

# Beijing Enterprises Holdings Limited

## Interim Report 2007

stock code 392



北京控股有限公司  
BEIJING ENTERPRISES HOLDINGS LIMITED

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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 Chief Executive Officer*)  
Mr. Li Fu Cheng (*Vice Chairman*)  
Mr. Bai Jin Rong (*Vice Chairman*)  
Mr. Zhou Si (*Vice Chairman*)  
Mr. Liu Kai (*Vice President*)  
Mr. Guo Pu Jin  
Mr. E Meng (*Vice President*)  
Mr. Lei Zhen Gang  
Mr. Jiang Xin Hao (*Vice President*)  
Mr. Tam Chun Fai

#### 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

BNP Paribas, Hong Kong Branch

DBS Bank LTD.

Calyon, Hong Kong Branch

Mizuho Corporate Bank Ltd., Hong Kong Branch

Rabobank, Hong Kong Branch

#### In Mainland China:

Agricultural Bank of China

Bank of China

China Construction Bank

Guangdong Development Bank

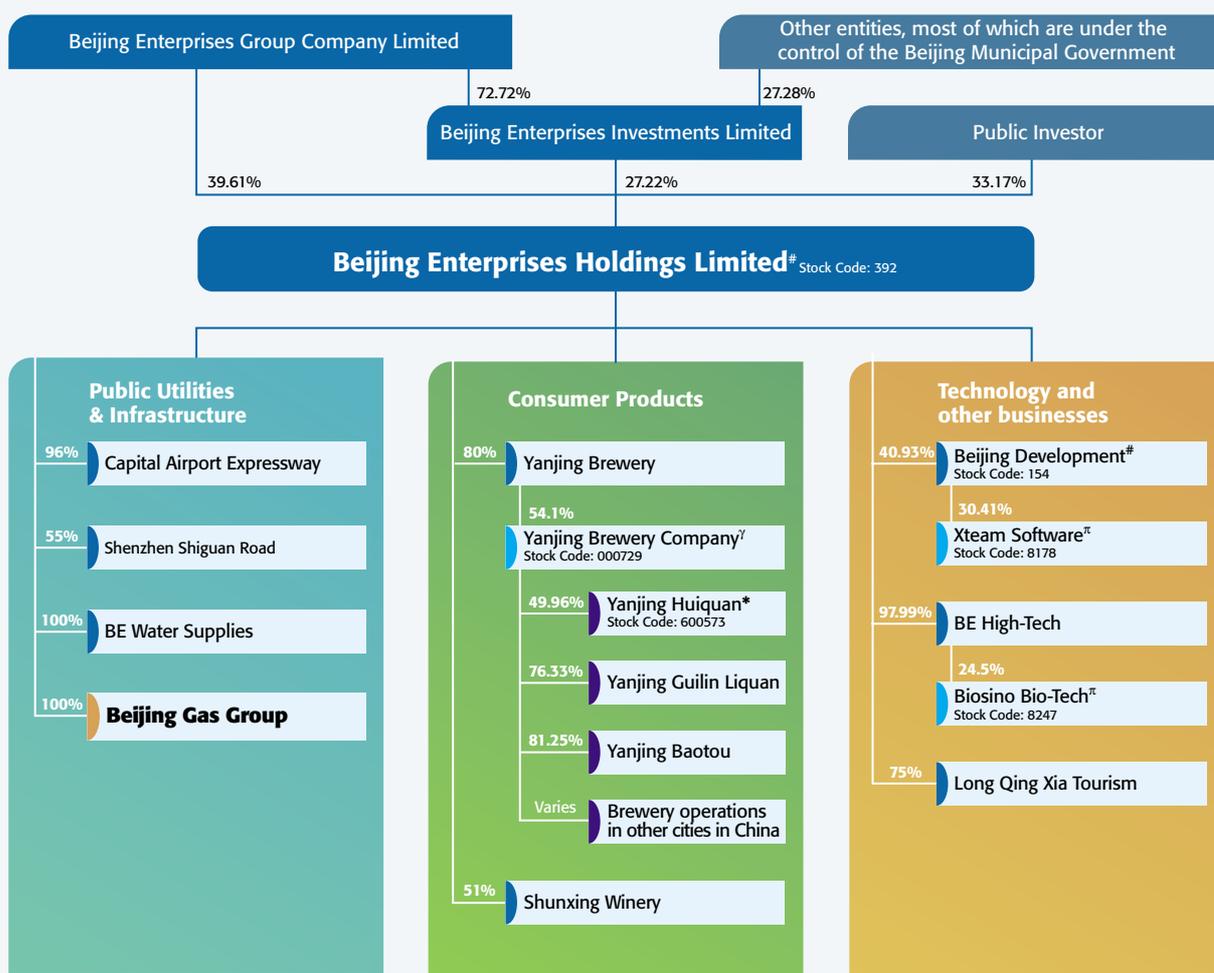
The Industrial and Commercial Bank of China

#### ADR Depository Bank:

The Bank of New York

# CORPORATE STRUCTURE

AS AT 18 SEPTEMBER 2007



\* Listed on The Shanghai Stock Exchange

γ Listed on The Shenzhen Stock Exchange

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

π Listed on The Growth Enterprise Market of the Stock Exchange

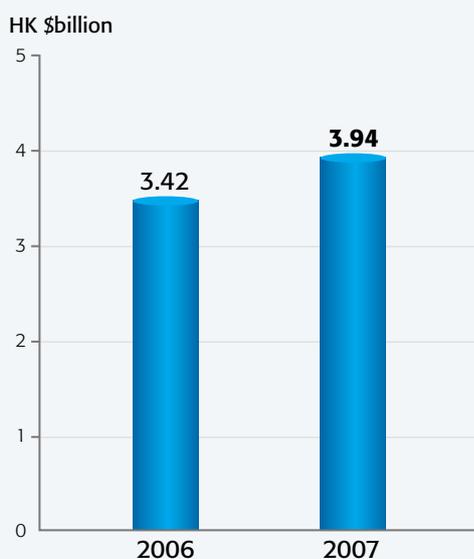
# SUMMARY

## UNAUDITED INTERIM RESULTS AND DIVIDENDS

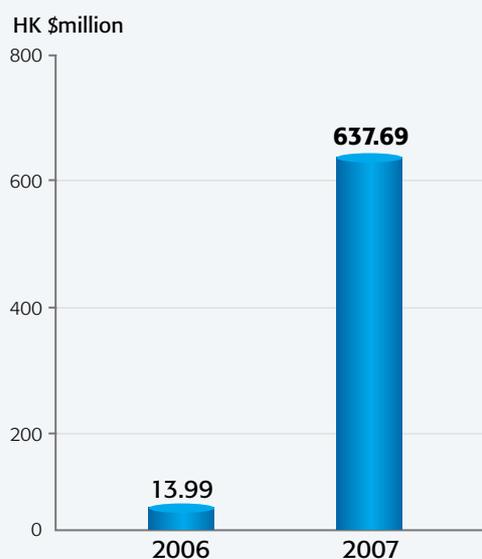
### Financial Highlights (Unaudited)

