
		<u>19,389,705</u>	<u>19,630,268</u>

Notes:

#### 1. Basis of preparation

The unaudited condensed interim consolidated financial statements for the six months ended 30 June 2006 are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of these interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2005.

#### 2. Segment information

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 business 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 business segments. The following tables present revenue and results for the Group’s business segments.

(i) **From continuing operations**

For the six months ended 30 June 2006

	Brewery operations Unaudited HK\$'000	Expressway and toll road operations Unaudited HK\$'000	Water treatment operations Unaudited HK\$'000	Telecommunications and IT related services and products Unaudited HK\$'000	Corporate and others Unaudited HK\$'000	Total Unaudited HK\$'000	Elimination Unaudited HK\$'000	Consolidated Unaudited HK\$'000
Segment revenue								
External sales	2,676,009	250,978	248,208	43,491	196,828	3,415,514	-	3,415,514
Intersegment sales	-	-	-	-	226	226	(226)	-
Other income and gains, net	42,752	765	1,243	7,789	5,379	57,928	-	57,928
Total	<u>2,718,761</u>	<u>251,743</u>	<u>249,451</u>	<u>51,280</u>	<u>202,433</u>	<u>3,473,668</u>	<u>(226)</u>	<u>3,473,442</u>
Segment results	<u>252,005</u>	<u>159,742</u>	<u>83,159</u>	<u>(16,661)</u>	<u>(37,571)</u>	<u>440,674</u>		<u>440,674</u>
Unallocated expenses, net						(253,719)		(253,719)
Profit from operating activities						<u>186,955</u>		<u>186,955</u>

For the six months ended 30 June 2005

	Brewery operations Unaudited HK\$'000	Expressway and toll road operations Unaudited HK\$'000	Water treatment operations Unaudited HK\$'000	Telecommunications and IT related services and products Unaudited HK\$'000	Corporate and others Unaudited HK\$'000	Total Unaudited HK\$'000	Elimination Unaudited HK\$'000	Consolidated Unaudited HK\$'000
Segment revenue								
External sales	2,146,327	217,913	238,182	66,884	184,856	2,854,162	-	2,854,162
Intersegment sales	-	-	-	-	451	451	(451)	-
Other income and gains, net	32,332	753	-	2,954	2,837	38,876	-	38,876
Total	<u>2,178,659</u>	<u>218,666</u>	<u>238,182</u>	<u>69,838</u>	<u>188,144</u>	<u>2,893,489</u>	<u>(451)</u>	<u>2,893,038</u>
Segment results	<u>233,331</u>	<u>144,071</u>	<u>78,359</u>	<u>(1,730)</u>	<u>(26,016)</u>	<u>428,015</u>		<u>428,015</u>
Unallocated income, net						27,189		27,189
Profit from operating activities						<u>455,204</u>		<u>455,204</u>

(ii) *From discontinued operations*

	Retail operations		Dairy operations		Others		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2006	2005	2006	2005	2006	2005	2006	2005
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
External sales	2,769,178	2,176,080	-	-	175,047	113,168	2,944,225	2,289,248
Intersegment sales	-	-	-	-	-	-	-	-
Other income and gains, net	59,798	35,296	-	-	3,593	3,881	63,391	39,177
	<u>2,828,976</u>	<u>2,211,376</u>	<u>-</u>	<u>-</u>	<u>178,640</u>	<u>117,049</u>	<u>3,007,616</u>	<u>2,328,425</u>
Total								
Segment results	178,812	75,907	-	-	(70,324)	(33,230)	108,488	42,677
	<u>178,812</u>	<u>75,907</u>	<u>-</u>	<u>-</u>	<u>(70,324)</u>	<u>(33,230)</u>	<u>108,488</u>	<u>42,677</u>
Unallocated income, net							21,520	110,736
							<u>21,520</u>	<u>110,736</u>
Profit from operating activities							130,008	153,413
							<u>130,008</u>	<u>153,413</u>

3. **Other revenue and gains, net**

	For the six months ended 30 June	
	2006	2005
	Unaudited	Unaudited
	HK\$'000	HK\$'000
<b>Other income</b>		
Investment income	2,106	225
Corporate income tax and value-added tax refund	9,943	2,934
Others	41,601	35,106
	<u>53,650</u>	<u>38,265</u>
<b>Gains, net</b>		
Gain on partial disposal of interests in subsidiaries	39,850	-
Others	1,660	339
	<u>41,510</u>	<u>339</u>
	<u>95,160</u>	<u>38,604</u>

