



北京控股有限公司

BEIJING ENTERPRISES HOLDINGS LIMITED

Stock Code : 392

Interim Report 2006



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## CORPORATE INFORMATION

### GENERAL INFORMATION:

#### Registered Office

Room 4301, 43/F., Central Plaza,  
18 Harbour Road,  
Wanchai, Hong Kong  
Tel: (852) 2915 2898  
Fax: (852) 2857 5084

#### Website

<http://www.behl.com.hk>

#### Stock Code

392

#### Company Secretary

Mr. Tam Chun Fai *CPA CFA*

#### Share Registrars

Tengis Limited  
26/F, Tesbury Centre,  
28 Queen's Road East,  
Hong Kong

### DIRECTORS:

#### Executive Directors

Mr. Yi Xi Qun (*Chairman*)  
Mr. Zhang Hong Hai (*Vice Chairman  
and CEO*)  
Mr. Li Fu Cheng (*Vice Chairman*)  
Mr. Bai Jin Rong (*Vice Chairman*)  
Mr. Liu Kai (*Vice President*)  
Mr. Zheng Wan He  
Mr. Guo Pu Jin  
Mr. Zhou Si  
Mr. E Meng (*Vice President*)  
Mr. Zhao Chang Shan  
Mr. Lei Zhen Gang

#### Independent Non-executive Directors

Mr. Lau Hon Chuen, Ambrose  
Dr. Lee Tung Hai, Leo  
Mr. Wang Xian Zhang  
Mr. Wu Jiesi  
Mr. Robert A. Theleen

## CORPORATE INFORMATION

### PROFESSIONALS:

#### Auditors

Ernst & Young

#### Legal Advisers

##### *as to Hong Kong law:*

Johnson Stokes & Master

##### *as to PRC law:*

Haiwen & Partners

##### *as to US law:*

Sullivan & Crommell

### PRINCIPAL BANKERS:

#### In Hong Kong:

Bank of China (Hong Kong) Limited

Bank of Communications,

Hong Kong Branch

Calyon, Hong Kong Branch

Rabobank, Hong Kong Branch

#### In Mainland China:

Agricultural Bank of China

Bank of China

China Construction Bank

Guangdong Development Bank

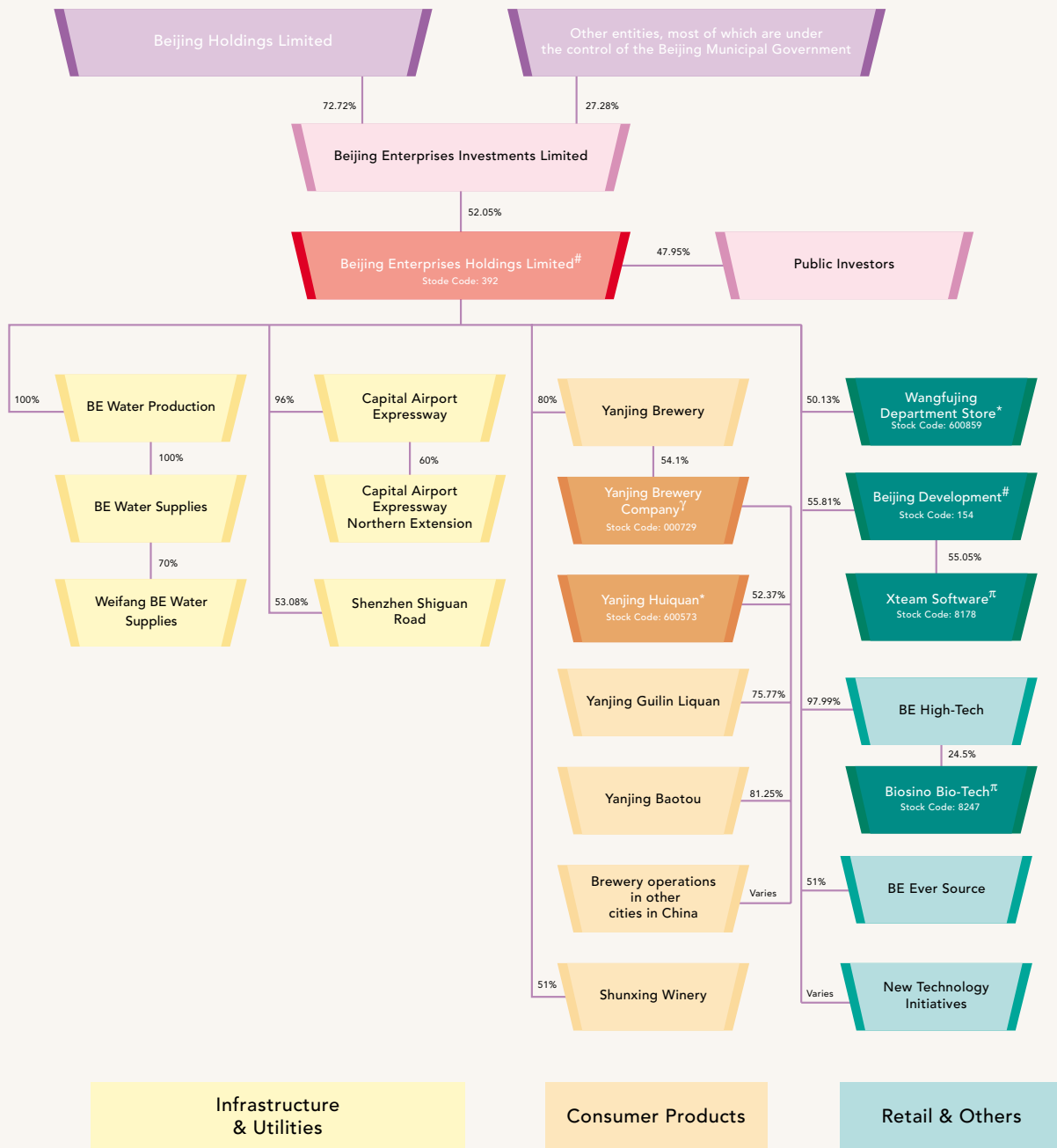
The Industrial and Commercial Bank of China

#### ADR Depository Bank:

The Bank of New York

# CORPORATE STRUCTURE

AS AT 13 SEPTEMBER 2006



\* Listed on The Shanghai Stock Exchange

† Listed on The Shenzhen Stock Exchange

# Listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange")

π Listed on The Growth Enterprise Market of the Hong Kong Stock Exchange

## SUMMARY

### UNAUDITED INTERIM RESULTS AND INTERIM DIVIDEND

The Board of 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 profit 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:

	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)
	<u>242,180</u>	<u>100</u>

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 13 October 2006.