	For the six months ended 30 June		
	2007 HK\$'000	2006 HK\$'000	Change %
Revenue	3,939,991	3,415,514	+15.4%
Gross profit	1,339,358	1,190,007	+12.6%
Profit from operating activities	956,938	186,955	+411.9%
Profit for the period	843,241	110,488	+663.2%
Profit attributable to shareholders of the Company	637,688	13,988	+4458.8%
Interim dividend	HK10 cents	HK10 cents	0%
Special dividend	HK10 cents	–	N/A
Earnings per share – Basic	HK102 cents	HK2 cents	+5000%

Revenue from continuing operations for the six months ended 30 June 2007



Profit attributable to shareholders of the Company for the six months ended 30 June 2007



# SUMMARY

## Unaudited Interim Results

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 2007 and the unaudited condensed consolidated balance sheet of the Group as at 30 June 2007 with the comparative figures in 2006. The consolidated revenue of the Group from continuing operations was HK\$3.94 billion for the first half of 2007, increased by 15.4% comparing to the corresponding period of last year. Profit attributable to shareholders of the Company was HK\$638 million, marked a record high of the Company, representing an increase of more than forty times over the corresponding period of last year.

Stripping off the aggregate of the net exceptional gain of HK\$143 million arising from the deemed disposal of interest in Beijing Development (Hong Kong) Limited ("Beijing Development") and share of gain on deemed disposal and sale of its holding shares of Xteam Software International Limited ("Xteam"), profit attributable to shareholders of the Company increased by 104.1% to HK\$494 million which was mainly driven by strong profit growth of Beijing Yanjing Brewery Co., Ltd. ("Yanjing Brewery") and Beijing Capital Airport Expressway ("Airport Expressway").

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

	Net profit before exceptional items for the six months ended 30 June	
	2007	2006
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Infrastructure	171,620	127,700
Utilities	75,300	71,740
Consumer products	90,700	54,600
Retail and others	156,630	(11,860)
	<u>494,250</u>	<u>242,180</u>

## Dividends

The Board has resolved to declare an interim cash dividend for the six months ended 30 June 2007 of HK10 cents (2006: HK10 cents) per share and a special cash dividend of HK10 cents per share (2006: Nil), both of which will be payable on Friday, 9 November 2007 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 10 October 2007.

# BUSINESS OVERVIEW AND OUTLOOK

## MANAGEMENT DISCUSSION AND ANALYSIS

### Scope of Consolidation

The Company has consolidated Beijing Gas Group Company Limited ("Beijing Gas") in the Group after the completion date of acquisition on 29 June 2007. Its financial position has already been included in the Group's unaudited condensed consolidated balance sheet as at 30 June 2007 and its results will be consolidated from the date thereafter. The profit after tax from Beijing Gas was approximately RMB505 million for the first half of 2007 and the sale of natural gas was more than 2 billion cubic metres for the period.

The Group's effective interest in Beijing Development has been diluted from 55.81% to 46.57% upon the issuance of new shares by Beijing Development in December 2006 as disclosed in the Company's 2006 financial statements. Beijing Development ceased to be a subsidiary and became an associate of the Group thereafter.

### Business review

#### *I. Infrastructure and Utilities*

##### *1. Toll Roads*

Airport Expressway achieved record traffic volume of 26.63 million vehicles in the first half of the year, representing a growth of 9.5%. Revenue increased 16.1% to HK\$248.5 million and attributable profit to the Group increased 34.8% to HK\$160 million in the same period. Northern Extension of the Airport Expressway (機場北線) has started operations since the last quarter of last year, its business results were not taken up by the Group because the commercial terms are subject to finalisation.

The traffic volume of Shenzhen Shiguan Road remained steady at 4.73 million vehicles in the first half of the year. Revenue also remained steady at approximately HK\$40.3 million and profit attributable to the Group increased 29.2% to approximately HK\$11.4 million.

##### *2. Water Treatment Concession*

The attributable profit of Beijing No. 9 water treatment concession to the Group was HK\$75.3 million which is comparable with last period. The Group is actively pursuing investment opportunities in the water treatment sector and intends to raise the weighting of profit contribution from this sector in the Group.

# BUSINESS OVERVIEW AND OUTLOOK

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business review (continued)

### *II. Consumer Products*

#### *1. Beer operations*

Yanjing Brewery achieved another record breaking sales volume in the first half of 2007, overall sales volume of beer operations managed by Yanjing Brewery increased 17% to 1.95 million tons. Revenue increased by approximately 23.6% to HK\$3.31 billion due to product price increase and appreciation of Renminbi exchange rate. Profit attributable to the Group jumped 62.3% to approximately HK\$88.5 million due to improved profit margin and turnaround situation of certain regional brewery operations in the PRC.

#### *2. Winery operations*

Both revenue and operating profit of Beijing Shun Xing Winery Co., Ltd. recovered healthily in the first half of the year due to strong demand for consumer products amid a buoyant stock and property market in the PRC.

### *III. Other Business*

Longqingxia remained the only tourism site in the Group, revenue for the first half of the year was HK\$30.4 million, attributable profit from operations to the Group was HK\$0.2 million. The Company will look for opportunity to divest Longqingxia and completely withdraw from tourism sector.

Information technology business carried by Beijing Development and Xteam was operating under very competitive environment. Nevertheless, Beijing Development has officially launched the Smart Card program in Beijing and has issued more than 12.9 million cards up to now. Steady profit contribution is expected from the smart card business once the commercial terms are settled later on.

Riding on the very prosperous Hong Kong stock market in the first half of the year, Beijing Development, including Xteam, placed new shares respectively and generated gains on deemed disposals of interest for the Group. Also, Beijing Development disposed its holding shares of Xteam and recorded significant exceptional gain in its accounts. To sum up, the Group derived net exceptional gains of HK\$143 million from the various deemed disposals of interest in Beijing Development and Xteam and the sales of Xteam's shares in the first half of the year.

# BUSINESS OVERVIEW AND OUTLOOK

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Financial review

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

##### *1. Revenue*

Revenue from continuing business increased by 15.4% to HK\$3.94 billion mainly due to steady growth of beer business of Yanjing Brewery.

Revenue in the infrastructure segment comprising the two toll roads increased 15.1% to HK\$289 million. Revenue of the consumer products segment increased 23.8% to HK\$3.35 billion mainly driven by the strong growth of beer business in Guangxi, Inner Mongolia and Fujian.

Revenue contributions from other business segments were relatively insignificant to the Group.

##### *2. Profit before tax*

###### *(a) Gross profit margin*

Overall gross profit margin for the period under review was 34%, improved slightly comparing to corresponding period last year (excluding results of Beijing Development and its subsidiaries) mainly due to higher product prices of Yanjing Brewery as a result of higher growth in premium sector and price hike for certain mass market products. Toll roads remained the most profitable business due to their relatively fixed cost structure.