#### 4. Finance costs

	For the six months ended 30 June	
	2006 Unaudited HK\$'000	2005 Unaudited HK\$'000
Interest on convertible bonds	1,270	3,525
Interest on bank loans and other loans wholly repayable within five years	59,306	57,428
Interest on other loans	1,584	303
	<u>62,160</u>	<u>61,256</u>

#### 5. Profit before tax

Profit before tax was determined after charging the following:

	For the six months ended 30 June	
	2006 Unaudited HK\$'000	2005 Unaudited HK\$'000
Depreciation	290,126	227,808
Amortisation of intangible assets	53,672	52,367
	<u>343,798</u>	<u>280,175</u>

#### 6. Tax

	For the six months ended 30 June	
	2006 Unaudited HK\$'000	2005 Unaudited HK\$'000
Current – PRC		
Hong Kong	150	663
Mainland China	89,334	91,524
Current – Overseas	–	1,119
Deferred	516	5,295
	<u>90,000</u>	<u>98,601</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

#### 7. Discontinued operations

During the six months ended 30 June 2006, discontinued operations of the Group mainly comprised retail operations. For the corresponding period last year, retail and dairy operations were the major discontinued operations of the Group.

#### 8. Interim dividend

On 13 September 2006, the Board declared an interim dividend of HK10 cents per share (2005: HK10 cents), totalling HK\$62,250,000 (2005: HK\$62,250,000).



## 9. Earnings/(loss) per share attributable to shareholders of the Company

The calculation of basic earnings per share amount for the six months ended 30 June 2006 is based on the unaudited profit attributable to shareholders of the Company for the period and the weighted average of 622,500,000 ordinary shares in issue during the period. Basic loss per share amount from continuing operations for the six months ended 30 June 2006 is based on loss from continuing operations attributable to shareholders of the Company for the period and the weighted average of 622,500,000 ordinary shares in issue during the period.

Diluted earnings per share and diluted loss per share from continuing operations for the six months ended 30 June 2006 is the same as basic earnings per share and basic loss per share from continuing operations, respectively, for that period as the exercise of convertible bonds of Beijing Yanjing, share options of the Company and its subsidiaries Beijing Development (Hong Kong) Limited (“Beijing Development”) and Xteam Software International Limited (“Xteam Software”) outstanding during the period had an anti-dilutive effect on the basic earnings per share and basic loss per share from continuing operations for that period.

The calculation of the basic and diluted earnings per share for the six months ended 30 June 2005 is based on the following data:

### Earnings:

	For the six months ended 30 June 2005	
	Profit for the period Unaudited HK\$'000	Profit from continuing operations Unaudited HK\$'000
Profit attributable to shareholders of the Company, used in the basic earnings per share calculation	326,888	221,299
Interest expense for the period relating to the liability component of the convertible bonds of Beijing Yanjing, net of current tax	2,362	2,362
Decrease in profit for the period of Beijing Yanjing attributable to the Group, as a result of the dilution of interest in Yanjing Brewery assuming the exercise of all the outstanding convertible bonds issued by Yanjing Brewery	(4,875)	(4,875)
Profit attributable to shareholders of the Company, used in the diluted earnings per share calculation	<u>324,375</u>	<u>218,786</u>
<b>Number of ordinary shares:</b> Weighted average number of ordinary shares in issue during the period used in basic and diluted earnings per share calculations	<u>622,500,000</u>	

The exercise of the outstanding share options of the Company, Beijing Development and Xteam Software, subsidiaries of the Company, during the six months ended 30 June 2005 did not have a diluting effect on the Group's basic earnings per share for the period.

## 10. Trade and bills receivables

The various group companies have different credit policies, depending on the requirements of their markets and the businesses which they operate. Certain customers are allowed to settle the construction contract sum by three annual instalments. Aged analyses of trade and bills receivables are prepared and closely monitored in order to minimise any credit risk associated with receivables.