## BUSINESS OVERVIEW AND OUTLOOK

### 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 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%.

## BUSINESS OVERVIEW AND OUTLOOK

### *Winery*

Both turnover and operating profit of Shun Xing 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.

## 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, Baotau 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, toll road business contributed significantly to the bottom line profit of the Group.



## BUSINESS OVERVIEW AND OUTLOOK

### 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 Share 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.

## BUSINESS OVERVIEW AND OUTLOOK

### 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 due 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 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.

## BUSINESS OVERVIEW AND OUTLOOK

### 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.

### 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.

### 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

## INTERIM DIVIDEND

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### 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.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

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

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

		For the six months ended 30 June	
		2006	2005
		Unaudited	Unaudited
		HK\$'000	HK\$'000
	<i>Notes</i>		
<b>ATTRIBUTABLE TO:</b>			
Shareholders of the Company:			
Continuing operations		(8,242)	221,299
Discontinued operations		22,230	105,589
		<b>13,988</b>	326,888
Minority interests		96,500	88,888
		<b>110,488</b>	415,776
<b>DIVIDEND</b>			
Interim	8	62,250	62,250
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>			
Basic for profit for the period	9	HK\$0.02	HK\$0.53
Basic for profit/(loss) from continuing operations		HK\$(0.01)	HK\$0.36
Diluted for profit for the period		HK\$0.02	HK\$0.52
Diluted for profit/(loss) from continuing operations		HK\$(0.01)	HK\$0.35

# CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2006

	<i>Notes</i>	<b>30 June 2006 Unaudited HK\$'000</b>	31 December 2005 Audited HK\$'000
<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	33,202
Other receivables		303,448	313,782
Pledged bank balances		30,082	34,684
Available-for-sale financial assets		460,980	510,037
Deferred tax assets		15,201	67,772
<b>Total non-current assets</b>		<b>10,460,436</b>	<b>12,046,044</b>
Current assets:			
Prepaid land premiums		6,696	12,684
Properties under development		–	322,301
Properties held for sale		–	39,406
Inventories		1,457,680	1,574,923
Amounts due from customers for contract work		14,844	25,238
Trade and bills receivables	10	630,515	928,709
Other receivables		958,249	1,092,481
Investments held for trading		68,571	45,551
Pledged bank balances		17,707	15,557
Cash and cash equivalents		2,412,508	3,508,055
		<b>5,566,770</b>	<b>7,564,905</b>
Assets of a disposal group and non-current assets classified as held for sale	11	3,362,499	19,319
<b>Total current assets</b>		<b>8,929,269</b>	<b>7,584,224</b>
<b>TOTAL ASSETS</b>		<b>19,389,705</b>	<b>19,630,268</b>

# CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2006

	<i>Notes</i>	<b>30 June 2006 Unaudited HK\$'000</b>	31 December 2005 Audited HK\$'000
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to shareholders of the Company:			
Issued capital	12	62,250	62,250
Reserves		8,207,920	8,256,191
Proposed dividend		62,250	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>	<b>12,506,993</b>
Non-current liabilities:			
Bank and other borrowings		419,625	373,311
Convertible bonds		838	548,785
Other long term liabilities		13,782	32,682
Deferred tax liabilities		28,503	168,527
<b>Total non-current liabilities</b>		<b>462,748</b>	<b>1,123,305</b>
Current liabilities:			
Trade and bills payables	13	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
		<b>4,117,282</b>	5,953,816
Liabilities directly associated with assets of a disposal group and non-current assets classified as held for sale	11	1,671,918	46,154
<b>Total current liabilities</b>		<b>5,789,200</b>	<b>5,999,970</b>
<b>TOTAL LIABILITIES</b>		<b>6,251,948</b>	<b>7,123,275</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>19,389,705</b>	<b>19,630,268</b>



