

2004  
Interim Report



北京控股有限公司  
BEIJING ENTERPRISES HOLDINGS LIMITED



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## CORPORATE INFORMATION

### GENERAL INFORMATION:

#### Registered Office

34/F, West Tower, Shun Tak Centre,  
200 Connaught Road Central,  
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 CFA AHKSA

#### Share Registrars

Tengis Limited  
G/F, BEA Harbour View Centre,  
56 Gloucester Road,  
Wanchai, Hong Kong

### DIRECTORS:

#### Executive Directors

Mr. Yi Xi Qun (*Chairman*)  
Mr. Zhang Hong Hai (*Vice Chairman  
and President*)  
Mr. Li Fu Cheng (*Vice Chairman*)  
Mr. Guo Ying Ming  
Mr. Liu Kai (*Vice President*)  
Mr. Bao Zhong Ye  
Mr. Zheng Wan He  
Mr. Li Man  
Mr. Li Zhong Gen  
Mr. Guo Pu Jin

#### Independent Non-executive Directors

Mr. Lau Hon Chuen, Ambrose  
Mr. 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 & Cromwell

### PRINCIPAL BANKERS:

#### In Hong Kong:

Bank of China (Hong Kong) Limited

Bank of Communications,  
Hong Kong Branch

BNP Paribas, Hong Kong Branch

China Merchants Bank,  
Hong Kong Branch

Calyon Corporate and Investment Bank,  
Hong Kong Branch

Industrial and Commercial Bank of  
China (Asia) Ltd.

Rabobank, Hong Kong Branch

#### In Mainland China:

Agricultural Bank of China

Bank of China

China Construction Bank

China Merchants Bank

Guangdong Development Bank

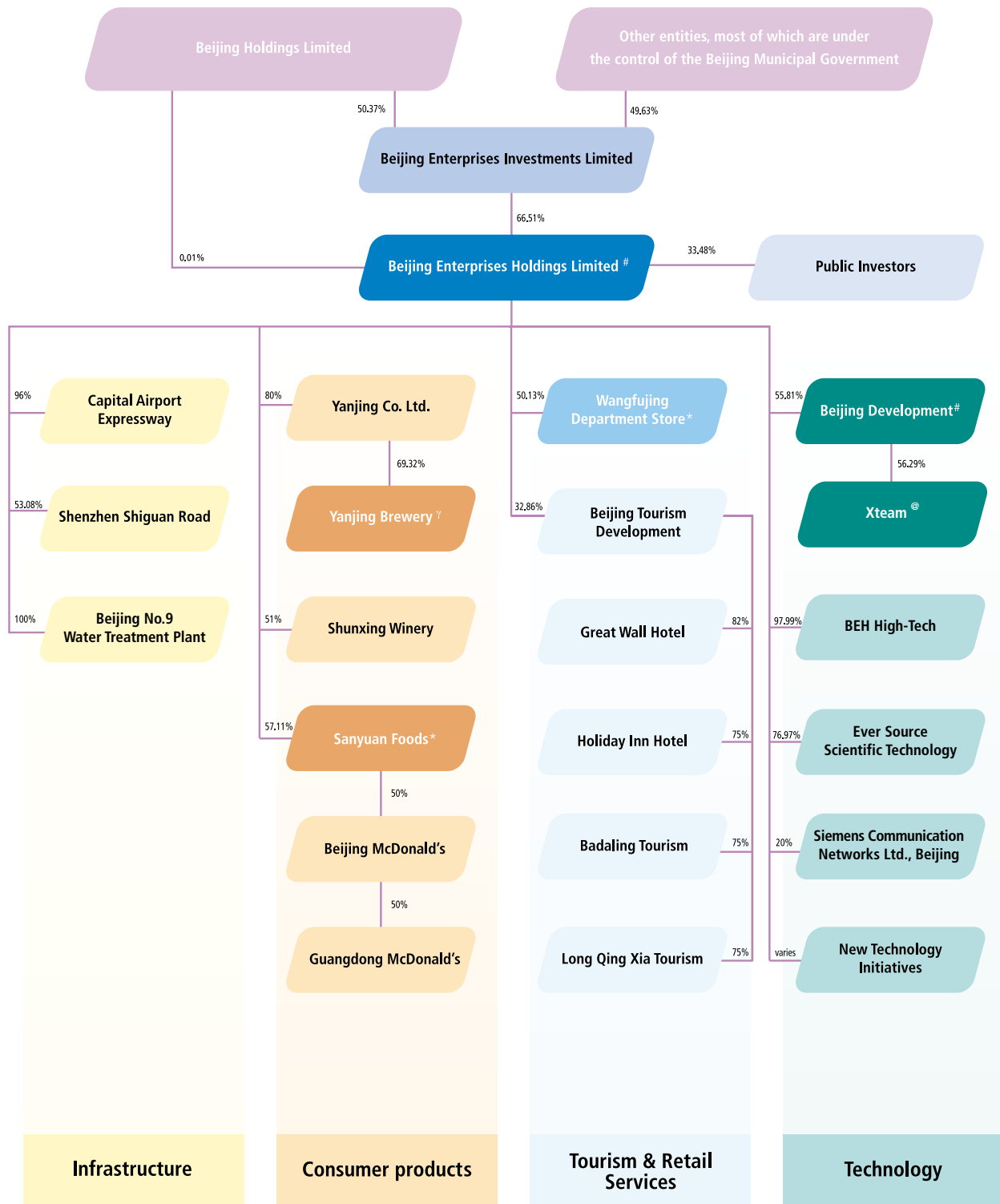
The Industrial and Commercial Bank  
of China

#### ADR Depository Bank:

The Bank of New York

# CORPORATE STRUCTURE

As at 7th September, 2004



\* Listed on The Shanghai Stock Exchange

<sup>γ</sup> Listed on The Shenzhen Stock Exchange

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

@ Listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited

Turnover for the first half of 2004 amounted to HK\$4.5 billion, representing an increase of 23.6% over the corresponding period of last year.