An aged analysis of the Group's trade and bills receivables as at the balance sheet date is as follows:

	<b>30 June 2006 Unaudited HK\$'000</b>	31 December 2005 Audited HK\$'000
Within one year	595,887	769,933
One to two years	15,502	112,168
Two to three years	12,477	66,728
Over three years	18,353	13,082
	<hr/>	<hr/>
	<b>642,219</b>	961,911
Less: Portion classified as current assets	<b>(630,515)</b>	(928,709)
	<hr/>	<hr/>
Non-current portion	<b>11,704</b>	33,202
	<hr/> <hr/>	<hr/> <hr/>

## 11. Trade and bills payables

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

	<b>30 June 2006 Unaudited HK\$'000</b>	31 December 2005 Audited HK\$'000
Within one year	476,918	1,120,017
One to two years	10,287	25,677
Two to three years	11,061	7,313
Over three years	16,394	12,548
	<hr/>	<hr/>
	<b>514,660</b>	1,165,555
	<hr/> <hr/>	<hr/> <hr/>

## 12. Comparative amounts

Certain comparative amounts have been restated or reclassified, where appropriate, in order to conform to the current period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Infrastructure and Utilities

##### *Toll Roads*

Airport Expressway continued to benefit from the air traffic growth of the Beijing Capital International Airport ("Beijing Airport") and its traffic volume grew by 14.5% to 24.31 million vehicles in the first half of the year. Turnover increased by 19% to HK\$214 million and attributable profit to the Group increased by 14% to approximately HK\$119 million in the same period. During the period, the Capital Expressway Co., has materialized the investment in 60% controlling stake in the northern extension of the Airport Expressway. The 11.29 kilometer extension will connect the Beijing Jingcheng Highway to the northern gate of the Beijing Airport new passenger terminal. The total investment is approximately RMB1.429 billion and construction to be completed by the end of this month.

The traffic volume of Shenzhen Shiguan Road was being diverted by neighboring new highways and declined by 6.2% to 4.7 million vehicles in the first half of the year. Turnover declined by 3.1% to HK\$36.87 million and profit attributable to the Group decreased by 12.5% to HK\$8.79 million.

### ***Water Treatment Concession***

The attributable profit of Beijing number nine water purification concession to the Group had increased to HK\$71.74 million. The Group is actively pursuing investment opportunities in the water sector and intends to raise the weighting of profit contribution from this sector.

### **Consumer Products**

#### ***Beer operations***

The regional operations of Yanjing Brewery continued to grow at spectacular rate. Overall sales volume of beer operations managed by Yanjing increased 13.6% to 1.67 million tons in the first half of the year. Turnover increased even more by 24.7% to HK\$2,676 billion due to full consolidation of the businesses of previously unconsolidated companies, product price increase and higher Renminbi yuan exchange rate. Profit after tax of beer operation increased slightly in the first half of the year mainly due to amortization of sponsorship of the 2008 Beijing Olympic Games.

During the period, the A share listed subsidiary, Beijing Yanjing implemented the A share reform. Upon completion of the reform in May 2006, the Group transferred approximately 79 million shares of Beijing Yanjing to the Tradable Shares Shareholders and incurred a net exceptional loss of approximately HK\$233 million. The Group's effective stake in Beijing Yanjing has been reduced to approximately 43.29%.

#### ***Winery***

Both turnover and operating profit of Shun Sing Winery remained sluggish in the first half of the year mainly due to keen competition in the PRC market.

### **Retail and Tourism Services**

Boosted by buoyant property market and assets appreciation in the PRC, various department stores of Wangfujing achieved record high in sales in the first half of the year. Turnover increased 29.7% to HK\$2,917 billion and profit attributable to the Group increased by 283% to HK\$45.3 million.

Despite strong rebound in the business of Wangfujing, the Group decided to divest the 50.13% controlling stake in Wangfujing at a consideration of HK\$971 million. This major transaction has been approved by independent shareholders of the Company on 29 June 2006 and is now pending for approval from regulatory bodies in the PRC. The Group considered Wangfujing's department stores business is a market oriented business and future returns may not justify for the tremendous management resource required. The proceeds from the disposal of Wangfujing will be deployed mainly for future investments in the utilities sector.

Longqingxia remains the only tourism business in the Group, turnover for the first half of the year 2006 was HK\$24.84 million, attributable profit to the Group was HK\$250,000. The Group will look for good opportunity to divest Longqingxia and completely withdraw from this business.

## **Other Business**

Information technology was operating under very competitive environment and the Group recorded operating loss of HK\$10.06 million. The Company will continue to monitor the performance of non-core assets and endeavor to increase or recognize their value through restructure and divesture.

## **PROSPECTS**

After a series of divestitures in the past three years, the Group has successfully streamlined its assets portfolio. Currently, the Group derives its earnings primarily from toll roads, water treatment concession and beer operations. The Group has transformed itself into a limited diversified conglomerate with focus on infrastructure, utilities and consumer products. All of the core assets are providing steady profits and cashflow to the Group.