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Attributable to shareholders of the Company										
	Issued capital	Share premium account	Capital reserve	Property revaluation reserve	Exchange fluctuation reserve	PRC reserve funds	Retained profits	Proposed dividend	Total	Minority interests	Total equity
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	62,250	4,839,497	(84,734)	12,332	163,885	712,257	2,612,954	124,500	8,442,941	4,064,052	12,506,993
Income for the period recognised directly in equity											
– Exchange realignment	-	-	-	-	(9)	-	-	-	(9)	(23)	(32)
Profit for the period	-	-	-	-	-	-	13,988	-	13,988	96,500	110,488
<i>Total recognised income and expense for the period</i>	-	-	-	-	(9)	-	13,988	-	13,979	96,477	110,456
Capital contribution from minority interests	-	-	-	-	-	-	-	-	-	548,191	548,191
Deemed disposal of interests in subsidiaries	-	-	(27,673)	-	-	(71,142)	98,815	-	-	246,849	246,849
Partial disposal of interests in subsidiaries	-	-	(27)	-	(1,771)	(4,089)	5,887	-	-	13,848	13,848
Interim 2006 dividend	-	-	-	-	-	-	(62,250)	62,250	-	-	-
Final 2005 dividend declared	-	-	-	-	-	-	-	(124,500)	(124,500)	-	(124,500)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	(164,080)	(164,080)
Transfer to reserves	-	-	386	-	-	51,378	(51,764)	-	-	-	-
<b>At 30 June 2006</b>	<b>62,250</b>	<b>4,839,497*</b>	<b>(112,048)*</b>	<b>12,332*</b>	<b>162,105*</b>	<b>688,404*</b>	<b>2,617,630*</b>	<b>62,250</b>	<b>8,332,420</b>	<b>4,805,337</b>	<b>13,137,757</b>
At 1 January 2005	62,250	4,839,497	(210,685)	-	32,287	620,601	2,412,648	124,500	7,881,098	3,720,099	11,601,197
Income for the period recognised directly in equity											
– Exchange realignment	-	-	-	-	161	-	-	-	161	307	468
Profit for the period	-	-	-	-	-	-	326,888	-	326,888	88,888	415,776
<i>Total recognised income and expense for the period</i>	-	-	-	-	161	-	326,888	-	327,049	89,195	416,244
Deemed disposal of interest in a subsidiary	-	-	-	-	-	-	-	-	-	(13,979)	(13,979)
Acquisition of minority interests	-	-	-	-	-	-	-	-	-	(4,618)	(4,618)
Capital contribution from minority interests	-	-	-	-	-	-	-	-	-	43,902	43,902
Acquisition of interests in subsidiaries	-	-	-	-	-	-	-	-	-	431,720	431,720
Disposal of interests in subsidiaries	-	-	(136,328)	-	(3,692)	(19,758)	156,086	-	(3,692)	(357,208)	(360,900)
Goodwill released upon disposal of interests in a subsidiary	-	-	58,914	-	-	-	(58,914)	-	-	-	-
Final 2004 dividend declared	-	-	-	-	-	-	-	(124,500)	(124,500)	-	(124,500)
Interim 2005 dividend	-	-	-	-	-	-	(62,250)	62,250	-	-	-
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	(75,521)	(75,521)
Transfer to reserves	-	-	16,109	-	-	55,195	(71,304)	-	-	-	-
<b>At 30 June 2005</b>	<b>62,250</b>	<b>4,839,497</b>	<b>(271,990)</b>	<b>-</b>	<b>28,756</b>	<b>656,038</b>	<b>2,703,154</b>	<b>62,250</b>	<b>8,079,955</b>	<b>3,833,590</b>	<b>11,913,545</b>

\* These reserve accounts comprise the consolidated reserves of HK\$8,207,920,000 (2005: HK\$8,256,191,000) in the consolidated balance sheet.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	For the six months ended 30 June	
	2006 Unaudited HK\$'000	2005 Unaudited HK\$'000
Net cash inflow from operating activities	1,243,143	537,319
Net cash inflow/(outflow) from investing activities	(446,278)	52,521
Net cash outflow from financing activities	(955,235)	(739,995)
Decrease in cash and cash equivalents	(158,370)	(150,155)
Cash and cash equivalents at beginning of period	3,417,574	3,507,843
Cash and cash equivalents at end of period	<u>3,259,204</u>	<u>3,357,688</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,385,080	2,620,124
Non-pledged time deposits with original maturity of less than three months when acquired	40,118	749,813
Less: Bank overdrafts	(12,690)	(12,249)
Cash and bank balances attributable to a disposal group	<u>2,412,508</u>	<u>3,357,688</u>
	<u>846,696</u>	<u>–</u>
	<u>3,259,204</u>	<u>3,357,688</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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	Telecom- munications and IT related services and products Unaudited HK\$’000	Corporate and others 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
Intersegment sales	-	-	-	-	226	(226)	-
Other revenue and gains, net	42,752	765	1,243	7,789	5,379	-	57,928
<b>Total</b>	<b>2,718,761</b>	<b>251,743</b>	<b>249,451</b>	<b>51,280</b>	<b>202,433</b>	<b>(226)</b>	<b>3,473,442</b>
Segment results	252,005	159,742	83,159	(16,661)	(37,571)		440,674
Interest income							32,928
Unallocated revenue and gains, net							176,595
Unallocated expenses							(463,242)
Profit from operating activities							186,955
Finance costs							(62,160)
Share of profits and losses of:							
Jointly-controlled entities							(922)
Associates							8,039
Profit before tax							131,912
Tax							(90,000)
Profit for the period							41,912

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2. SEGMENT INFORMATION (continued)

#### (i) From continuing operations (continued)

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	Telecom- munications and IT related services and products Unaudited HK\$'000	Corporate and others 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
Intersegment sales	–	–	–	–	451	(451)	–
Other revenue and gains, net	32,332	753	–	2,954	2,837	–	38,876
<b>Total</b>	<b>2,178,659</b>	<b>218,666</b>	<b>238,182</b>	<b>69,838</b>	<b>188,144</b>	<b>(451)</b>	<b>2,893,038</b>
Segment results	233,331	144,071	78,359	(1,730)	(26,016)		428,015
Interest income							24,065
Unallocated revenue and gains, net							14,226
Unallocated expenses							(11,102)
Profit from operating activities							455,204
Finance costs							(61,256)
Share of profits and losses of:							
Jointly-controlled entities							(524)
Associates							11,835
Profit before tax							405,259
Tax							(98,601)
Profit for the period							<b>306,658</b>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2. SEGMENT INFORMATION (continued)