# BUSINESS OVERVIEW AND OUTLOOK

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial review (continued)

### *1. Analysis of Financial Results (continued)*

#### *2. Profit before tax (continued)*

##### (b) Share of results of associates

During the period under review, Beijing Development (including Xteam), an associate of the Group, captured the opportunities of the very prosperous stock market in Hong Kong and placed new shares and old shares of Xteam to fund their respective expansion programs. As the placing prices were significantly higher than the relevant net asset values, the Company was able to share significant net exceptional gains on deemed disposal of interest in Xteam in the first half of the year.

##### (c) Other income and gains, net

Other income increased by HK\$243 million mainly due to write back of certain provisions of fixed assets and other receivables amounted to HK\$98.4 million. Moreover, as a result of placing of Beijing Development's new shares during the period, the Company had recorded HK\$61.4 million gain on deemed disposal of interest in Beijing Development.

##### (d) Income tax rate

Effective income tax rate declined significantly to approximately 12.5% due to the lower weighted average tax rate from Airport Expressway and Yanjing's beer operations. Also, the net exceptional gains derived in Hong Kong were capital in nature and were not subject to tax.

# BUSINESS OVERVIEW AND OUTLOOK

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial review (continued)

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

#### 1. *Capital and shareholders' equity*

As at 30 June 2007, the Company had a total of 1,037,880,000 issued share capital and total shareholders' equity increased significantly by HK\$13.11 billion, which was mainly due to the completion of the acquisition of the Beijing Gas. Minority interests amounted to HK\$4.33 billion.

#### 2. *Borrowings*

The Group's bank and other borrowings amounted to HK\$4.54 billion as at 30 June 2007, which mainly comprised a five-year syndicated loan of the Company amounted to HK\$2.1 billion and working capital loans of HK\$2.44 billion carried by the Company's PRC subsidiaries. Approximately 46.2% of the bank and other borrowings of the Group were borrowed in Hong Kong dollars, 43.6% in Renminbi and the remaining in US dollars. The Group has a net debt (defined as total bank and other borrowings netting off cash) to equity ratio of 1.5% as at 30 June 2007.

#### 3. *Bank deposits*

As at 30 June 2007, cash and bank deposits held by the Group amounted to HK\$4.22 billion. At present, the Group has a strong net current assets of HK\$59 million. The Group maintains sufficient banking facilities for its working capital requirement and its balance sheet position has plenty of room to gear up for significant investment opportunities arise.

#### 4. *Goodwill*

The increase in balance of goodwill mainly represents the excess of the fair value of the consideration for acquisition of Beijing Gas over the net fair value of identifiable assets acquired and liabilities and contingent liabilities assumed of Beijing Gas at the date of completion of acquisition.

# BUSINESS OVERVIEW AND OUTLOOK

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial review (continued)

### *II. Financial Position of the Group (continued)*

#### *5. Interests in jointly-controlled entities*

This mainly represents Beijing Gas's 40% equity interests in Beijing Hua You Gas Company Limited (北京華油天然氣有限責任公司), which is engaged in the transmission of natural gas business.

#### *6. Other payables and accruals*

The significant increase was mainly due to consolidation of receipt in advance of gas fees of Beijing Gas, which amounted to HK\$793 million, and HK\$731 million payables related to capital expenditures of Beijing Gas.

### *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 the 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, and;
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

The core businesses, including toll roads and beer operations, performed strongly in the first half of the year and are expected to maintain their strong momentum in the second half of the year. Water treatment concession remained a significant cash contributor to the Group. The outlook for information technology business has become more promising in the foreseeable future.

On 29 June 2007, the Company has completed the acquisition of Beijing Gas, the largest integrated citywide natural gas distributor in the PRC with interests in midstream gas transportation business. The Company will start to consolidate the operating results of Beijing Gas in the second half year. Beijing Gas is expected to contribute a significant portion of the recurring profit of the Group in the future. Upon completion of the acquisition, the Group's asset base as well as recurring profit base have increased substantially. The Group's operating performance will be dominated by utilities and infrastructure business in the future.

## EMPLOYEE INFORMATION

At 30 June 2007, the Group had 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, 18 September 2007

## INTERIM DIVIDEND AND SPECIAL DIVIDEND

### INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board has resolved to declare an interim cash dividend for the six months ended 30 June 2007 of HK10 cents (2006: HK10 cents) per share and a special cash dividend of HK10 cents (2006: Nil) per share, both of which will be payable on Friday, 9 November 2007 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 10 October 2007.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 5 October 2007 to Wednesday, 10 October 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim cash dividend for the six months ended 30 June 2007 and the special cash dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m., Thursday, 4 October 2007.

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Notes	For the six months ended 30 June	
		2007 Unaudited HK\$'000	2006 Unaudited HK\$'000
<b>CONTINUING OPERATIONS:</b>			
REVENUE	2	3,939,991	3,415,514
Cost of sales		(2,600,633)	(2,225,507)
Gross profit		1,339,358	1,190,007
Gain on deemed disposal of interest in a subsidiary		–	139,363
Other income and gains, net	3	371,176	128,088
Selling and distribution costs		(393,957)	(393,335)
Administrative expenses		(325,869)	(398,322)
Dilution loss on share reform of a subsidiary		–	(429,877)
Other operating expenses, net		(33,770)	(48,969)
PROFIT FROM OPERATING ACTIVITIES		956,938	186,955
Finance costs	4	(59,993)	(62,160)
Share of profits and losses of:			
Jointly-controlled entities		–	(922)
Associates		66,491	8,039
PROFIT BEFORE TAX	5	963,436	131,912
TAX	6	(120,195)	(90,000)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		843,241	41,912
<b>DISCONTINUED OPERATIONS:</b>			
Profit for the period from discontinued operations	7	–	68,576
<b>PROFIT FOR THE PERIOD</b>		<b>843,241</b>	<b>110,488</b>

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Notes	For the six months ended 30 June	
		2007 Unaudited HK\$'000	2006 Unaudited HK\$'000
<b>ATTRIBUTABLE TO:</b>			
Shareholders of the Company:			
Continuing operations		637,688	(8,242)
Discontinued operations		–	22,230
		637,688	13,988
Minority interests		205,553	96,500
		<u>843,241</u>	<u>110,488</u>
<b>DIVIDENDS</b>			
	8		
Interim		103,839	62,250
Special		103,839	–
		<u>207,678</u>	<u>62,250</u>
<b>EARNINGS/(LOSS) PER SHARE</b>			
ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic			
– For profit for the period		<u>HK\$1.02</u>	<u>HK\$0.02</u>
– For profit/(loss) from continuing operations		<u>HK\$1.02</u>	<u>HK\$(0.01)</u>
Diluted			
– For profit for the period		<u>HK\$0.82</u>	<u>HK\$0.02</u>
– For profit/(loss) from continuing operations		<u>HK\$0.82</u>	<u>HK\$(0.01)</u>

# CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2007

	<i>Note</i>	30 June 2007 Unaudited HK\$'000	31 December 2006 Audited HK\$'000
<b>ASSETS</b>			
Non-current assets:			
Property, plant and equipment		15,953,448	7,681,882
Investment properties		274,961	272,904
Prepaid land premiums		805,309	302,757
Goodwill		6,970,417	44,177
Other intangible assets		1,443,649	1,450,584
Interests in jointly-controlled entities		2,982,528	1,921
Interests in associates		653,245	519,854
Prepayments, deposits and other receivables		26,924	130,008
Restricted cash and pledged deposits		6,674	2,200
Available-for-sale investments		379,462	352,914
Deferred tax assets		184,941	663
		<u>29,681,558</u>	<u>10,759,864</u>
Total non-current assets			
Current assets:			
Prepaid land premiums		18,831	8,086
Inventories		1,750,807	1,648,707
Amounts due from customers for contract work		432	–
Trade and bills receivables	10	1,311,433	458,313
Prepayments, deposits and other receivables		1,022,571	1,644,518
Financial assets at fair value through profit or loss		6,578	9,706
Taxes recoverable		10,783	27,258
Restricted cash and pledged deposits		78,071	59,305
Cash and cash equivalents		4,134,681	2,708,395
		<u>8,334,187</u>	<u>6,564,288</u>
Total current assets			
		<u>38,015,745</u>	<u>17,324,152</u>
<b>TOTAL ASSETS</b>			

# CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2007

		30 June 2007 Unaudited HK\$'000	31 December 2006 Audited HK\$'000
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to shareholders of the Company:			
Issued capital	11	103,788	62,250
Reserves		21,528,501	8,683,955
Proposed dividend		207,678	124,500
		<u>21,839,967</u>	<u>8,870,705</u>
Minority interests		4,331,854	4,189,100
		<u>26,171,821</u>	<u>13,059,805</u>
Non-current liabilities:			
Bank and other borrowings		3,284,398	566,998
Convertible bonds		–	464
Defined benefits plans		192,996	–
Deferred income		18,895	–
Other long term liabilities		36,680	21,570
Deferred tax liabilities		35,759	20,512
		<u>3,568,728</u>	<u>609,544</u>
Current liabilities:			
Trade and bills payables	12	1,695,336	733,615
Amounts due to customers for contract work		15,378	–
Other payables and accruals		4,451,188	1,036,140
Taxes payable		856,000	551,098
Bank and other borrowings		1,257,294	1,333,950
		<u>8,275,196</u>	<u>3,654,803</u>
<b>TOTAL LIABILITIES</b>		<u><b>11,843,924</b></u>	<u><b>4,264,347</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>38,015,745</b></u>	<u><b>17,324,152</b></u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Attributable to shareholders of the Company											
	Share Issued capital	Share premium account	Capital reserve	Share option 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	Unaudited
	HK\$'000	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 2007	62,250	4,839,497*	215,246*	21,279*	7,593*	417,183*	704,186*	2,478,971*	124,500	8,870,705	4,189,100	13,059,805
Income for the period recognised directly in equity												
– Exchange realignment	-	-	-	-	-	182,464	-	-	-	182,464	86,472	268,936
Profit for the period	-	-	-	-	-	-	-	637,688	-	637,688	205,553	843,241
<i>Total income and expense for the period</i>	-	-	-	-	-	182,464	-	637,688	-	820,152	292,025	1,112,177
Acquisition of minority interests	-	-	-	-	-	-	-	-	-	-	(13,170)	(13,170)
Deemed disposal of interest in an associate	-	-	4,705	-	(2,067)	-	(1,671)	-	-	967	-	967
Acquisition of interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	9,432	9,432
Issue of shares	41,538	12,242,597	-	(15,763)	-	-	-	-	-	12,268,372	-	12,268,372
Issue of share options	-	-	-	4,271	-	-	-	-	-	4,271	-	4,271
Final 2006 dividend declared	-	-	-	-	-	-	-	-	(124,500)	(124,500)	-	(124,500)
Interim 2007 dividend	-	-	-	-	-	-	-	(103,839)	103,839	-	-	-
Interim 2007 special dividend	-	-	-	-	-	-	-	(103,839)	103,839	-	-	-
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(145,533)	(145,533)
Transfer to reserves	-	-	7,459	-	-	-	54,886	(62,345)	-	-	-	-
At 30 June 2007	<u>103,788</u>	<u>17,082,094*</u>	<u>227,410*</u>	<u>9,787*</u>	<u>5,526*</u>	<u>599,647*</u>	<u>757,401*</u>	<u>2,846,636*</u>	<u>207,678</u>	<u>21,839,967</u>	<u>4,331,854</u>	<u>26,171,821</u>
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
Expense 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 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
Final 2005 dividend declared	-	-	-	-	-	-	-	-	(124,500)	(124,500)	-	(124,500)
Interim 2006 dividend	-	-	-	-	-	-	-	(62,250)	62,250	-	-	-
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(164,080)	(164,080)
Transfer to reserves	-	-	386	-	-	-	51,378	(51,764)	-	-	-	-
At 30 June 2006	<u>62,250</u>	<u>4,839,497</u>	<u>(112,048)</u>	<u>-</u>	<u>12,332</u>	<u>162,105</u>	<u>688,404</u>	<u>2,617,630</u>	<u>62,250</u>	<u>8,332,420</u>	<u>4,805,337</u>	<u>13,137,757</u>

\* These reserve accounts comprise the consolidated reserves of HK\$21,528,501,000 and HK\$8,683,955,000 in the consolidated balance sheet as at 30 June 2007 and 31 December 2006, respectively.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	For the six months ended 30 June	
	2007 Unaudited HK\$'000	2006 Unaudited HK\$'000
Net cash inflow from operating activities	1,660,322	1,243,143
Net cash outflow from investing activities	(1,943,279)	(446,278)
Net cash inflow/(outflow) from financing activities	1,709,243	(942,545)
Increase/(decrease) in cash and cash equivalents	1,426,286	(145,680)
Cash and cash equivalents at beginning of period	2,706,682	3,417,574
Cash and cash equivalents at end of period	<u>4,132,968</u>	<u>3,271,894</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	3,867,020	2,385,080
Non-pledged time deposits with original maturity of less than three months when acquired	350,693	40,118
Less: Pledged deposits	(84,745)	–
Cash and bank balances attributable to a disposal group	<u>4,132,968</u>	<u>2,425,198</u>
	–	846,696
	<u>4,132,968</u>	<u>3,271,894</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 2007 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 2006.

