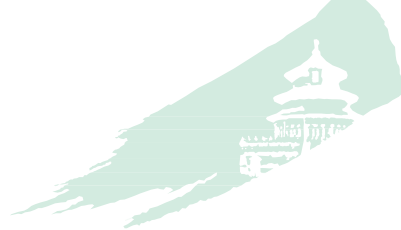


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## **CORPORATE INFORMATION**

### **Registered Office**

34/F, West Tower, Shun Tak Centre  
168–200 Connaught Road Central

Hong Kong

Tel: (852) 2915 2898

Fax: (852) 2857 5084

### **Company Secretary**

Tam Chun Fai *FCCA AHKSA*

### **Internet Address**

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

### **Registrars**

Tengis Limited  
4/F Hutchison House  
10 Harcourt Road,  
Central, Hong Kong

### **Legal Advisers**

*as to Hong Kong law:*  
Johnson Stokes & Master

*as to PRC law:*  
Haiwen & Partners

### **Auditors**

Ernst & Young

### **Executive Directors**

Mr. Hu Zhao Guang (*Chairman*)

Mr. Yi Xi Qun (*Vice Chairman*)

Mr. Xiong Da Xin  
(*Executive Vice Chairman  
& President*)

Mr. Bai Jin Rong  
(*Executive Vice President*)

Mr. Liu Kai (*Vice President*)

Mr. Xing Chun Hua

Mr. Zheng Wan He

Mr. Wei En Hong

Mr. Li Fu Cheng

Mr. Bi Yu Xi

Mr. Li Man

Mr. Li Zhong Gen

### **Independent Non-executive Directors**

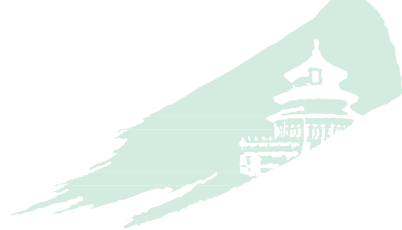
Mr. Lau Hon Chuen, Ambrose

Mr. Lee Tung Hai, Leo

Mr. Wang Xian Zhang

### **Non-executive Director**

Mr. Fang Fang



## **Principal Bankers**

### *In Hong Kong:*

Bank of China, Hong Kong Branch

Bank of Communications,

Hong Kong Branch

BNP Paribas, Hong Kong Branch

China Construction Bank,

Hong Kong Branch

Rabobank, Hong Kong Branch

Societe Generale Asia Limited

### *In the PRC:*

Agricultural Bank of China

China Construction Bank

Guangdong Development Bank

The Industrial and Commercial Bank  
of China

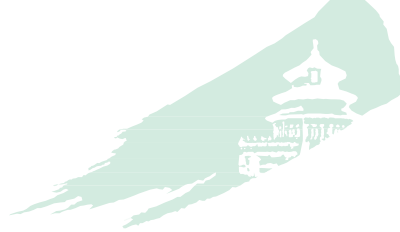


The Board of Directors of Beijing Enterprises Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results for the six months ended 30th June, 2001 of the Company and its subsidiaries (the "Group"), as follows:

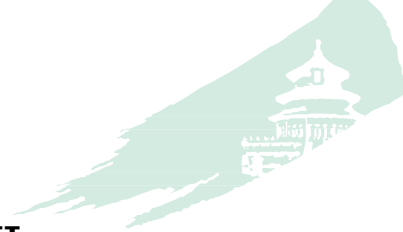
### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June, 2001

	Notes	Six months ended 30th June,	
		2001 Unaudited HK\$ '000	2000 Unaudited HK\$ '000
Turnover	3	<b>2,870,524</b>	2,482,995
Cost of sales		<b>(2,042,346)</b>	(1,745,644)
Gross profit		<b>828,178</b>	737,351
Interest income		<b>72,525</b>	74,478
Other revenue		<b>96,877</b>	81,295
Selling and distribution costs		<b>(179,965)</b>	(170,079)
Administrative expenses		<b>(357,035)</b>	(260,475)
Other operating expenses		<b>(29,410)</b>	(8,454)
PROFIT FROM OPERATING ACTIVITIES	3, 4	<b>431,170</b>	454,116
Finance costs		<b>(110,861)</b>	(155,633)
Share of profits and losses of:			
Jointly-controlled entities		<b>7,092</b>	(1,902)
Associates		<b>108,660</b>	84,585