#### (ii) From discontinued operations

	Retail operations		Others		Total	
	For the six months		For the six months		For the six months	
	ended 30 June		ended 30 June		ended 30 June	
	2006	2005	2006	2005	2006	2005
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	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 revenue and gains, net	59,798	35,296	3,593	3,881	63,391	39,177
Total	<u>2,828,976</u>	<u>2,211,376</u>	<u>178,640</u>	<u>117,049</u>	<u>3,007,616</u>	<u>2,328,425</u>
Segment results	<u>178,812</u>	<u>75,907</u>	<u>(70,324)</u>	<u>(33,230)</u>	<u>108,488</u>	<u>42,677</u>
Interest income					6,829	6,592
Unallocated revenue and gains, net					14,691	104,144
Unallocated expenses					-	-
Profit from operating activities					130,008	153,413
Finance costs					(10,850)	(15,709)
Share of profits and losses of:						
Jointly-controlled entities					(5,382)	(5,811)
Associates					(660)	2,521
Profit before tax					113,116	134,414
Tax					(44,540)	(25,296)
Profit for the period	<u>68,576</u>	<u>109,118</u>			<u>68,576</u>	<u>109,118</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. OTHER REVENUE AND GAINS, NET

	Continuing operations		Discontinued operations		Consolidated	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2006 Unaudited HK\$'000	2005 Unaudited HK\$'000	2006 Unaudited HK\$'000	2005 Unaudited HK\$'000	2006 Unaudited HK\$'000	2005 Unaudited HK\$'000
<b>Other revenue</b>						
Investment income	2,106	225	–	–	2,106	225
Corporate income tax and value-added tax refund	9,943	2,934	–	–	9,943	2,934
Rental income	112	254	21,033	22,237	21,145	22,491
Others	41,489	34,852	42,358	17,791	83,847	52,643
	<u>53,650</u>	<u>38,265</u>	<u>63,391</u>	<u>40,028</u>	<u>117,041</u>	<u>78,293</u>
<b>Gains, net</b>						
Gain on disposal of interests in subsidiaries	–	–	–	103,293	–	103,293
Gain on partial disposal of interests in subsidiaries	39,850	–	–	–	39,850	–
Others	1,660	339	14,691	–	16,351	339
	<u>41,510</u>	<u>339</u>	<u>14,691</u>	<u>103,293</u>	<u>56,201</u>	<u>103,632</u>
	<u><b>95,160</b></u>	<u><b>38,604</b></u>	<u><b>78,082</b></u>	<u><b>143,321</b></u>	<u><b>173,242</b></u>	<u><b>181,925</b></u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities was determined after charging the following:

	Continuing operations		Discontinued operations		Consolidated	
	For the six months		For the six months		For the six months	
	ended 30 June		ended 30 June		ended 30 June	
	2006	2005	2006	2005	2006	2005
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	290,126	227,808	39,950	38,842	330,076	266,650
Amortisation of intangible assets	53,672	52,367	525	–	54,197	52,367

### 5. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	For the six months		For the six months		For the six months	
	ended 30 June		ended 30 June		ended 30 June	
	2006	2005	2006	2005	2006	2005
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on convertible bonds	1,270	3,525	–	–	1,270	3,525
Interest on bank loans and other loans wholly repayable within five years	59,306	57,428	10,220	15,709	69,526	73,137
Interest on other loans	1,584	303	630	–	2,214	303
	62,160	61,256	10,850	15,709	73,010	76,965

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 6. TAX

	Continuing operations		Discontinued operations		Consolidated	
	For the six months		For the six months		For the six months	
	ended 30 June		ended 30 June		ended 30 June	
	2006	2005	2006	2005	2006	2005
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current – PRC						
Hong Kong	150	663	–	–	150	663
Mainland China	89,334	91,524	42,652	18,858	131,986	110,382
Current – Overseas	–	1,119	–	–	–	1,119
Deferred	516	5,295	1,888	6,438	2,404	11,733
	<b>90,000</b>	<b>98,601</b>	<b>44,540</b>	<b>25,296</b>	<b>134,540</b>	<b>123,897</b>

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

On 31 March 2006, the Company announced to conditionally dispose of their aggregate 50.13% equity interests in Wangfujing (the listed shares of which are traded on the Shanghai Stock Exchange) (the "Disposal Transaction") by entering into a share transfer agreement with Beijing Enterprises Group Company Limited ("BE Group") through its wholly-owned subsidiaries Beijing Jing Lian Fa Investment Management Centre ("BJLF") and Beijing Enterprises Holdings Investment Management Company Limited ("BEHIM") at a total consideration of RMB1,000,000,000 (approximately HK\$970,873,786).

Subsequently, on 1 June 2006, BJLF, BEHIM, BE Group and Beijing Beikong Commercial Investment Limited Company ("Beikong Commercial"), an indirect wholly-owned subsidiary of BE Group, entered into a supplemental agreement, pursuant to which, Beikong Commercial replaced BE Group as the purchaser of the Disposal Transaction.

The Disposal Transaction was approved by the shareholders of the Company at the extraordinary general meeting held on 29 June 2006 and its completion is still subject to approvals by certain government authorities in the PRC.



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 7. DISCONTINUED OPERATIONS (continued)

Wangfujing is principally engaged in the retail business of department stores in the PRC. Retail operations represented a separate business segment of the Group and was solely undertaken by Wangfujing. As at 30 June 2006, Wangfujing was classified as a disposal group held for sale.

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

- (a) The results of the discontinued operations for the six months ended 30 June 2006 and 2005 are summarised as follows:

	<i>Notes</i>	For the six months ended 30 June	
		2006 Unaudited HK\$'000	2005 Unaudited HK\$'000
Turnover	2	2,944,225	2,289,248
Other revenue and gains, net	3	78,082	143,321
Interest income		6,829	6,592
Operating expenses		(2,899,128)	(2,285,748)
Profit from operating activities	4	130,008	153,413
Finance costs	5	(10,850)	(15,709)
Share of profits and losses of:			
Jointly-controlled entities		(5,382)	(5,811)
Associates		(660)	2,521
Profit before tax from discontinued operations		113,116	134,414
Tax:			
Related to loss before tax of the discontinued operations	6	(44,540)	(25,296)
Related to gain on disposal of interests in subsidiaries constituting the discontinued operation		–	–
		(44,540)	(25,296)
Profit for the period from discontinued operations		68,576	109,118