## 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.

For the six months ended 30 June 2007

	Continuing operations					Discontinued operations				Consolidated Unaudited HK\$’000
	Brewery operation Unaudited HK\$’000	Expressway and toll road operations Unaudited HK\$’000	Water treatment operations Unaudited HK\$’000	Corporate and others Unaudited HK\$’000	Total Unaudited HK\$’000	Retail operation Unaudited HK\$’000	Others Unaudited HK\$’000	Total Unaudited HK\$’000	Eliminations Unaudited HK\$’000	
Segment revenue:										
Sales to external customers	3,308,576	288,810	267,968	74,637	3,939,991	-	-	-	-	3,939,991
Intersegment sales	-	-	-	-	-	-	-	-	-	-
Other income and gains, net	46,872	5,340	4,343	69,851	126,406	-	-	-	-	126,406
<b>Total</b>	<b>3,355,448</b>	<b>294,150</b>	<b>272,311</b>	<b>144,488</b>	<b>4,066,397</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,066,397</b>
Segment results	<b>376,132</b>	<b>231,079</b>	<b>91,125</b>	<b>13,832</b>	<b>712,168</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>712,168</b>
Unallocated income and gains, net					244,770			-		244,770
Profit from operating activities					956,938			-		956,938
Finance costs					(59,993)			-		(59,993)
Share of profits and losses of:										
Associates	(350)	-	-	66,841	66,491	-	-	-	-	66,491
Profit before tax					963,436			-		963,436
Tax					(120,195)			-		(120,195)
<b>Profit for the period</b>					<b>843,241</b>			<b>-</b>		<b>843,241</b>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2006

	Continuing operations					Discontinued operations				
	Brewery operation	Expressway and toll road operations	Water treatment operations	Corporate and others	Total	Retail operation	Others	Total	Eliminations	Consolidated
	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	2,676,009	250,978	248,208	240,319	3,415,514	2,769,178	175,047	2,944,225	-	6,359,739
Intersegment sales	-	-	-	226	226	-	-	-	(226)	-
Other income and gains, net	42,752	765	1,243	13,168	57,928	59,798	3,593	63,391	-	121,319
<b>Total</b>	<b>2,718,761</b>	<b>251,743</b>	<b>249,451</b>	<b>253,713</b>	<b>3,473,668</b>	<b>2,828,976</b>	<b>178,640</b>	<b>3,007,616</b>	<b>(226)</b>	<b>6,481,058</b>
Segment results	252,005	159,742	83,159	(54,232)	440,674	178,812	(70,324)	108,488		549,162
Unallocated income and gains, net					209,523			21,520		231,043
Unallocated expenses					(463,242)			-		(463,242)
Profit from operating activities					186,955			130,008		316,963
Finance costs					(62,160)			(10,850)		(73,010)
Share of profits and losses of:										
Jointly-controlled entities	-	-	-	(922)	(922)	(4,785)	(597)	(5,382)		(6,304)
Associates	(239)	-	-	8,278	8,039	(660)	-	(660)		7,379
Profit before tax					131,912			113,116		245,028
Tax					(90,000)			(44,540)		(134,540)
<b>Profit for the period</b>					<b>41,912</b>			<b>68,576</b>		<b>110,488</b>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 3. OTHER INCOME AND GAINS, NET

	For the six months ended 30 June	
	2007 Unaudited HK\$'000	2006 Unaudited HK\$'000
<b>Other income</b>		
Bank interest income	21,765	39,757
Investment income	–	2,106
Corporate income tax and value-added tax refund	7,915	9,943
Others	232,479	104,992
	<u>262,159</u>	<u>156,798</u>
<b>Gains, net</b>		
Gain on partial disposal of interests in subsidiaries	–	39,850
Gain on deemed disposal of interest in an associate	61,368	–
Others	47,649	16,351
	<u>109,017</u>	<u>56,201</u>
	<u>371,176</u>	<u>212,999</u>
Attributable to:		
Continuing operations reported in the condensed consolidated income statement	371,176	128,088
Discontinued operations – <i>note 7</i>	–	84,911
	<u>371,176</u>	<u>212,999</u>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. FINANCE COSTS

	For the six months ended 30 June	
	2007 Unaudited HK\$'000	2006 Unaudited HK\$'000
Interest on bank loans and other loans wholly repayable within five years	50,778	69,526
Interest on convertible bonds	–	1,270
Interest on other loans	9,215	2,214
	<b>59,993</b>	<b>73,010</b>
Attributable to:		
Continuing operations reported in the condensed consolidated income statement	59,993	62,160
Discontinued operations – note 7	–	10,850
	<b>59,993</b>	<b>73,010</b>

## 5. PROFIT BEFORE TAX

The Group's profit before tax (including those attributable to discontinued operations) is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2007 Unaudited HK\$'000	2006 Unaudited HK\$'000
Depreciation	295,246	330,076
Amortisation of intangible assets	55,369	54,197
Reversal of impairment of property, plant and equipment	(28,657)	–
Reversal of impairment of other receivables	(44,510)	–
	<b>277,448</b>	<b>418,369</b>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 6. TAX

	For the six months ended 30 June	
	2007 Unaudited HK\$'000	2006 Unaudited HK\$'000
Current – PRC		
Hong Kong	–	150
Mainland China	105,252	131,986
Deferred	14,943	2,404
Total tax charge for the period	<u>120,195</u>	<u>134,540</u>
Attributable to:		
Continuing operations reported in the condensed consolidated income statement	120,195	90,000
Discontinued operations – <i>note 7</i>	–	44,540
	<u>120,195</u>	<u>134,540</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. The income tax provision in respect of operations in Mainland China 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. In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company's subsidiaries enjoy income tax exemptions and reductions.

## 7. DISCONTINUED OPERATIONS

The Group's discontinued operations in the period ended 30 June 2006 represented the retail and property construction and development operations operated by Beijing Wangfujing Department Store (Group) Co., Ltd.. Further details of the disposal are set out in notes 12 and 46(a) to the financial statements of the Company for the year ended 31 December 2006 as included in the Company's annual report for that year.

## 8. DIVIDENDS

On 18 September 2007, the Board declared an interim cash dividend of HK10 cents (2006: HK10 cents) per share and a special cash dividend of HK10 cents (2006: Nil) per share, totalling HK\$207,678,000 (2006: 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 amounts for the period is based on the unaudited profit attributable to shareholders of the Company for the period, and the weighted average number of 627,971,602 (2006: 622,500,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts for the period is based on the unaudited profit attributable to shareholders of the Company for the period, where applicable, adjusted to reflect the impact of the acquisition of Beijing Gas Group (BVI) Co., Ltd. ("Beijing Gas BVI"). Pursuant to the sale and purchase agreement related to the acquisition of Beijing Gas BVI (the "Beijing Gas Sale and Purchase Agreement") dated 10 April 2007, the Company agreed to issue 411,250,000 ordinary shares of the Company as part of the consideration. The acquisition was completed at 29 June 2007. These shares are potential ordinary shares and deemed to have been issued since the date of the Beijing Gas Sale and Purchase Agreement. The profit attributable to shareholders of the Company for the period, where applicable, is adjusted to reflect the effect of the profit of Beijing Gas BVI on the profit attributable to shareholders of the Company assuming the acquisition was completed on the date of the Beijing Gas Sale and Purchase Agreement. The weighted average number of ordinary shares was calculated assuming the shares were issued on the date of the Beijing Gas Sale and Purchase Agreement. The exercise or conversion of all outstanding convertible bonds of Beijing Yanjing Brewery Company Limited, an A shares subsidiary listed in the PRC of the Group, and the exercise of the outstanding share options of Beijing Development and Xteam did not have a material diluting effect or had an anti-dilutive effect on the Group's earnings per share for the period.