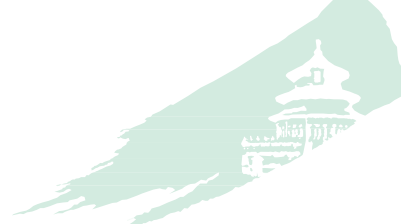
		<b>Six months ended 30th June,</b>	
		<b>2001</b>	2000
		<b>Unaudited</b>	Unaudited
		<b>HK\$ '000</b>	HK\$ '000
	<i>Notes</i>		
PROFIT BEFORE TAX		<b>436,061</b>	381,166
Tax	5	<b>(71,551)</b>	(48,198)
PROFIT BEFORE MINORITY INTERESTS		<b>364,510</b>	332,968
Minority interests		<b>(76,529)</b>	(72,015)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<b><u>287,981</u></b>	<u>260,953</u>
Interim dividend per share	6	<b><u>HK\$0.1</u></b>	<u>HK\$0.1</u>
EARNINGS PER SHARE — Basic	7	<b><u>HK\$0.46</u></b>	<u>HK\$0.42</u>

**CONDENSED CONSOLIDATED BALANCE SHEET***As at 30th June, 2001*

		<b>30th June, 2001</b>	31st December, 2000
		<b>Unaudited</b>	Audited
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Fixed assets		<b>6,747,491</b>	6,566,900
Operating concessions		<b>1,289,692</b>	1,325,395
Interests in jointly-controlled entities		<b>565,889</b>	296,578
Interests in associates		<b>682,858</b>	336,960
Long term trade receivables	8	—	10,257
Long term other receivables		<b>14,860</b>	13,998
Long term prepayments and deposits		<b>18,903</b>	23,195
Pledged bank balances and time deposits		<b>8,857</b>	8,905
Long term investments		<b>343,448</b>	295,975
Goodwill:			
Goodwill		<b>53,482</b>	—
Negative goodwill		<b>(89,159)</b>	—
		<b>9,636,321</b>	8,878,163
<b>CURRENT ASSETS</b>			
Short term investments		<b>375,901</b>	326,805
Properties held for sale		<b>576,153</b>	579,161
Properties under development		<b>174,725</b>	204,899
Inventories		<b>731,529</b>	695,363
Trade receivables	8	<b>508,965</b>	360,464
Taxes recoverable		<b>33,763</b>	33,606
Other receivables		<b>864,658</b>	477,302
Pledged bank balances and time deposits		<b>41,289</b>	60,596
Cash and cash equivalents		<b>3,700,427</b>	3,686,477
		<b>7,007,410</b>	6,424,673



		<b>30th June, 2001 Unaudited</b>	31st December, 2000 Audited
	<i>Notes</i>	<b>HK\$ '000</b>	<i>HK\$ '000</i>
<b>CURRENT LIABILITIES</b>			
Trade payables	9	<b>318,166</b>	319,376
Taxes payable		<b>198,444</b>	172,231
Other payables and accruals		<b>1,106,413</b>	1,028,979
Bank and other loans		<b><u>3,104,852</u></b>	<u>2,457,205</u>
		<b><u>4,727,875</u></b>	<u>3,977,791</u>
<b>NET CURRENT ASSETS</b>		<b><u>2,279,535</u></b>	<u>2,446,882</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>11,915,856</b>	11,325,045
<b>NON-CURRENT LIABILITIES</b>			
Bank and other loans		<b>1,873,089</b>	1,910,306
Other long term liabilities		<b>124,340</b>	98,264
Deferred tax		<b><u>9,547</u></b>	<u>6,461</u>
		<b><u>2,006,976</u></b>	2,015,031
<b>MINORITY INTERESTS</b>		<b><u>3,105,282</u></b>	<u>2,776,813</u>
		<b><u>6,803,598</u></b>	<u>6,533,201</u>
<b>CAPITAL AND RESERVES</b>			
Issued capital	10	<b>62,250</b>	62,250
Reserves	11	<b>6,679,098</b>	6,377,576
Proposed dividend		<b><u>62,250</u></b>	<u>93,375</u>
		<b><u>6,803,598</u></b>	<u>6,533,201</u>



## CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 30th June, 2001

	<b>For the six months 30th June,</b>	
	<b>2001</b>	2000
	<b>Unaudited</b>	Unaudited
	<b>HK\$ '000</b>	HK\$ '000
Exchange differences on translation of the financial statements of foreign entities	<u><b>1045</b></u>	<u>8,466</u>
Net gain not recognised in the profit and loss account	<b>1045</b>	8,466
Net profit attributable to shareholders	<u><b>287,981</b></u>	<u>260,953</u>
Total recognised gains and losses	<u><b>289,026</b></u>	<u>269,419</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30th June, 2001*

	<b>Six months ended 30th June, 2001 Unaudited</b>
	<b>HK\$'000</b>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<b>725,152</b>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<b>(103,888)</b>
TAXES PAID	<b>(80,089)</b>
INVESTING ACTIVITIES	<b>(924,154)</b>
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	<b>(382,979)</b>
FINANCING ACTIVITIES	<b>327,428</b>
DECREASE IN CASH AND CASH EQUIVALENTS	<b>(55,551)</b>
Cash and cash equivalents at beginning of the period	<b>3,755,978</b>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>3,700,427</b>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS	
Cash and bank balances	<b>1,648,151</b>
Time deposit	<b>2,102,422</b>
	<b>3,750,573</b>
Less: Pledged bank balances and time deposits	<b>(50,146)</b>
	<b>3,700,427</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

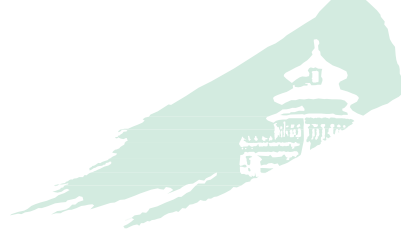
### 1. Accounting Policies

The unaudited condensed consolidated interim accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” and Appendix 16 of Listing Rules of The Stock Exchange of Hong Kong Limited. The accounting policies and methods of computation used in the preparation of the interim accounts financial statements are consistent with those used in the annual financial statements for the year ended 31st December, 2000 except the methods of accounting for goodwill/negative goodwill and proposed dividend as described below.

#### (a) *Goodwill/negative goodwill*

In prior years, goodwill/negative goodwill arising on consolidation, representing the excess/shortfall of the cost of investments in subsidiaries and associates over the appropriate share of the fair value of the net tangible assets at the date of acquisition, is taken to reserves in the year in which it arises. On disposal of a subsidiary or an associate, the attributable amount of goodwill/capital reserve is included in calculating the profit or loss on disposal.

With effect from 1st January, 2001, with the introduction of SSAP 30 “Business Combinations”, the Group adopted an accounting policy to recognise goodwill as an asset and is amortised on a straight-line basis over its estimated useful life. Negative goodwill which relates to an expectation of future losses and expenses that is identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account. On disposal of a consolidated controlled enterprise, any attributable amount of purchased goodwill not previously amortised through the profit and loss accounts is included in the calculation of the profit and loss on disposal.

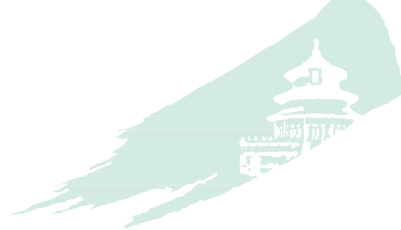


(b) *Proposed dividend*

In prior years, dividend proposed after balance sheet date was accrued as liabilities at the balance sheet date. With effect from 1st January, 2001 the dividend proposed after balance sheet date is shown as a separate component of shareholders' funds in accordance with the revised SSAP 9 "Events After the Balance Sheet Date" issued by the Hong Kong Society of Accountants. Following the adoption of SSAP 9 (revised), the final dividend proposed for the year ended 31st December, 2000 of HK\$93.38 million, classified as a current liability at 31st December, 2000, has been reclassified and shown under the shareholders' equity. There is no impact on the profit and loss account because of this change.