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 7. DISCONTINUED OPERATIONS (continued)

- (b) The major classes of assets and liabilities of Wangfujing, the disposal group, as at the balance sheet date are as follows:

	30 June 2006 Unaudited HK\$'000
Assets:	
Property, plant and equipment	1,146,816
Investment properties	145,670
Prepaid land premiums	108,325
Goodwill	34,520
Interests in jointly-controlled entities	130,843
Interests in associates	47,606
Available-for-sale financial assets	65,940
Deferred tax assets	45,125
Properties held for sales	341,944
Inventories	125,957
Trade and bills receivables	60,769
Other receivables	221,805
Tax recoverable	24,937
Pledged bank balances	15,546
Cash and cash equivalents	846,696
	<hr/>
Assets of a disposal group classified as held for sale	3,362,499
	<hr/>
Liabilities:	
Trade and bills payables	(586,392)
Other payables and accruals	(801,908)
Tax payable	(3,705)
Bank and other borrowings	(139,420)
Deferred tax liabilities	(140,493)
	<hr/>
Liabilities directly associated with assets of a disposal group classified as held for sale	(1,671,918)
	<hr/>
Net assets attributable to the disposal group	1,690,581
	<hr/> <hr/>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 7. DISCONTINUED OPERATIONS (continued)

(c) The net cash flows of the discontinued operations for the six months ended 30 June 2006 and 2005 are as follows:

	For the six months ended 30 June	
	2006 Unaudited HK\$'000	2005 Unaudited HK\$'000
Net cash inflow/(outflow) from operating activities	74,643	(59,926)
Net cash outflow from investing activities	(80,291)	(57,309)
Net cash outflow from financing activities	(388,309)	(102,955)
Net cash outflow incurred by the discontinued operations	<u>(393,957)</u>	<u>(220,190)</u>

(d) Earnings per share from the discontinued operations

	For the six months ended 30 June	
	2006 Unaudited HK\$0.03	2005 Unaudited HK\$0.17
Basic and diluted, from the discontinued operations	<u>HK\$0.03</u>	<u>HK\$0.17</u>

The calculation of basic earnings per share amounts from the discontinued operations is based on:

	For the six months ended 30 June	
	2006 Unaudited HK\$22,230,000	2005 Unaudited HK\$105,589,000
Profit for the period attributable to shareholders of the Company from the discontinued operations	HK\$22,230,000	HK\$105,589,000
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>622,500,000</u>	<u>622,500,000</u>

### 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).

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 the 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 either an anti-dilutive effect or no diluting 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>	<u>622,500,000</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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 that 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:

	30 June 2006 Unaudited HK\$'000	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
	642,219	961,911
Less: Portion classified as current assets	(630,515)	(928,709)
Non-current portion	<u>11,704</u>	<u>33,202</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 11. ASSETS OF A DISPOSAL GROUP AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DIRECTLY ASSOCIATED LIABILITIES

		<b>30 June 2006 Unaudited HK\$'000</b>	31 December 2005 Audited HK\$'000
	<i>Note</i>		
Assets of a disposal group classified as held for sale	7(b)	<b>3,362,499</b>	–
Non-current assets classified as held for sale		–	19,319
		<u><b>3,362,499</b></u>	<u>19,319</u>
Assets of a disposal group and non-current assets classified as held for sale			
Liabilities directly associated with:			
Assets of a disposal group classified as held for sale	7(b)	<b>1,671,918</b>	–
Non-current assets classified as held for sale		–	46,154
		<u><b>1,671,918</b></u>	<u>46,154</u>
Liabilities directly associated with assets of a disposal group and non-current assets classified as held for sale			

The non-current assets classified as held for sale as at 31 December 2005 are certain buildings and prepaid land premium of the Group in Mainland China with net carrying amounts of HK\$15,222,000 and HK\$4,097,000 at that date, respectively, that are to be sold by the Group at a total cash consideration of approximately HK\$76,923,000. A deposit of approximately HK\$46,154,000 had been received from the purchaser as at 31 December 2005.

### 12. SHARE CAPITAL

	<b>30 June 2006 Unaudited HK\$'000</b>	31 December 2005 Audited HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	<b>200,000</b>	200,000
Issued and fully paid:		
622,500,000 ordinary shares of HK\$0.10 each	<b>62,250</b>	62,250

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 13. 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
	<b>514,660</b>	<b>1,165,555</b>

### 14. CONTINGENT LIABILITIES

	<b>30 June 2006 Unaudited HK\$'000</b>	31 December 2005 Audited HK\$'000
Guarantees given in respect of mortgage loans granted by banks to the Group's purchasers of properties held for sale	–	17,567
Guarantee given for banking facilities granted to a jointly-controlled entity	43,846	43,846
Guarantee given for banking facilities granted to a third party	1,394	–
	<b>45,240</b>	<b>61,413</b>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 15. CAPITAL COMMITMENTS

The Group had the following capital commitments at the balance sheet date:

	30 June 2006 Unaudited HK\$'000	31 December 2005 Audited HK\$'000
Buildings:		
Contracted, but not provided for	104,126	56,413
Plant and machinery:		
Contracted, but not provided for	66,091	91,608
Authorised, but not contracted for	308,799	–
	<b>374,890</b>	<b>91,608</b>
Purchases of available-for-sale financial assets:		
Contracted, but not provided for	–	83,582
Total capital commitments	<b>479,016</b>	<b>231,603</b>

### 16. EVENT AFTER THE BALANCE SHEET DATE

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.