The calculation of the basic and diluted earnings/(loss) per share amounts is based on the following data:

	For the six months ended 30 June	
	2007 Unaudited HK\$'000	2006 Unaudited HK\$'000
<b>Earnings/(loss):</b>		
Profit/(loss) for the period attributable to shareholders of the Company, used in the basic earnings per share calculation		
From continuing operations	637,688	(8,242)
From discontinued operations – note 7	–	22,230
	<b>637,688</b>	<b>13,988</b>
Profit from Beijing Gas BVI attributable to shareholders of the Company assuming the acquisition completed on the date of the Beijing Gas Sale and Purchase Agreement	31,200	–
Profit for the period attributable to shareholders of the Company, used in the diluted earnings per share calculation	<b>668,888</b>	<b>13,988</b>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	For the six months ended 30 June	
	2007 Unaudited HK\$'000	2006 Unaudited HK\$'000
<b>Attributable to:</b>		
Continued operations	668,888	(8,242)
Discontinued operations – <i>note 7</i>	–	22,230
	<u>668,888</u>	<u>13,988</u>
<b>Number of ordinary shares:</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	627,971,602	622,500,000
Effect of issue of shares for acquisition of Beijing Gas BVI assuming the shares issued on the date of the Beijing Gas Sale and Purchase Agreement	181,767,956	–
Effect of dilution of share options – weighted average number of ordinary shares	<u>5,072,044</u>	<u>–</u>
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<u>814,811,602</u>	<u>622,500,000</u>

# 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. 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, based on the invoice date and net of impairment, is as follows:

	30 June 2007 Unaudited HK\$'000	31 December 2006 Audited HK\$'000
Within one year	1,168,904	439,738
One to two years	116,183	8,485
Two to three years	10,057	5,139
Over three years	16,289	4,951
	<u>1,311,433</u>	<u>458,313</u>

## 11. SHARE CAPITAL

	30 June 2007 Unaudited HK\$'000	31 December 2006 Audited HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.1 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
1,037,880,000 (2006: 622,500,000) ordinary shares of HK\$0.1 each	<u>103,788</u>	<u>62,250</u>

Pursuant to the Beijing Gas Sale and Purchase Agreement, 411,250,000 ordinary shares of the Company were issued at HK\$18.48 each to the vendor, Beijing Enterprises Group (BVI) Company Limited, as part of the consideration. The acquisition of Beijing Gas BVI was completed at 29 June 2007 and the fair value of the shares issued was HK\$12,214,125,000, which was based on the market price of the shares of the Company (HK\$29.70 per share) at that date.

In addition, during the six months ended 30 June 2007, 3,830,000 and 300,000 ordinary shares of the Company were allotted at HK\$12.55 and HK\$20.60 each, respectively, upon the exercise of the share options of the Company for a total cash consideration, before expenses, of HK\$54,246,500.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 12. 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:

	30 June 2007 Unaudited HK\$'000	31 December 2006 Audited HK\$'000
Within one year	1,668,098	709,773
One to two years	17,214	15,451
Two to three years	1,440	1,948
Over three years	8,584	6,443
	<u>1,695,336</u>	<u>733,615</u>

## 13. ACQUISITION OF A SUBSIDIARY

Pursuant to the Beijing Gas Sale and Purchase Agreement dated 10 April 2007, the Company agreed to acquire 100% interests in Beijing Gas BVI, a holding company of the entire equity interests in Beijing Gas. Beijing Gas principally engages in the business of supplying and sale of piped natural gas and related businesses in Beijing. The consideration for the acquisition was HK\$11,600,000,000 and the acquisition was completed on 29 June 2007.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 13. ACQUISITION OF A SUBSIDIARY (continued)

Except for property, plant and equipment with carrying amount of HK\$8,094,388,000 immediately before the acquisition, the fair value of the identifiable assets and liabilities of the subsidiary acquired during the period as at the date of the completion acquisition has no significant difference from the carrying amounts and is listed as follows:

	Unaudited HK\$'000
Net assets acquired:	
Property, plant and equipment	8,153,937
Other intangible assets	10,350
Goodwill	3,512
Interests in a jointly-controlled entity	2,953,334
Prepaid land premiums	428,289
Restricted cash and pledged deposits	31,262
Deferred tax assets	184,260
Inventories	34,436
Amounts due from customers for contract work	432
Trade and bills receivables	641,589
Prepayments, deposits and other receivables	71,960
Cash and cash equivalents	502,443
Trade and bills payables	(733,144)
Amounts due to customers for contract work	(15,378)
Other payables and accruals	(1,877,944)
Taxes payable	(131,849)
Bank and other borrowings	(672,891)
Defined benefit plans	(192,996)
Deferred income	(18,895)
Other long term liabilities	(3,279)
Minority interests	(9,432)
	<hr/>
	9,359,996
Goodwill arising on acquisition	6,908,594
	<hr/>
	16,268,590
	<hr/> <hr/>
Satisfied by :	
Cash consideration paid or payable	3,001,594
Issue of new shares – note 11	12,214,125
Cost associated with the acquisition	99,853
Offset of current accounts*	998,506
Fair value adjustment of cash consideration	(45,488)
	<hr/>
	16,268,590
	<hr/> <hr/>

Profit contributed by Beijing Gas BVI and its subsidiary, Beijing Gas, was immaterial to the Group since the completion of acquisition. Had the above acquisition taken place at the beginning of the period, the Group's profit for the period would have been HK\$1,355,619,000 and the Group's revenue (comprising turnover, other income and gains, net) would have been HK\$7,972,812,000.

\* The amount is satisfied by offsetting the Group's current accounts with its fellow subsidiaries and group companies of Beijing Enterprises Group Limited.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 14. CONTINGENT LIABILITIES

	30 June 2007 Unaudited HK\$'000	31 December 2006 Audited HK\$'000
Guarantees given for banking facilities granted to a company which has been deconsolidated	205,339	200,000
Guarantee given for banking facilities granted to a related company	154,004	150,000
Guarantee given in respect of a specific performance of an infrastructure project to be undertaken by a jointly-controlled entity	68,799	68,456
	<u>428,142</u>	<u>418,456</u>

## 15. CAPITAL COMMITMENTS

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

	30 June 2007 Unaudited HK\$'000	31 December 2006 Audited HK\$'000
<b>Buildings:</b>		
Contracted, but not provided for	61,975	139,836
Authorised, but not contracted for	11,787	–
	<u>73,762</u>	<u>139,836</u>
<b>Plant and machinery:</b>		
Contracted, but not provided for	70,186	73,303
Authorised, but not contracted for	30,801	–
	<u>100,987</u>	<u>73,303</u>
<b>Gas pipelines:</b>		
Contracted, but not provided for	236,124	–
<b>Capital contribution to a jointly-controlled entity</b>		
Authorised, but not contracted for	568,275	–
<b>Total capital commitments</b>	<u>979,148</u>	<u>213,139</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 15. CAPITAL COMMITMENTS (continued)

In addition, the Group's share of a jointly-controlled entity's own capital commitments, which are not included in the above, is as follows:

	30 June 2007 Unaudited HK\$'000	31 December 2006 Audited HK\$'000
Contracted, but not provided for	<u>163,458</u>	<u>–</u>

### 16. EVENTS AFTER THE BALANCE SHEET DATE

On 2 August 2007, Beijing Anling Water Technology Company Limited ("BAWT"), a jointly-controlled entity of the Group, entered into a franchise agreement with 北京市水務局 (Beijing Water Bureau), pursuant to which BAWT will be granted a franchise right in the finance, investment, design, construction, management and operation of the Plant A of Beijing No. 10 Water Treatment Plant for a period of 23 years commencing from the effective day of the franchise agreement.