Net profit attributable to shareholders for the first half of 2004 amounted to HK\$210.7 million, representing an increase of 15.9% over the corresponding period of last year.

Basic earnings per share amounted to HK\$0.34.

An interim dividend of HK10 cents per share is declared for the six months ended 30th June, 2004.

20% equity interests in BISC was sold in the first half of 2004 and recorded an approximately HK\$22 million exceptional gain.

## BUSINESS OVERVIEW AND OUTLOOK

### UNAUDITED INTERIM RESULTS

The Board of Directors (the "Board") of Beijing Enterprises Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2004. The consolidated turnover of the Group was HK\$4.5 billion for the first half of 2004, increased by 23.6% comparing to the corresponding period of last year. Net profit attributable to shareholders was HK\$210.7 million, increased by 15.9% comparing to the first half of 2003.

### MANAGEMENT DISCUSSION AND ANALYSIS

The Group has achieved satisfactory results in the first half of 2004. For the six months ended 30th June, 2004, the consolidated turnover increased by 23.6% to HK\$4.5 billion and the net profit attributable to shareholders increased by 15.9% to HK\$210.7 million as compared to the corresponding period of last year. The growth was mainly driven by the increase in business of Yanjing Brewery, the recovery of Capital Airport Expressway, retail and tourism services segments, together with the exceptional gain generated from the disposal of 20% equity interests in Beijing International Switching System Co., Ltd. ("BISC"), an associate of the Company before the disposal.

#### Infrastructure Business

##### *Expressway and Toll Road Business*

The traffic volume of Capital Airport Expressway was vigorously rebounded from the dismay of the outbreak of SARS in last year. The traffic volume reached 19.19 million vehicles in the first half of 2004, representing an increase of 42.1% as compared to the corresponding period of 2003. The turnover and profit attributable to the Group increased by 50.7% and 77.5% to HK\$164 million and HK\$93.7 million, respectively, as compared to the corresponding period of last year.

The attributable profit of Shenzhen Shiguan Highway for the first half of 2004 was HK\$12.7 million, representing a slight increase of 1.4% as compared to the corresponding period of last year.

##### *The Concession Right of Water Treatment*

The Concession Right of Beijing No. 9 Water Treatment continuously provided a stable cash profit to the Group. In the first half of 2004, the profit attributable to the Group after the amortisation of the franchise cost was HK\$63.6 million.

## Consumer Products Business

Yanjing Brewery continued to see the reward through the acquisition strategy on its development. The sales volume for the first half of 2004 reached 1.38 million tons, representing a growth of approximately 32.7% as compared to the corresponding period of last year. The turnover and profit attributable to the Group increased by 35.6% and 29.9% to HK\$1.79 billion and HK\$65.99 million, respectively.

Sanyuan Foods was adversely affected by the keen market competition. The turnover for the first half of 2004 was HK\$512 million, representing a decline of 9.3% as compared to the corresponding period of last year. The loss attributable to the Group was HK\$24.31 million and it has imposed a negative impact on the overall performance of consumer products business of the Group. The attributable profit of Sanyuan Foods in the last corresponding period was HK\$25.92 million. The management has clearly recognised the tough situation confronted by Sanyuan Foods and has begun the implementation of business restructuring plan.

The core business of Beijing Wangfujing Department Stores was continuously expanding. The turnover for the first half of 2004 increased by 29.4% to HK\$1.35 billion. The profit attributable to the Group was HK\$3.81 million while the attributable loss was recorded in the corresponding period of last year.

Tourism and hotel business was resumed to its normal growth from the shadow of the outbreak of SARS in last year. The profit attributable to the Group was HK\$3.03 million in the first half of 2004 while the attributable loss of HK\$10.1 million was recorded in the corresponding period of last year.



## BUSINESS OVERVIEW AND OUTLOOK

### Technology Business

In the first half of 2004, the asset and business structure of the technology business segment underwent a fundamental change. The business and profit of BISC, the former dominant profit contributor of the Group, was severely suppressed due to the structural changes in the domestic fixed telecommunications network industry. Given such background, the Company has completed the disposal of 20% equity interests in BISC in the first half of 2004 and recorded an approximately HK\$22 million exceptional gain.

Looking forward to the development of technology business, it is expected that Beijing Enterprises Holdings High-Tech Development Co. Ltd., Ever Source Scientific Technology Development Co., Ltd. and the information technology business of Beijing Development (Hong Kong) Limited ("Beijing Development") will become the major source of profit to this business segment.

### CAPITALISATION AND FINANCIAL POSITION

The financial condition of the Group remained stable. Shareholders' equity and minority interests amounted to approximately HK\$7.8 billion and HK\$3.6 billion, respectively, as at 30th June, 2004. Net debt (total borrowings minus cash) was HK\$894 million at period end date, representing 11.5% net debt to equity ratio. Bank borrowings were predominately in Renminbi with remaining 32% in US Dollars.