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 17. RELATED PARTY TRANSACTIONS

Name of company	Nature of transaction	Notes	For the six months ended 30 June	
			2006 Unaudited HK\$'000	2005 Unaudited HK\$'000
<i>Ultimate holding company:</i>				
Beijing Holdings Limited and its associates	Sale of 34.54% equity interests in Beijing Enterprises (Dairy) Limited ("BE Dairy")	(a)	–	223,646
	Rental income	(b)	333	–
	Rental and related expenses	(b)	–	825
<i>Joint venture partners of subsidiaries and their associates:</i>				
Beijing Yanjing Beer Group Company ("Yanjing Beer Group") and its associates	Purchase of bottle labels	(c)	33,474	26,567
	Purchase of bottle caps	(c)	29,838	28,260
	Import of raw materials	(d)	227,145	197,715
	Sales of beer	(e)	2,114	3,589
	Canning service fees paid	(f)	10,029	9,764
	Comprehensive support service fees paid	(g)	7,474	7,323
	Land rent expenses	(h)	889	871
	Trademark licensing fees paid	(i)	11,570	8,193
	Less: 20% refund for advertising subsidies	(i)	(1,947)	(1,804)
San Yuan Group and its associates	Sale of 65.46% equity interests in BE Dairy	(a)	–	304,852
China Major Holdings Limited	Acquisition of 49% equity interests in Beijing Ever Source Hot Pumps Co., Ltd ("BEHP")	(j)	14,423	–
Jason New Resources Holdings Limited	Sale of 36.78% equity interests in Beijing Enterprises Ever Source Limited ("BEES")	(k)	99,292	–
<i>Director-controlled corporation:</i>				
王府井東安集團有限公司 (Wangfujing Dongan Group Company Limited)	Rental expenses	(b)	721	20,027
<i>Jointly-controlled entity:</i>				
北京王府井洋華堂商業有限公司 (Beijing Wangfujing Yokado Commercial Company Limited)	Rental income	(b)	3,623	848

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 17. RELATED PARTY TRANSACTIONS (continued)

*Notes:*

- (a) The considerations were arrived at after arm's length negotiations between the contracting parties with reference to BE Dairy's attributable 55% equity interests in Beijing Sanyuan Foods Co., Ltd's unaudited net assets value as at 31 July 2004 according to PRC Accounting Standard for Business Enterprises and Accounting System for Business Enterprises.
- (b) The rentals were determined by reference to the prevailing open market rentals at the time when the lease agreements were entered into.
- (c) The purchase prices for bottle labels and bottle caps were determined by reference to the agreed prices for the preceding year and an annual adjustment determined by reference to the price index in Beijing for the preceding year.
- (d) The import of certain raw materials for the Group's brewery operations were procured by Yanjing Beer Group from overseas suppliers on behalf of Yanjing Brewery and its subsidiaries as the Group's brewery operations do not have the licence to import commodities from overseas suppliers. The purchase prices for the raw materials were charged at rates equal to the costs incurred by Yanjing Beer Group.
- (e) The selling prices of the beer were determined by reference to the then prevailing market rates.
- (f) Canning service fees were charged at a rate equal to the costs of the canning services incurred by Yanjing Beer Group plus a pre-agreed profit margin.
- (g) Comprehensive support service fees paid included the following:
  - a security and canteen services fee which was 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, were determined by reference to the prevailing market rentals at the time when the relevant agreements were entered into.
- (h) Land rent expenses were charged at a mutually-agreed amount of RMB1,849,000 per annum.
- (i) Trademark licensing fees paid were for the use "Yanjing" trademark and were determined based on 1% of the annual sales of beer and mineral water products made by Yanjing Brewery and RMB0.008 per bottle of beer sold by the subsidiaries of Yanjing Brewery. Yanjing Beer Group would refund 20% of the trademark licensing fees received from Yanjing Brewery to be used by Yanjing Brewery to develop and promote the "Yanjing" trademark.
- (j) The equity interests in BEHP were acquired at a mutually agreed amount of RMB15,000,000.
- (k) The equity interests in BEES were disposed of at a mutually agreed amount of HK\$99,291,942.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 17. RELATED PARTY TRANSACTIONS (continued)

#### Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2006 Unaudited HK\$'000	2005 Unaudited HK\$'000
Short term employee benefits	4,165	4,629
Post-employment benefits	211	197
Termination benefits	–	–
Share-based payments	–	–
Total compensation paid to key management personnel	<u>4,376</u>	<u>4,826</u>

### 18. COMPARATIVE AMOUNTS

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

## DISCLOSEABLE INFORMATION

### DIRECTORS

The directors of the Company during the period were:

#### Executive directors:

Mr. Yi Xi Qun (*Chairman*)

Mr. Zhang Hong Hai (*Vice Chairman and CEO*)

Mr. Li Fu Cheng (*Vice Chairman*)

Mr. Bai Jin Rong (*Vice Chairman*)

Mr. Guo Ying Ming (resigned on 27 June 2006)

Mr. Liu Kai (*Vice President*)

Mr. Zheng Wan He

Mr. Guo Pu Jin

Mr. Zhou Si

Mr. E Meng (*Vice President*)

Mr. Zhao Chang Shan (appointed on 27 June 2006)

Mr. Lei Zhen Gang (appointed on 27 June 2006)

#### Independent non-executive directors:

Mr. Lau Hon Chuen, Ambrose

Dr. Lee Tung Hai, Leo

Mr. Wang Xian Zhang

Mr. Wu Jiesi

Mr. Robert A. Theleen

### DIRECTORS' SERVICE CONTRACTS

Mr. Yi Xi Qun has a service contract with the Company for a term of five years commencing on 1 June 2003 with an unexpired period of approximately 23 months as at 30 June 2006. This service contract, which was entered into before 1 February 2004, is exempt from the shareholders' approval requirement under Rule 13.68 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") which has taken effect since 1 February 2004.

Each of Messrs. Zhang Hong Hai, Liu Kai and E Meng has a service contract with the Company for a term of three years commencing on 3 December 2003, 16 January 2004 and 17 June 2005, respectively, with respective unexpired periods of approximately 5 months, 6 months and 23 months as at 30 June 2006.