Going forward, the Group will actively look for further investment opportunities in infrastructure and utilities sectors in Beijing. We are carefully studying feasibility of new water treatment and toll road projects around the Beijing Airport vicinity. In terms of public utilities development, the Company is particularly keen in exploring the potential investment opportunities in the pipe line gas project in Beijing.

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK10 cents per share in cash for the six months ended 30 June 2006 (2005: HK10 cents). It is expected that the interim dividends are payable on 9 November 2006 to shareholders whose names appear on the Register of Members of the Company on 13 October 2006.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Wednesday, 11 October 2006, to Friday, 13 October 2006 (both dates inclusive), during which period no transfers of shares will be effected. In order to qualify for interim dividends, all transfer documents, accompanied by relevant share certificates and transfer forms, must be lodged with the Company's Share Registrars, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 10 October 2006.

## **FINANCIAL REVIEW**

### **I. Analysis of Financial Results**

#### **1. Turnover**

Net turnover increased by 23.6% to HK\$6.36 billion mainly driven by the nationwide expansion plans of Beijing Yanjing and Wangfujing Department Stores of which turnover from continuing operations was HK\$3.42 billion, increased 19.7% comparing to the same period last year.

The additional production capacity of Yanjing's regional operations, including Liquan at Guilin, Baotou and Chifeng at Inner Mongolia are generating phenomenal volume growth. In the mean time, certain regional operations including Huiquan at Fujian, Xiandu at Zhejiang and Hengyang at Hunan are turning around their business and further boosted sales volume of the Group's beer operations.

Although turnover contribution from other business were relative small, however, toll road business contributed significantly to the bottom line profit of the Group.

## 2. *Profit before tax*

### (a) *Gross profit margin*

Overall gross profit margin of continuing operations for the period under review was 34.8%, remained stable comparing to corresponding period last year. Product prices of Yanjing improved in general due to higher growth in premium beer and price upward adjustments for certain medium to low end products. Toll roads remained the most profitable business due to their relatively fixed cost structure.

### (b) *Gain on deemed disposal of interest in a subsidiary and dilution loss on share reform of Beijing Yanjing*

Gain on deemed disposal of interest in a subsidiary arose due to conversion of very substantial portion of the convertible bonds of Beijing Yanjing by its bondholders in April 2006. Dilution loss was incurred when the Group transferred 79 million non-tradable shares of Beijing Yanjing to the Tradable Shareholders at nil consideration under the requirement of the A Share Reform Plan of Beijing Yanjing.

### (c) *Share of results of associates*

Decline by approximately HK\$3.8 million mainly due to lower profit contribution from Biosino Bio-Technology and Science Incorporation (Stock code 8247), BMEI Co., Ltd. and Peking University WBL Biotech Co., Ltd.

### (d) *Income tax rate*

Effective income tax rate edged up to approximately 68% due to the net exceptional loss from Beijing Yanjing of HK\$233 million is not deductible for tax calculation. The effective tax rate, if not taking into account the above net exceptional loss, is comparable with same period last year.

## II. **Financial Position of the Group**

### 1. *Capital and Shareholders' Equity*

As at 30 June 2006, the Company has a total of 622,500,000 shares in issue, shareholders' equity decreased by approximately HK\$111 million mainly due to payment of final dividend for year 2005. Minority interests increased by approximately HK\$740 million mainly to conversion of convertible bonds of Beijing Yanjing and execution of the Yanjing Share Reform Plan

### 2. *Borrowings*

The Group's bank and other borrowings amounted to HK\$1.874 billion as at 30 June 2006, which mainly comprised short term working capital loans of HK\$1.455 billion carried in the PRC subsidiaries. Around 80% of the bank loans were denominated in renminbi and 20% in Hong Kong and US dollars.

### **3. *Bank Deposits***

As at 30 June 2006, cash and bank deposits held by the Group amounted to HK\$2.46 billion. At present, the Group is in a net cash position and has a strong net working capital of HK\$1.449 billion with a current ratio of 1.35. The Group maintains sufficient banking facilities to cope with the needs of its working capital requirements and has plenty of room to gear up its balance sheet should significant investment opportunities arise.