### SIGNIFICANT POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 15 to the condensed consolidated financial statements.



## BUSINESS OVERVIEW AND OUTLOOK

### STRATEGY AND PROSPECTS

Being the political and cultural centre of China and the host city of the 2008 Olympic Games, Beijing will make a remarkable economic growth in the future. In order to maintain the development, the Group aims to capture any investment opportunities arising from the restructure and privatisation of state-owned assets in Beijing. In particular, we will focus on infrastructure and utilities areas. In the meantime, we continue to review our existing business with the objective of restructuring lower return assets and enhancing the value of those niche brandname under our asset portfolio.

### 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, 7th September, 2004

## 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 30th June, 2004 (2003: HK10 cents) payable on 9th November, 2004 (Tuesday) to shareholders whose names appear on the Register of Members of the Company on 8th October, 2004 (Friday).

### Closure of Register of Members

The Register of Members will be closed from 6th October, 2004 (Wednesday) to 8th October, 2004 (Friday), both dates inclusive, during which period no transfers of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tengis Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on, 5th October, 2004 (Tuesday). Cheques for interim dividends will be dispatched on or before 9th November, 2004 (Tuesday).



## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June, 2004

		Six months ended 30th June,	
	Notes	2004 Unaudited HK\$'000	2003 Unaudited HK\$'000
TURNOVER	3	4,475,863	3,620,817
Cost of sales		(3,212,279)	(2,613,686)
Gross profit		1,263,584	1,007,131
Interest income		12,715	14,608
Other revenue and gains, net	4	100,273	87,018
Selling and distribution costs		(452,685)	(340,515)
Administrative expenses		(453,785)	(367,313)
Other operating expenses, net		(56,815)	(32,728)
PROFIT FROM OPERATING ACTIVITIES	5	413,287	368,201
Finance costs	6	(70,867)	(78,873)
Share of profits and losses of:			
Jointly-controlled entities		6,090	(12,606)
Associates		33,799	32,809
Amortisation of goodwill arising on acquisition of jointly-controlled entities		(548)	(2,575)
PROFIT BEFORE TAX		381,761	306,956
Tax	7	(108,010)	(57,141)
PROFIT BEFORE MINORITY INTERESTS		273,751	249,815
Minority interests		(63,021)	(67,974)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		210,730	181,841
INTERIM DIVIDEND	8	62,250	62,250
EARNINGS PER SHARE	9		
– Basic		HK\$0.34	HK\$0.29
– Diluted		HK\$0.33	N/A



## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2004

	Notes	30th June, 2004 Unaudited HK\$'000	31st December, 2003 Audited HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		7,508,681	7,220,681
Intangible assets		1,605,969	1,649,459
Goodwill:			
Goodwill		303,212	300,411
Negative goodwill		(10,560)	(7,547)
Interests in jointly-controlled entities		930,896	1,029,465
Interests in associates		567,397	444,817
Properties under development		123,009	120,974
Trade and bills receivables	10	39,204	49,366
Other receivables		–	145,241
Pledged bank balances and time deposits		8,627	7,812
Long term investments		420,932	289,557
Deferred tax assets		48,516	44,965
		<b>11,545,883</b>	<b>11,295,201</b>
<b>CURRENT ASSETS</b>			
Properties held for sale		357,613	528,776
Inventories		1,230,669	1,006,211
Amounts due from contract customers		11,495	6,750
Trade and bills receivables	10	981,105	744,128
Other receivables		918,969	688,090
Short term investments		48,479	48,765
Taxes recoverable		18,751	22,576
Pledged bank balances and time deposits		37,819	56,875
Cash and cash equivalents		3,384,269	3,708,292
		<b>6,989,169</b>	<b>6,810,463</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2004

	Notes	30th June, 2004 Unaudited HK\$'000	31st December, 2003 Audited HK\$'000
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	637,192	671,105
Amounts due to contract customers		28,336	25,816
Other payables and accruals		1,567,323	1,436,274
Taxes payable		352,097	329,001
Bank and other borrowings		1,866,123	1,785,726
		<b>4,451,071</b>	<b>4,247,922</b>
<b>NET CURRENT ASSETS</b>		<b>2,538,098</b>	<b>2,562,541</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>14,083,981</b>	<b>13,857,742</b>
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings		1,810,238	1,904,929
Convertible bonds		648,777	659,444
Other long term liabilities		28,032	38,253
Deferred tax liabilities		160,601	163,570
		<b>2,647,648</b>	<b>2,766,196</b>
<b>MINORITY INTERESTS</b>		<b>3,643,672</b>	<b>3,545,408</b>
		<b>7,792,661</b>	<b>7,546,138</b>
<b>CAPITAL AND RESERVES</b>			
Issued capital	12	62,250	62,250
Reserves		7,668,161	7,371,838
Proposed dividend		62,250	112,050
		<b>7,792,661</b>	<b>7,546,138</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2004