On 16 August 2007, Beijing Enterprises Treasury Company Limited ("BJ Treasury"), a subsidiary of the Group, entered into a share transfer agreement with Ever Sincere Investment Limited ("Ever Sincere"), pursuant to which BJ Treasury has conditionally agreed to sell its 51% equity interest in Beijing Enterprises Ever Source Limited ("BEES"), to Ever Sincere at an aggregate consideration of HK\$157,498,141 to be settled in cash. Upon completion of the transaction under the agreement, the Group will no longer hold any equity interest in BEES.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 17. RELATED PARTY TRANSACTIONS

Name of related party	Nature of transaction	Notes	For the six months ended 30 June	
			2007 Unaudited HK\$'000	2006 Unaudited HK\$'000
<b>Fellow subsidiary:</b>				
Beijing Holdings Limited	Rental income	(a)	282	333
<b>Joint venture partners of subsidiaries and their associates:</b>				
Beijing Yanjing Beer Group	Purchase of bottle labels	(b)	39,133	33,474
Company ("Yanjing Beer Group") and its associates	Purchase of bottle caps	(b)	34,370	29,838
	Import of raw materials	(c)	56,637	227,145
	Sales of beer	(d)	4,182	2,114
	Canning service fees paid	(e)	11,780	10,029
	Comprehensive support service fees paid	(f)	7,883	7,474
	Land rent expenses	(g)	938	889
	Trademark licensing fees paid	(h)	15,090	11,570
	Less: Refund for advertising subsidies	(h)	(2,433)	(1,947)
China Major Holdings Limited	Acquisition of 49% equity interests in 北京永源熱泵有限責任公司 (Beijing Ever Source Hot Pumps Co., Ltd.) ("BEHP")	(i)	–	14,423
Jason New Resources Holdings Limited	Sale of 36.78% equity interests in BEES	(j)	–	99,292
<b>Other-related party:</b>				
China Communications Construction Company Limited and its associates	Construction costs, maintenance service costs and dismantling costs for an expressway	(k)	5,682	–

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 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) 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.
- (d) The selling prices of the beer were determined by reference to the then prevailing market rates.
- (e) The canning service fees were charged at a rate equal to the costs of the canning services incurred by Yanjing Beer Group plus a mutually agreed profit margin.
- (f) The comprehensive support service fees paid included the following:
  - fee for security and canteen services 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.
- (g) The land rent expenses were charged at a mutually agreed amount of RMB1,849,000 per annum.
- (h) The trademark licensing fees paid were for the use of "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.
- (i) The equity interests in BEHP were acquired at a mutually agreed amount of RMB15,000,000.
- (j) The equity interests in BEES were disposed of at a mutually agreed amount of HK\$99,291,942.
- (k) The construction costs, maintenance service costs and dismantling costs for an expressway were determined by reference to the then prevailing market rates.

# 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	
	2007 Unaudited HK\$'000	2006 Unaudited HK\$'000
Short term employee benefits	5,907	4,165
Post-employment benefits	6	211
Termination benefits	–	–
Share-based payments	–	–
Total compensation paid to key management personnel	<u>5,913</u>	<u>4,376</u>

## 18. COMPARATIVE AMOUNTS

Certain comparative amounts have been 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 Chief Executive Officer*)

Mr. Li Fu Cheng (*Vice Chairman*)

Mr. Bai Jin Rong (*Vice Chairman*)

Mr. Zhou Si (*Vice Chairman*)

Mr. Liu Kai (*Vice President*)

Mr. Zheng Wan He (resigned on 5 January 2007)

Mr. Guo Pu Jin

Mr. E Meng (*Vice President*)

Mr. Zhao Chang Shan (resigned on 29 May 2007)

Mr. Lei Zhen Gang

Mr. Jiang Xin Hao (*Vice President*) (appointed on 29 May 2007)

Mr. Tam Chun Fai (appointed on 29 May 2007)

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 11 months as at 30 June 2007. 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 2006, 16 January 2007 and 17 June 2005, respectively, with respective unexpired periods of approximately 29 months, 30 months and 12 months as at 30 June 2007.

As of 30 June 2007, no director had a service contract with the Company which is 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 2007, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), were as follows:

### (a) Long positions in ordinary shares of the Company

<u>Name of directors</u>	<u>Number of ordinary shares held</u>	<u>Percentage of the Company's issued share capital</u>
Mr. Yi Xi Qun	100,000*	0.0096%
Mr. E Meng	60,000*	0.0058%
Mr. Jiang Xin Hao	10,000*	0.0010%
Mr. Tam Chun Fai	10,000*	0.0010%

# All interests are directly beneficially owned by the directors.

### (b) Long positions in underlying shares of the Company

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

## DISCLOSEABLE INFORMATION

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

(c) Long positions in ordinary shares of associated corporations

<u>Name of directors</u>	<u>Name of associated corporations</u>	<u>Number of ordinary shares held</u>	<u>Percentage of associated corporations' issued share capital</u>
Mr. Zhang Hong Hai	Beijing Development <sup>@</sup>	600,000 <sup>#</sup>	0.09%
Mr. Li Fu Cheng	Beijing Yanjing Brewery Company Limited <sup>@</sup>	38,898 <sup>#</sup>	0.0035%
Mr. E Meng	Beijing Development <sup>@</sup>	601,000 <sup>#</sup>	0.09%

<sup>@</sup> All interests in the associated corporations are indirectly held by the Company

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

(d) Long positions in underlying shares of an associated corporation

<u>Name of director</u>	<u>Name of associated corporation</u>	<u>Number of options</u>
Mr. Zhang Hong Hai	Beijing Development <sup>@</sup>	3,400,000 <sup>#</sup>

<sup>@</sup> All interests in the associated corporations are indirectly held by the Company

<sup>#</sup> These share options were granted on 27 June 2006 at an exercise price of HK\$1.00\* per share. The share options are exercisable at any time commencing on 27 June 2006 and, if not otherwise exercised, will lapse on 16 June 2011.

<sup>\*</sup> The exercise price of the share options is subject to adjustment in the case of rights or bonus issues or other similar changes in the share capital of Beijing Development.