As of 30 June 2006, no director had a service contract with the Company which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DISCLOSEABLE INFORMATION

### DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party during the period.

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

At 30 June 2006, the interests and short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), were as follows:

#### Long positions in shares of associated corporations

<u>Name of director</u>	<u>Name of associated corporation</u>	<u>Number of ordinary shares held</u>	<u>Percentage of the associated corporation's issued share capital</u>
Mr. Li Fu Cheng	Beijing Yanjing Brewery Company Limited <sup>@</sup>	38,898 <sup>#</sup>	0.0035
Mr. Zheng Wan He	Beijing Wangfujing Department Store (Group) Co., Ltd. <sup>@</sup>	45,738 <sup>#</sup>	0.0116

<sup>@</sup> All these associated corporations are indirectly held subsidiaries of the Company

<sup>#</sup> All interests are directly beneficially owned by the directors

#### Long positions in underlying shares of the Company and an associated corporation

The interests of the directors and chief executive in the share options of the Company or its associated corporation are separately disclosed in the section "Share option schemes" below.

Save as disclosed above, as at 30 June 2006, none of the directors had registered an interest or short position in the shares or underlying shares 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

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR CONVERTIBLE BONDS

Apart from the foregoing and save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares and underlying shares" and "Share option schemes", 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.

### SHARE OPTION SCHEMES

#### The Company

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The directors of the Company may, at their discretion, invite employees, including executive directors, of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK\$1 per grant of options. The Scheme became effective on 17 October 2005 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the total number of ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

An option may not be transferred, is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part.

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 Scheme, which represented approximately 0.95% of the Company's shares in issue as at that date.

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 six months from the date of grant, 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.

## DISCLOSEABLE INFORMATION

### SHARE OPTION SCHEMES (continued)

#### The Company (continued)

The following share options were outstanding under the Scheme as at 13 September 2006:

Name or category of participant	Number of share options		
	At 1 January 2006	At 30 June 2006	At 13 September 2006
<b>Directors</b>			
Mr. Yi Xi Qun	–	–	650,000
Mr. Zhang Hong Hai	–	–	450,000
Mr. Li Fu Cheng	–	–	450,000
Mr. Bai Jin Rong	–	–	450,000
Mr. Liu Kai	–	–	300,000
Mr. Guo Pu Jin	–	–	300,000
Mr. Zhou Si	–	–	300,000
Mr. E Meng	–	–	300,000
Mr. Zhao Chang Shan	–	–	300,000
Mr. Lei Zhen Gang	–	–	300,000
	–	–	3,800,000
<b>Other employees</b>			
In aggregate	–	–	2,100,000
	–	–	5,900,000

*Note:*

These options were granted on 19 July 2006 at an exercise price of HK\$12.55 per share of the Company. The cash consideration paid by each grantee for the options was HK\$1.00 per grant of options. The options can be exercised in two portions. The first portion representing 80% of the total number of options granted to a grantee is exercisable at any time after 19 January 2007. The second portion representing the remaining 20% of the total number of options granted to a grantee is exercisable after 19 January 2007 and upon the Company's full satisfaction of performance appraisal at the end of the grantee's contract with the Company. All the options, if not otherwise exercised, will lapse on 18 July 2011.

### SHARE OPTION SCHEMES (continued)

#### Beijing Development

Beijing Development operates a share option scheme (the "Beijing Development Scheme") to give executives and key employees of Beijing Development Group an interest in preserving and maximising shareholders' value in the longer term, to enable Beijing Development and the relevant subsidiaries to attract and retain individuals with experience and ability and to reward individuals for future performance. Eligible participants of Beijing Development Scheme include the executive directors and employees of Beijing Development or any of its subsidiaries. Beijing Development Scheme became effective on 18 June 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under Beijing Development Scheme is an amount equivalent, upon their exercise, to 10% of the shares of Beijing Development in issue at any time. The maximum number of shares issuable under share options to each eligible participant in Beijing Development Scheme is limited to 25% of the aggregate number of shares for the time being issued and issuable under Beijing Development Scheme.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date on which the offer of the share options is accepted or on the expiry date of Beijing Development Scheme, whichever is earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of Beijing Development's shares on the Stock Exchange on the date of the offer of the share options; (ii) the average of the closing prices of Beijing Development's shares on the Stock Exchange for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of Beijing Development's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.



## DISCLOSEABLE INFORMATION

### SHARE OPTION SCHEMES (continued)

#### Beijing Development (continued)

Pursuant to Beijing Development Scheme, the following share options were outstanding during the six months ended 30 June 2006:

Name or category of participant	Notes	Number of share options			
		At 1 January 2006	Granted during the period	Lapsed during the period	At 30 June 2006
<b>Directors of the Company</b>					
Mr. Zhang Hong Hai	(c)	–	4,000,000	–	4,000,000
Mr. E Meng	(a)	1,600,000	–	(1,600,000)	–
	(b)	1,200,000	–	–	1,200,000
	(c)	–	1,600,000	–	1,600,000
		2,800,000	1,600,000	(1,600,000)	2,800,000
<b>Other employees:</b>					
In aggregate	(a)	6,360,000	–	(6,360,000)	–
	(b)	18,900,000	–	(6,300,000)	12,600,000
	(c)	–	25,900,000	–	25,900,000
		25,260,000	25,900,000	(12,660,000)	38,500,000
		28,060,000	31,500,000	(14,260,000)	45,300,000

*Notes:*

- (a) These options were granted on 19 June 2001 at an exercise price of HK\$1.13 per share and lapsed on 26 June 2006.
- (b) These options were granted on 18 January 2002 at an exercise price of HK\$1.00 per share. The options may be exercised in three equal portions. The first portion is exercisable at any time commencing on 18 January 2002, and each further portion becomes exercisable on 1 January in each of the following years. All of the options, if not otherwise exercised, will lapse on 17 January 2007.
- (c) These options were granted on 27 June 2006 at an exercise price of HK\$1.00 per share. The closing price of Beijing Development's shares on the Stock Exchange on the trading day immediately prior to the date of the grant of the share options was HK\$0.84. The options may be exercised at any time commencing on 27 June 2006 and, if not otherwise exercised, will lapse on 26 June 2011.