	Issued capital Unaudited HK\$'000	Share premium account Unaudited HK\$'000	Capital reserve Unaudited HK\$'000	Hotel property revaluation reserve Unaudited HK\$'000	Exchange fluctuation reserve Unaudited HK\$'000	PRC reserve funds Unaudited HK\$'000	Retained profits Unaudited HK\$'000	Proposed dividend Unaudited HK\$'000	Total Unaudited HK\$'000
At 1st January, 2004	62,250	4,839,497	306,643	3,570	34,966	603,433	1,583,729	112,050	7,546,138
Net losses not recognised in the profit and loss account – Exchange realignment	-	-	-	-	(490)	-	-	-	(490)
Goodwill realised upon disposal of an associate	-	-	148,333	-	-	-	-	-	148,333
Net profit for the period	-	-	-	-	-	-	210,730	-	210,730
Final 2003 dividend declared	-	-	-	-	-	-	-	(112,050)	(112,050)
Proposed interim 2004 dividend	-	-	-	-	-	-	(62,250)	62,250	-
Transfer to reserves	-	-	303	-	-	20,762	(21,065)	-	-
<b>At 30th June, 2004</b>	<b>62,250</b>	<b>4,839,497*</b>	<b>455,279*</b>	<b>3,570*</b>	<b>34,476*</b>	<b>624,195*</b>	<b>1,711,144*</b>	<b>62,250</b>	<b>7,792,661</b>
At 1st January, 2003	62,250	4,839,497	171,254	3,173	33,749	484,739	1,553,602	112,050	7,260,314
Net gains not recognised in the profit and loss account – Exchange realignments	-	-	-	-	189	-	-	-	189
Net profit for the period	-	-	-	-	-	-	181,841	-	181,841
Final 2002 dividend declared	-	-	-	-	-	-	-	(112,050)	(112,050)
Proposed interim 2003 dividend	-	-	-	-	-	-	(62,250)	62,250	-
Transfer to reserves	-	-	-	-	-	37,101	(37,101)	-	-
<b>At 30th June, 2003</b>	<b>62,250</b>	<b>4,839,497</b>	<b>171,254</b>	<b>3,173</b>	<b>33,938</b>	<b>521,840</b>	<b>1,636,092</b>	<b>62,250</b>	<b>7,330,294</b>

\* These reserves accounts comprise the consolidated reserves of HK\$7,668,161,000 (2003: HK\$7,371,838,000) in the condensed consolidated balance sheet.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2004

	Six months ended 30th June,	
	2004 Unaudited HK\$'000	2003 Unaudited HK\$'000
Net cash inflow from operating activities	227,102	490,235
Net cash outflow from investing activities	(438,426)	(327,558)
Net cash outflow from financing activities	(86,248)	(99,404)
Increase/(decrease) in cash and cash equivalents	(297,572)	63,273
Cash and cash equivalents at beginning of period	3,083,000	2,760,766
Cash and cash equivalents at end of period	<u>2,785,428</u>	<u>2,824,039</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,262,500	2,375,920
Non-pledged time deposits with original maturity of less than three months when acquired	536,760	448,119
Less: Bank overdrafts	(13,832)	—
	<u>2,785,428</u>	<u>2,824,039</u>



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants. The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the preparation of the audited financial statements for the year ended 31st December, 2003.

### 2. SEGMENT INFORMATION

The analysis of the Group's revenue and results by business and geographical segments for the six months ended 30th June, 2004 is as follows:

#### (a) Business segments

For the six months ended 30th June, 2004

	Brewery operations Unaudited HK\$'000	Retail operations Unaudited HK\$'000	Dairy operations Unaudited HK\$'000	Expressway and toll road operations Unaudited HK\$'000	Water treatment operations Unaudited HK\$'000
Segment revenue:					
Sales to external customers	1,787,097	1,274,231	456,269	205,475	198,291
Intersegment sales	–	–	–	–	–
Other revenue	22,252	10,780	1,156	3,363	–
Total	<u>1,809,349</u>	<u>1,285,011</u>	<u>457,425</u>	<u>208,838</u>	<u>198,291</u>
Segment results	<u>195,238</u>	<u>45,614</u>	<u>(38,339)</u>	<u>136,516</u>	<u>72,457</u>
Interest income					
Unallocated revenue and gains					
Unallocated expenses					
Profit from operating activities					
Finance costs					
Share of profits and losses of:					
Jointly-controlled entities	(5,799)	12,241	(6,216)	–	–
Associates	8,285	–	(8,024)	–	–
Amortisation of goodwill arising on acquisition of jointly-controlled entities	(377)	(171)	–	–	–
Profit before tax					
Tax					
Profit before minority interests					
Minority interests					
Net profit from ordinary activities attributable to shareholders					



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2. SEGMENT INFORMATION (continued)

#### (a) Business segments (continued)

For the six months ended 30th June, 2003

	Brewery operations Unaudited HK\$'000	Retail operations Unaudited HK\$'000	Dairy operations Unaudited HK\$'000	Expressway and toll road operations Unaudited HK\$'000	Water treatment operations Unaudited HK\$'000
Segment revenue:					
Sales to external customers	1,322,049	953,019	564,340	149,582	194,810
Intersegment sales	–	–	–	–	–
Other revenue	13,242	7,300	802	1,564	–
Total	<u>1,335,291</u>	<u>960,319</u>	<u>565,142</u>	<u>151,146</u>	<u>194,810</u>
Segment results	<u>135,743</u>	<u>44,268</u>	<u>25,472</u>	<u>86,363</u>	<u>71,328</u>
Interest income					
Unallocated revenue and gains					
Unallocated expenses					
Profit from operating activities					
Finance costs					
Share of profits and losses of:					
Jointly-controlled entities	(3,451)	(658)	2,056	–	–
Associates	(96)	(45)	–	–	–
Amortisation of goodwill arising on acquisition of jointly-controlled entities	(339)	(171)	–	–	–
Profit before tax					
Tax					
Profit before minority interests					
Minority interests					
Net profit from ordinary activities attributable to shareholders					