Save as disclosed above, as at 30 June 2007, none of the directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# DISCLOSEABLE INFORMATION

## SHARE OPTION SCHEMES

### The Company

The Company operates a share option scheme (the "Scheme") which became effective on 17 October 2005 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group's operations; to provide additional incentives to employees, officers and directors of the Group; and to promote the long term financial success of the Company by aligning the interests of option holders to those of shareholders. The directors of the Company may, at their discretion, invite employees (including executive directors) and non-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 maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% 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 granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

The period during which an option granted under the Scheme may be exercised will be determined by the directors at their discretion, save that no option may be exercised later than 10 years after the grant date. 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 highest of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's ordinary shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of an ordinary share of the Company.

## DISCLOSEABLE INFORMATION

### SHARE OPTION SCHEMES (continued)

#### The Company (continued)

The following set out the movements in the share options granted under the Scheme during the period ended 30 June 2007:

Name or category of participant	Notes	Number of share options			
		At 1 January 2007	Granted during the period	Exercised during the period	At 30 June 2007
<b>Directors:</b>					
Mr. Yi Xi Qun	(a)	650,000	–	(400,000)	250,000
Mr. Zhang Hong Hai	(a)	450,000	–	(450,000)	–
Mr. Li Fu Cheng	(a)	450,000	–	(450,000)	–
Mr. Bai Jin Rong	(a)	450,000	–	(160,000)	290,000
Mr. Zhou Si	(a)	300,000	–	–	300,000
Mr. Liu Kai	(a)	300,000	–	(240,000)	60,000
Mr. Guo Pu Jin	(a)	300,000	–	(240,000)	60,000
Mr. E Meng	(a)	300,000	–	(300,000)	–
Mr. Zhao Chang Shan (resigned on 5 January 2007)	(a)	300,000	–	(300,000)	–
Mr. Lei Zhen Gang	(a)	300,000	–	–	300,000
Mr. Jiang Xin Hao (appointed on 29 May 2007)	(a)	300,000	–	(100,000)	200,000
Mr. Tam Chun Fai (appointed on 29 May 2007)	(a)	300,000	–	(270,000)	30,000
		<u>4,400,000</u>	<u>–</u>	<u>(2,910,000)</u>	<u>1,490,000</u>
<b>Other employees:</b>					
In aggregate	(a)	1,500,000	–	(920,000)	580,000
	(b)	–	300,000	(300,000)	–
		<u>1,500,000</u>	<u>300,000</u>	<u>(1,220,000)</u>	<u>580,000</u>
		<u>5,900,000</u>	<u>300,000</u>	<u>(4,130,000)</u>	<u>2,070,000</u>

Notes:

- (a) The 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 are exercisable at any time six months after date of grant. All the options, if not otherwise exercised, will lapse on 18 July 2011.

## DISCLOSEABLE INFORMATION

### SHARE OPTION SCHEMES (continued)

The Company (continued)

*Note:* (continued)

- (b) The options were granted on 2 May 2007 at an exercise price of HK\$20.60 per share of the Company. The cash consideration paid by a grantee for the options was HK\$1.00 per grant of options. The options are exercisable during the period from 2 May 2007 to 1 May 2012. All the options has been exercised during the period.

4,130,000 share options were exercised during the six months ended 30 June 2007. The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK\$23.65 per share of the Company.

At 30 June 2007, the Company had 2,070,000 share options outstanding under the Scheme, which represented approximately 0.2% of the shares of the Company in issue 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 2,070,000 additional ordinary shares of the Company and additional share capital of HK\$207,000 and share premium of HK\$25,771,500 (before any issue expenses).

No share options were lapsed or cancelled during the six months ended 30 June 2007.

### 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.

## DISCLOSEABLE INFORMATION

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

At 30 June 2007, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Others	Total	
Modern Orient Limited	100,050,000	–	100,050,000	9.64%
Beijing Enterprises Investments Limited ("BEIL")	223,950,000	100,050,000 <sup>(a)</sup>	324,000,000	31.22%
Beijing Enterprises Group (BVI) Company Limited	411,250,000	324,000,000 <sup>(b)</sup>	735,250,000	70.84%
Beijing Enterprises Group Company Limited	–	735,250,000 <sup>(c)</sup>	735,250,000	70.84%
Deutsche Bank Aktiengesellschaft	67,748,869	100,712,765 <sup>(d)</sup>	168,461,634	16.23%
Merrill Lynch & Co., Inc.	–	52,485,469 <sup>(e)</sup>	52,485,469	5.06%

Notes:

- 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.
- 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 Beijing Enterprises Group (BVI) Company Limited. Accordingly, Beijing Enterprises Group (BVI) Company Limited is deemed to be interested in the shares owned by BEIL and Modern Orient Limited.
- The interest disclosed includes the shares held by Beijing Enterprises Group (BVI) Company Limited as detailed in note (b), Beijing Enterprises Group (BVI) Company Limited is held directly as to 100% by Beijing Enterprises Group Company Limited. Accordingly, Beijing Enterprises Group Company Limited is deemed to be interested in the shares held by Beijing Enterprises Group (BVI) Company Limited.
- The interest disclosed includes 3,653,000 shares held as an investment manager, 32,059,765 shares held as a person having a security interest in the shares and 65,000,000 shares held as a trustee.
- The interest disclosed includes 52,485,469 shares held by corporations controlled by Merrill Lynch & Co., Inc..

## DISCLOSEABLE INFORMATION

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

Short positions:

Name	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly Beneficially owned	Others	Total	
BEIL	65,000,000	–	65,000,000	6.26%
Beijing Enterprises Group (BVI) Company Limited	–	65,000,000 <sup>(a)</sup>	65,000,000	6.26%
Beijing Enterprises Group Company Limited	–	65,000,000 <sup>(b)</sup>	65,000,000	6.26%
Deutsche Bank Aktiengesellschaft	6,812,000	24,594,000 <sup>(c)</sup>	31,406,000	3.03%

Notes:

- (a) The interest disclosed includes the shares owned by BEIL. Beijing Enterprises Group (BVI) Company Limited, the holding company of BEIL, is deemed to be interested in the shares owned by BEIL.
- (b) The interest disclosed includes the shares held by Beijing Enterprises Group (BVI) Company Limited as detailed in note (a). Beijing Enterprises Group (BVI) Limited is held directly as to 100% by Beijing Enterprises Group Company Limited. Accordingly, Beijing Enterprises Group Company Limited is deemed to be interested in the shares held by Beijing Enterprises Group (BVI) Company Limited.
- (c) Person having a security interest in the shares.

Save as disclosed above, as at 30 June 2007, 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

### CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transactions and continuing connected transactions undertaken by the Group during the period are set out in note 17 under the section of “Notes to Condensed Consolidated Financial Statements”.

The independent non-executive directors of the Company have reviewed and confirmed that the continuing connected transactions undertaken by the Group were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (iii) in accordance with the relevant 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 (iv) 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, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

## 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 2007 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 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 30 June 2007.

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

This results announcement is published on 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 2007 interim report will be dispatched to shareholders in late September 2007 and will be available at the Stock Exchange's website and the Company's website accordingly.