31,500,000 share options were granted during the six months ended 30 June 2006. The value of such share options granted are not material to the financial statements of Beijing Development for the period under review. No share options were exercised during the six months ended 30 June 2006. At 30 June 2006, Beijing Development had 45,300,000 share options outstanding under the Beijing Development Scheme, which represented approximately 9.2% of its shares in issue. The exercise in full of the remaining share options would, under the present capital structure of Beijing Development, result in the issue of 45,300,000 additional ordinary shares of Beijing Development and additional share capital of HK\$45,300,000.

## DISCLOSEABLE INFORMATION

### SHARE OPTION SCHEMES (continued)

#### Xteam

Xteam adopted a pre-IPO share option scheme on 30 May 2001 pursuant to which the directors and employees of the Xteam Group may be granted share options to subscribe for shares in Xteam.

Xteam also adopted a post-IPO share option scheme on 21 November 2001 pursuant to which the board of directors of Xteam may, at their discretion, invite any full-time employees of the Xteam Group, including any executive and non-executive directors, and any advisers, consultants of or to any member of the Xteam Group to take up options to subscribe for shares in Xteam.

Pursuant to Xteam's pre-IPO share option scheme and post-IPO share option scheme, the following share options were outstanding during the six months ended 30 June 2006:

Name or category of participant	Notes	Number of share options			At 30 June 2006
		At 1 January 2006	Granted during the period	Forfeited during the period	
A former employee	(a)	50,000,000	–	–	50,000,000
Existing employees	(b)	13,500,000	–	(2,200,000)	11,300,000
Advisers and consultants	(b)	33,000,000	–	–	33,000,000
		<u>96,500,000</u>	<u>–</u>	<u>(2,200,000)</u>	<u>94,300,000</u>

#### Notes:

- (a) These options were granted to an employee on 14 November 2001 under the pre-IPO share option scheme at an exercise price of HK\$0.266 per share. No such share options were exercised during the six months ended 30 June 2006, and the 50,000,000 outstanding pre-IPO share options were forfeited in July 2006 due to the resignation of the employee.
- (b) These options were granted on 19 December 2003 under the post-IPO share option scheme at an exercise price of HK\$0.14 per share. No such share options were exercised during the six months ended 30 June 2006.

## DISCLOSEABLE INFORMATION

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2006, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Number of ordinary Shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Others	Total	
Modern Orient Limited	100,050,000	–	100,050,000	16.07%
Beijing Enterprises Investments Limited ("BEIL")	223,950,000	100,050,000 <sup>(a)</sup>	324,000,000	52.05%
Beijing Holdings Limited ("BHL")	–	324,000,000 <sup>(b)</sup>	324,000,000	52.05%
Deutsche Bank Aktiengesellschaft	65,284,500	45,717,018 <sup>(c)</sup>	111,001,518	17.83%
JPMorgan Chase & Co.	–	48,057,923 <sup>(d)</sup>	48,057,923	7.72%

Notes:

- (a) The interest disclosed includes the Shares owned by Modern Orient Limited. Modern Orient Limited is held directly as to 100% by BEIL. Accordingly, BEIL is deemed to be interested in the Shares owned by Modern Orient Limited.
- (b) The interest disclosed includes the Shares owned by BEIL and Modern Orient Limited. BEIL, the holding company of Modern Orient Limited, is held indirectly as to 72.72% by BHL. Accordingly, BHL is deemed to be interested in the Shares owned by BEIL and Modern Orient Limited.
- (c) The interest disclosed includes 5,434,000 Shares held as an investment manager and 40,283,018 Shares held as a person having a security interest in the Shares.
- (d) The interest disclosed includes 16,414,000 Shares held as an investment manager and 31,643,923 Shares held as a custodian corporation/approved lending agent.

## DISCLOSEABLE INFORMATION

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Short positions:

Name	Number of ordinary Shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Beneficially owned	Others	Total	
BEIL	60,000,000	–	60,000,000	9.64%
BHL	–	60,000,000 <sup>(a)</sup>	60,000,000	9.64%
Deutsche Bank Aktiengesellschaft	1,540,683	22,599,455 <sup>(b)</sup>	24,140,138	3.88%

Notes:

- (a) The interest disclosed includes the Shares owned by BEIL. BHL, the holding company of BEIL, is deemed to be interested in the Shares owned by BEIL.
- (b) Person having a security interest in the Shares.

Lending pool:

Name	Number of ordinary Shares held	Percentage of the Company's issued share capital
JPMorgan Chase & Co.	31,643,923	5.08%

Save as disclosed above, as at 30 June 2006, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## DISCLOSEABLE INFORMATION

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### CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transactions and continuing connected transactions undertaken by the Group during the period are set out in note 19 to the condensed consolidated interim financial statements.

The independent non-executive directors of the Company have reviewed and confirmed that the continuing connected transactions entered into by the Group were (i) in the ordinary course of the Group's business either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (ii) in accordance with the terms of the agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (iii) within the prescribed limits as set out in the waiver letters in respect of connected transactions granted by the Stock Exchange to the Company.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2006.

## 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 internal control system and the proper delegation of authority.

### 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.

### REMUNERATION COMMITTEE

The Company established its remuneration committee (the "Remuneration Committee") in 2005 with a majority of members thereof being independent non-executive directors. The existing Remuneration Committee comprises an executive director and vice president of the Company, Mr. Liu Kai, and two independent non-executive directors, namely, Dr. Lee Tung Hai, Leo and Mr. Wu Jiesi (Chairman of the Remuneration Committee).

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure in relation to the remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

## 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.

### 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 of the Listing Rules throughout the review period.

## PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

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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.