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2. SEGMENT INFORMATION (continued)

#### (b) Geographical segments

	Hong Kong		Mainland China		Overseas		Eliminations		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30th June,		30th June,		30th June,		30th June,		30th June,	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	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
Segment revenue:										
Sales to external customers	12,603	6,906	4,370,656	3,542,328	92,604	71,583	-	-	4,475,863	3,620,817
Intersegment sales	7,367	-	-	-	15,158	540	(22,525)	(540)	-	-
Other revenue	3,430	8,315	48,435	33,180	508	-	-	-	52,373	41,495
Total segment revenue	23,400	15,221	4,419,091	3,575,508	108,270	72,123	(22,525)	(540)	4,528,236	3,662,312

### 3. TURNOVER

Turnover represents: (1) the aggregate of the invoiced value of goods sold, net of value-added tax, consumption tax and government surcharges, and after allowances for goods returned and trade discounts; (2) the aggregate of revenue from hotel operations, toll revenue, and the value of services rendered, net of business and consumption taxes and government surcharges; (3) an appropriate proportion of contract revenue of construction contracts, net of value-added tax, business tax and government surcharges; and (4) rental income.

### 4. OTHER REVENUE AND GAINS, NET

	Six months ended	
	30th June,	
	2004	2003
	Unaudited	Unaudited
	HK\$'000	HK\$'000
<b>Other revenue, net</b>		
Service income	-	1,496
Investment income	8,898	9,897
Corporate income tax and value-added tax refund	13,001	-
Rental income	13,143	13,132
Others	41,066	24,598
	76,108	49,123
<b>Gains, net</b>		
Negative goodwill recognised as income	594	8,351
Gain on disposal of fixed assets, net	43	19,321
Gain on disposal of long term investment	1,320	10,223
Gain on partial disposal of an associate	22,208	-
	24,165	37,895
	100,273	87,018

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 5. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 30th June,	
	2004 Unaudited HK\$'000	2003 Unaudited HK\$'000
Depreciation	304,354	243,946
Amortisation of intangible assets	51,815	51,628
Amortisation of goodwill	12,320	8,951
	<u>368,489</u>	<u>304,525</u>

### 6. FINANCE COSTS

	Six months ended 30th June,	
	2004 Unaudited HK\$'000	2003 Unaudited HK\$'000
Interest on convertible bonds, bank loans and other loans wholly repayable within five years	70,774	77,311
Interest on other loans	93	1,562
	<u>70,867</u>	<u>78,873</u>

### 7. TAX

	Six months ended 30th June,	
	2004 Unaudited HK\$'000	2003 Unaudited HK\$'000
Group:		
Current – The People's Republic of China (the "PRC")		
Hong Kong	194	222
Mainland China	105,017	62,924
Current – Overseas	951	341
Overprovision in prior period, net	–	(431)
Deferred	(6,520)	(6,799)
	<u>99,642</u>	<u>56,257</u>
Jointly-controlled entities:		
Mainland China	7,374	(1,112)
Associates:		
Mainland China	994	1,996
Total tax charge for the period	<u>108,010</u>	<u>57,141</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits arising in Hong Kong for the period. The income tax provision in respect of operations in Mainland China and overseas is calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 8. INTERIM DIVIDEND

	Six months ended 30th June,	
	2004	2003
	Unaudited HK\$'000	Unaudited HK\$'000
Proposed 2004 interim dividend of HK10 cents (2003: HK10 cents) per ordinary share	<u>62,250</u>	<u>62,250</u>

### 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the six months ended 30th June, 2004 is based on the following data:

Earnings:	Six months ended 30th June, 2004 Unaudited HK\$'000
Net profit attributable to shareholders, used in the basic earnings per share calculation	210,730
Interest expense for the period relating to the liability component of the convertible bonds of a subsidiary, net of current tax	2,643
Decrease in share of net profit for the period of a subsidiary, as a result of the dilution of interest in that subsidiary assuming the exercise of all the outstanding convertible bonds issued by that subsidiary	(7,256)
Net profit attributable to shareholders, used in the diluted earnings per share calculation	<u>206,117</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 and Beijing Development, a subsidiary of the Company, during the period did not have a diluting effect on the Group's basic earnings per share for the six months ended 30th June, 2004.

The calculation of basic earnings per share for the six months ended 30th June, 2003 is based on the net profit from ordinary activities attributable to shareholders for that period of HK\$181,841,000 and the weighted average of 622,500,000 ordinary shares in issue during that period.

Diluted earnings per share amount for the six months ended 30th June, 2003 has not been shown because the exercise of the outstanding options of the Company and Beijing Development; and the convertible bonds issued by Beijing Yanjing Brewery Company Limited ("Yanjing Brewery"), a subsidiary of the Company, during that period did not have a diluting effect on the Group's basic earnings per share for the six months ended 30th June, 2003.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 3 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 trade and bills receivables as at the balance sheet date is as follows:

	30th June, 2004 Unaudited HK\$'000	31st December, 2003 Audited HK\$'000
Within one year	921,461	702,834
One to two years	65,845	66,606
Two to three years	22,085	20,332
Over three years	10,918	3,722
	<u>1,020,309</u>	<u>793,494</u>
Less: Portion classified as current assets	(981,105)	(744,128)
Long term portion	<u>39,204</u>	<u>49,366</u>

### 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:

	30th June, 2004 Unaudited HK\$'000	31st December, 2003 Audited HK\$'000
Within one year	600,746	625,678
One to two years	24,490	17,200
Two to three years	2,451	16,142
Over three years	9,505	12,085
	<u>637,192</u>	<u>671,105</u>

### 12. SHARE CAPITAL

	30th June, 2004 Unaudited HK\$'000	31st December, 2003 Audited HK\$'000
Authorised: 2,000,000,000 ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid: 622,500,000 ordinary shares of HK\$0.10 each	<u>62,250</u>	<u>62,250</u>

#### Share options

Details of the Company's share option scheme and the share options issued under the scheme are set out under the heading "Share options schemes" in the section of "Discloseable Information" on pages 31 to 34. No share options were granted or exercised during the period.