### **4. *Non-current assets classified as held for sale and Relevant Liabilities***

These represent the assets and liabilities of Wangfujing Department Store (Group) Limited as at 30 June 2006. Independent shareholders of the Company resolved to sell the controlling interests in Wangfujing in June and the completion of this transaction is pending for the approvals from various PRC regulatory bodies. The attributable profit on disposal of such asset will be recorded once the transaction is legally completed.

## **III Risk Management**

The Group's major financial instruments include equity investments, borrowings, trade receivables, trade payables, other receivables, other payables and bank balances and cash. The management adopts and applies the following policies to manage and monitor financial risks.

1. Provision for diminution is made according to Group's accounting policy or where a permanent impairment in value has taken place or there is evidence of reduction in recoverability of the cash flows;
2. Review market trends on interest rates and exchange rates movements, assess potential financial impact on the Group's operation and financial position. Effective hedging instruments can be used to level off dramatic market movements should a need arises.
3. The Group's cash and bank deposits should be placed with financial institutions with strong credit rating and good reputation.

## **SUBSEQUENT EVENT**

Subsequent to the period ended 30 June 2006, the Company granted 5,900,000 share options to the executive directors and senior management of the Company on 19 July 2006 according to the Share Option Scheme approved by the shareholders on 17 October 2005.

The maximum number of shares which can be issued upon exercise of these options are 5,900,000 shares. The exercise price of HK\$12.55 was determined based on the average closing price of the previous five trading days before the date of grant. The options have a contractual life of five years from the date of the grant and will become 80% vested six months from the date of grant. The remaining 20% will be exercisable upon termination of individual employee's employment and upon satisfactory discharge of their responsibilities.

Each grant of the share options to executive directors has complied with the requirements of Rule 17.04 of the Listing Rules and were approved by the independent non-executive directors to whom share options have not been granted. The estimated fair value of each option granted was HK\$5. The financial impact will be accounted for as share-based payments compensation to employees in the subsequent accounting period.

## **EMPLOYEE INFORMATION**

At 30 June, 2006, the Group has 34,400 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.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

## **COMPLIANCE OF THE MODEL CODE FOR DIRECTORS' SHARE DEALING**

All Directors have confirmed, following specific enquiry by the Company, that they complied with the required standards set out in the Model Code for Directors' Share Dealing as set out in Appendix 10 to the Listing Rules throughout the review period.

## **CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to building and maintaining high standards of corporate governance practices. Save the deviation as disclosed below, the Company has complied with the code provisions (the "Code Provisions") contained in Appendix 14 "Code on Corporate Governance Practices" of the Listing Rules throughout the six months ended on 30 June 2006.

The non-executive directors (all are independent non-executive directors) of the Company are not appointed with specific terms, which deviates from the requirement of Code Provision A.4.1. However, in view of the fact that the non-executive directors are subject to retirement by rotation in accordance with the Company's Articles of Association, the Company considers that there are sufficient measures to ensure that the corporate governance standard of the Company is not less exacting than that of the Code Provisions.

## **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive directors, namely, Dr. Lee Tung Hai, Leo (Chairman of Audit Committee), Mr. Wang Xian Zhang and Mr. Wu Jiesi. The main duties of the committee include reviewing and providing supervision over the Company's financial reporting process and internal controls. The Audit Committee of the Company has already reviewed the unaudited interim results for the six months ended 30 June, 2006 and considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.

## **PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT**

This results announcement is published on The Stock Exchange of Hong Kong Limited's (the "Stock Exchange") website ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company's website ([www.behl.com.hk](http://www.behl.com.hk)). The 2006 Interim Report will be dispatched to Shareholders in late September 2006 and will be available at the Stock Exchange's website and the Company's website accordingly.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the Board of Directors of the Company comprises 11 Executive Directors, namely, Mr. Yi Xi Qun, Mr. Zhang Hong Hai, Mr. Li Fu Cheng, Mr. Bai Jin Rong, Mr. Liu Kai, Mr. Zheng Wan He, Mr. Guo Pu Jin, Mr. Zhou Si, Mr. E Meng, Mr. Zhao Chang Shan and Mr. Lei Zhen Gang; five Independent Non- Executive directors, namely, Mr. Lau Hon Chuen, Ambrose, Dr. Lee Tung Hai, Leo, Mr. Wang Xian Zhang, Mr. Wu Jiesi and Mr. Robert A. Theleen.

## **APPRECIATION**

On behalf of the Board, I would like to express my sincere thanks to all the Group's employees for their continuous support and dedicated services.

By order of the Board  
**Yi Xi Qun**  
*Chairman*

Hong Kong, 13 September 2006