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 13. CONTINGENT LIABILITIES

	Group		Company	
	30th June, 2004 Unaudited HK\$'000	31st December, 2003 Audited HK\$'000	30th June, 2004 Unaudited HK\$'000	31st December, 2003 Audited HK\$'000
Guarantees given in respect of mortgage loans granted by banks to the Group's purchasers of properties held for sale	-	56,901	-	-
Guarantees given for banking facilities granted to a jointly-controlled entity	-	14,131	-	-
Guarantee given for the Convertible Bonds issued by Yanjing Brewery	-	-	648,777	659,444
	-	71,032	648,777	659,444

### 14. CAPITAL COMMITMENTS

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

	Group	
	30th June, 2004 Unaudited HK\$'000	31st December, 2003 Audited HK\$'000
Land and buildings:		
Authorised, but not contracted for	-	2,485
Contracted, but not provided for	88,085	119,897
	88,085	122,382
Plant and machinery:		
Authorised, but not contracted for	-	37,174
Contracted, but not provided for	104,024	107,824
	104,024	144,998
Capital contribution to subsidiaries and associates:		
Authorised, but not contracted for	158,840	210,244
Contracted, but not provided for	3,529	254,039
	162,369	464,283
Total capital commitments	354,478	731,663

The Company had no material capital commitments as at 30th June, 2004 (2003: Nil).

## 15. POST BALANCE SHEET EVENTS

- Xteam is a company listed on the Growth Enterprise Market operated by The Stock Exchange of Hong Kong Limited. Xteam is principally engaged in software development and provision of the Chinese Linux operating system with kernel rewritten to cater for Chinese users, and software based on the Linux operating platform for various hardware appliances including servers and personal computers in the PRC. It also provides technical support and after-sales services to its customers.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 16. RELATED PARTY TRANSACTIONS

			Six months ended 30th June,	
			2004	2003
Name of company	Nature of transaction	Notes	Unaudited HK\$'000	Unaudited HK\$'000
Ultimate holding company:				
Beijing Holdings Limited and its associates	Rental income	(a)	1,337	1,337
	Rental and related expenses	(a)	1,705	2,221
Joint venture partners of subsidiaries and their associates:				
Beijing Yanjing Beer Group Company ("Yanjing Beer Group") and its associates	Purchases of bottle labels	(b)	21,144	26,644
	Purchases of bottle caps	(b)	22,758	18,850
	Canning service fees paid	(c)	9,041	8,086
	Comprehensive support service fees paid	(d)	7,323	7,323
	Land rent expenses	(e)	822	822
	Trademark licensing fees paid	(f)	10,202	7,479
	Less: 20% refund for advertising subsidies	(f)	(2,040)	(1,496)
Beijing San Yuan Group Company ("San Yuan Group") and its associates	Purchase of raw milk	(g)	81,148	91,478
	Land use fee	(h)	1,512	1,385
	Acquisition of a land	(i)	–	12,247
	Establishment of a subsidiary	(j)	4,616	–
	Disposal of equity interest in a subsidiary	(k)	4,720	–
Beijing Jia Ming Investment Limited Company ("Jia Ming Investment")	Disposal of equity interest in a subsidiary	(l)	16,104	–
Jointly-controlled entities:				
Beijing McDonald's Food Co., Ltd.	Sale of dairy products	(g)	15,032	21,444
Shanghai Sanyuan Only Alimentation Foods Co., Ltd.	Sale of dairy products	(g)	1,736	–
Yanjing Beer (Qu Fu Sankong) Co., Ltd.	Sale of malt and barley	(g)	450	8,331

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 16. RELATED PARTY TRANSACTIONS (continued)

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

**Notes:**

- (a) The rentals were determined by reference to the prevailing open market rentals at the time when the lease agreements were entered into.
- (b) 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.
- (c) 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.
- (d) 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.
- (e) Land rent expenses were charged at a mutually-agreed amount of RMB1,744,000 per annum.
- (f) Trademark licensing fees paid were for the use of the “Yanjing” trademark and were determined based on 1% of the annual sales of beer and mineral water products made by 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.
- (g) The purchase prices for raw milk, dairy products, malt and barley were determined by reference to the prevailing market rates.
- (h) The land use fee was charged at a mutually-agreed amount of RMB3,210,000 (2003: RMB2,940,000) for the year ending 31st December, 2004.
- (i) The consideration paid was based on a mutually-agreed amount of RMB13,000,000.
- (j) The capital contribution made by the Group to the subsidiary is in accordance with the joint venture agreement entered into between Sanyuan Foods and a wholly owned subsidiary of San Yuan Group.
- (k) The consideration received was based on a mutually-agreed amount of RMB5,010,000.
- (l) The consideration received was determined by reference to the valuation report prepared by an independent PRC asset valuer.

## 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 President*)

Mr. Li Fu Cheng (*Vice Chairman*)

Mr. Guo Ying Ming

Mr. Liu Kai (*Vice President*)

Mr. Bao Zong Ye

Mr. Zheng Wan He

Mr. Wei En Hong

(resigned on 28th April, 2004)

Mr. Bi Yu Xi

(resigned on 28th April, 2004)

Mr. Li Man

Mr. Li Zhong Gen

Mr. Guo Pu Jin

(appointed on 28th April, 2004)

#### Non-executive director:

Mr. Fang Fang

(resigned on 21st April, 2004)

#### Independent non-executive directors:

Mr. Lau Hon Chuen, Ambrose

Mr. Lee Tung Hai, Leo

Mr. Wang Xian Zhang

Mr. Wu Jiesi

(appointed on 2nd July, 2004)

Mr. Robert A.Theleen

(appointed on 2nd July, 2004)



## DISCLOSEABLE INFORMATION

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

#### Long positions in shares of associated corporations:

Name of director	Name of associated corporation	Number of ordinary shares held	Percentage of the associated corporation's issued share capital
Mr. Li Fu Cheng	Beijing Yanjing Brewery Company Limited@	20,419 #	0.0031
Mr. Zheng Wan He	Beijing Wangfujing Department Store (Group) Co., Ltd.@	45,738 #	0.0116

@ All these associated corporations are indirectly held subsidiaries of the Company

# All interests are directly beneficially owned by the directors

Save as disclosed above, as at 30th June, 2004, 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 for Securities Transactions by Directors of Listed Companies.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option schemes" below, 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 or 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 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 16th May, 1997 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 (the “Maximum Number”) is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. No option may be granted to any one person which if exercised in full would result in the total number of ordinary shares of the Company issued and issuable to him/her under all the options previously granted to him/her and the said option exceeding 25% of the Maximum Number.

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

The period during which an option may be exercised will be determined by the directors at their discretion, save that no option may be exercised later than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the nominal value of an ordinary share; and (ii) 80% of the average of the closing prices of the Company's ordinary shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option.



## DISCLOSEABLE INFORMATION

### SHARE OPTION SCHEMES (continued)

#### Company (continued)

The following share options were outstanding under the Scheme as at 30th June, 2004:

Name or category of participant	Notes	Number of share options			
		At 1st January, 2004	Granted during the period	Lapsed during the period	At 30th June, 2004
<b>Directors</b>					
Mr. Li Fu Cheng	(a)	200,000	–	–	200,000
	(b)	1,800,000	–	–	1,800,000
		2,000,000	–	–	2,000,000
Mr. Zheng Wan He	(a)	200,000	–	–	200,000
	(b)	1,800,000	–	–	1,800,000
		2,000,000	–	–	2,000,000
Mr. Wei En Hong (note (c))	(a)	200,000	–	(200,000)	–
	(b)	1,800,000	–	(1,800,000)	–
		2,000,000	–	(2,000,000)	–
Mr. Li Zhong Gen	(a)	200,000	–	–	200,000
	(b)	1,800,000	–	–	1,800,000
		2,000,000	–	–	2,000,000
<b>Other employees</b>					
In aggregate	(a)	320,000	–	–	320,000
	(b)	2,830,000	–	–	2,830,000
		3,150,000	–	–	3,150,000
		11,150,000	–	(2,000,000)	9,150,000

**Notes:**

- (a) These options were granted on 3rd March, 1998, at an exercise price per share of HK\$17.03. The cash consideration paid by each director and employee for the options granted was HK\$1 per grant of options. The options may be exercised at any time in the next 10 years commencing on 1st September, 1998. No such options were exercised during the period.

## DISCLOSEABLE INFORMATION

### SHARE OPTION SCHEMES (continued)

#### Company (continued)

##### Notes:

- (b) These options were granted on 23rd June, 1998 at an exercise price per share of HK\$17.03. The consideration paid by each director and employee for the options granted was HK\$1 per grant of options. The options may be exercised in 9 equal portions. The first portion is exercisable at any time commencing on 1st January, 1999, and one additional portion becomes exercisable on 1st January in each of the following years. All of the options (to the extent not exercised) will become exercisable on 1st January, 2007, and if not otherwise exercised, will lapse on 1st January, 2009. No portion of these share options was exercised during the period.
- (c) Owing to the resignation of Mr. Wei En Hong on 28th April, 2004, the share options granted to him lapsed on the same date.

At 30th June, 2004, the Company had 9,150,000 share options outstanding under the Scheme, which represented approximately 1.47% of the ordinary shares of the Company in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 9,150,000 additional ordinary shares of the Company and additional share capital of HK\$915,000 and share premium of HK\$154,909,500 (before any issue expenses).

#### Beijing Development

Beijing Development operates a share option scheme (the “Beijing Development Scheme”) to give executives and key employees of Beijing Development an interest in preserving and maximising shareholder 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 the Beijing Development Scheme include the executive directors and employees of Beijing Development or any of its subsidiaries. The Beijing Development Scheme became effective on 18th 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 the Beijing Development Scheme is an amount equivalent, upon their exercise, to 10% of the ordinary shares of Beijing Development in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Beijing Development Scheme is limited to 25% of the aggregate number of shares for the time being issued and issuable under the 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 of Beijing Development, 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 the Beijing Development Scheme, whichever is earlier.

## DISCLOSEABLE INFORMATION

### SHARE OPTION SCHEMES (continued)

#### Beijing Development (continued)

The exercise price of the share options is determinable by the directors of Beijing Development, but may not be less than the higher 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 the Beijing Development's shares.

Share options do not confer rights on the holders to dividends or to vote at Beijing Development's shareholder meetings.

The following share options were outstanding under the Beijing Development Scheme during the six months ended 30th June, 2004:

Name or category of participant	Notes	Number of share options			At 30th June, 2004
		At 1st January, 2004	Granted during the period	Lapsed during the period	
<b>Employees</b>					
In aggregate	(a)	9,800,000	–	(1,600,000)	8,200,000
	(b)	21,300,000	–	(1,200,000)	20,100,000
	(c)	2,800,000	–	–	2,800,000
		<u>33,900,000</u>	<u>–</u>	<u>(2,800,000)</u>	<u>31,100,000</u>

Notes:

- (a) These options were granted on 19th June, 2001 at an exercise price of HK\$1.13 per share. The options can be exercised in two or three equal portions. The first portion is exercisable at any time commencing on 1st January, 2002, and each further portion becomes exercisable on 1st January in each of the following years. All of the options, if not otherwise exercised, will lapse on 26th June, 2006.
- (b) These options were granted on 18th January, 2002 at an exercise price of HK\$1.00 per share. The options can be exercised in three equal portions. The first portion is exercisable at any time commencing on 18th January, 2002, and each further portion becomes exercisable on 1st January in each of the following years. All of the options, if not otherwise exercised, will lapse on 17th January, 2007.
- (c) These options were granted on 2nd October, 2003 at an exercise price of HK\$1.05 per share. The options can be exercised in three equal portions. The first portion is exercisable at any time commencing on 2nd October, 2003, and each further portion becomes exercisable on 1st January in each of the following years. All of the options, if not otherwise exercised, will lapse on 1st October, 2008.

No share options were exercised during the six months ended 30th June, 2004. At 30th June, 2004, Beijing Development had 31,100,000 share options outstanding under the Beijing Development Scheme, which represented approximately 6.3% of the ordinary shares of Beijing Development in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of Beijing Development, result in the issue of 31,100,000 additional ordinary shares of Beijing Development and additional share capital of HK\$31,100,000 and share premium of HK\$1,206,000 (before any issue expenses).

## DISCLOSEABLE INFORMATION

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

At 30th June, 2004, 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 in shares of the Company:

Name	Notes	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
		Directly beneficially owned	Through controlled corporations	Total	
Modern Orient Limited		100,050,000	–	100,050,000	16.07
Beijing Enterprises Investments Limited	(a)	290,843,900	100,050,000	390,893,900	62.79
Beijing Holdings Limited	(b)	18,201,100	390,893,900	409,095,000	65.72

Notes:

- (a) The interest disclosed includes the shares owned by Modern Orient Limited. Modern Orient Limited is held directly as to 100% by Beijing Enterprises Investments Limited. Accordingly, Beijing Enterprises Investments Limited is deemed to be interested in the shares owned by Modern Orient Limited.
- (b) The interest disclosed includes the shares owned by Beijing Enterprises Investments Limited and Modern Orient Limited. Beijing Enterprises Investments Limited, the holding company of Modern Orient Limited, is held indirectly as to 50.37% by Beijing Holdings Limited. Accordingly, Beijing Holdings Limited is deemed to be interested in the shares owned by Beijing Enterprises Investments Limited and Modern Orient Limited.

Save as disclosed above, as at 30th June, 2004, no person, other than the directors of the Company, whose interests are set out in the section "Directors' 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

### CONNECTED TRANSACTIONS

The connected transactions undertaken by the Group during the period are set out in note 16 to the condensed consolidated interim financial statements.

The independent non-executive directors of the Company have reviewed and confirmed that these 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 that are fair and reasonable so far as the Company's shareholders are concerned; (ii) in accordance with the terms of the agreements governing the transactions; and (iii) within the prescribed limits as set out in the waiver letters in respect of connected transactions granted by the Stock Exchange.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period.

### LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

The Company obtained a five-year US\$180 million loan facility in 2001. The loan agreement includes certain conditions imposing specific performance obligations on the Company's holding companies, among which are the following events which would constitute an event of default on the loan facility:

1. If the beneficial interest in more than 50% of the entire issued share capital of the Company ceases to be owned by persons or entities controlled by the Beijing Municipal People's Government of China; or
2. If any of the Company's holding companies stops or suspends payments to its creditors generally, or is unable or admits its inability to pay its debts as they fall due, or is declared or becomes bankrupt or insolvent.

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.

The audit committee comprised two Independent Non-executive Directors of the Company.

The audit committee has reviewed the accounting policies adopted by the Group and has discussed the internal controls and financial affairs including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30th June, 2004.

The Company has adopted the Model Code set out in Appendix 10 of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its code of conduct regarding securities transactions by the Directors of the Company on terms no less exacting than the required standard set out in the Model Code. Having made specific of all directors, the directors have complied with the required standard set out in the Model Code throughout the six months ended 30th June, 2004.

In the opinion of the Directors, the Company complied with the Code as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by this interim report, except that the Independent Non-Executive Directors of the Company are not appointed for specific terms and subject only to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association.

## PUBLICATION OF THE RESULTS ON THE WEBSITE

The interim report of the Company for the six months ended 30th June, 2004, together with the information required under the paragraph 46(1) to 46(6) of Appendix 16 to the Listing Rules, will be published on the Company's website ([www.behl.com.hk](http://www.behl.com.hk)) and website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) in due course.