**2. COMPARATIVE CASH FLOW STATEMENT**

The comparative cash flow statement for the six months ended 30th June, 2000 has not been prepared as permitted by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

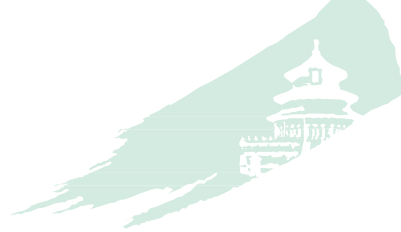


### 3. Turnover

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 entrance fees, net of business and consumption taxes and government surcharges, and (3) rental income.

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations for the six months ended 30th June 2001 is as follows:

	Turnover Six months ended 30th June,		Contribution to profit from operating activities Six months ended 30th June,	
	2001 Unaudited <i>HK\$'000,000</i>	2000 Unaudited <i>HK\$'000,000</i>	2001 Unaudited <i>HK\$'000,000</i>	2000 Unaudited <i>HK\$'000,000</i>
By activity:				
Brewery operations	<b>1,091</b>	721	<b>142</b>	165
Retail operations	<b>989</b>	1,050	<b>44</b>	38
Dairy operations	<b>451</b>	302	<b>28</b>	35
Expressway operations	<b>148</b>	124	<b>107</b>	72
Water treatment operations	<b>99</b>	99	<b>64</b>	64
Others	<b>93</b>	187	<b>46</b>	80
	<b>2,871</b>	2,483	<b>431</b>	454
By geographical area:				
People's Republic of China:				
Hong Kong	<b>4</b>	3	<b>41</b>	77
Elsewhere	<b>2,867</b>	2,480	<b>390</b>	377
	<b>2,871</b>	2,483	<b>431</b>	454



#### 4. Profit from operating activities

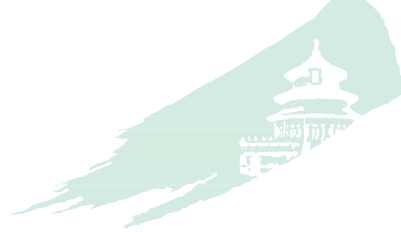
Profit from operating activities has been arrived at after charging/(crediting):

	<b>Six months ended</b>	
	<b>30th June,</b>	
	<b>2001</b>	2000
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
Depreciation	<b>193,403</b>	114,147
Amortisation of operating concessions	<b>35,334</b>	35,311
Amortisation of goodwill	<b>1,045</b>	—
Interest income	<b>(72,525)</b>	(74,478)
Investment income	<b>(31,039)</b>	(4,903)
Amortisation of negative goodwill	<b>(11,828)</b>	—
	<b><u>          </u></b>	<b><u>          </u></b>

#### 5. Tax

No provision for Hong Kong profits tax has been made as there were no assessable profits arising in Hong Kong for the period. The income tax provision in respect of operations elsewhere in the PRC 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.

	<b>Six months ended</b>	
	<b>30th June,</b>	
	<b>2001</b>	2000
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
Group:		
The PRC — Hong Kong	—	—
— elsewhere	<b>52,568</b>	36,542
Share of tax of associates	<b>16,986</b>	11,656
Share of tax of jointly-controlled entities	<b>1,997</b>	—
	<b><u>          </u></b>	<b><u>          </u></b>
	<b><u>71,551</u></b>	<b><u>48,198</u></b>



## 6. Interim Dividend per Share

The Board of Directors of the Company has resolved to pay an interim dividend of HK10 cents per share (2000: HK10 cents per share) for the six months ended 30th June, 2001. The dividend will be paid on 15th October, 2001 to shareholders whose names appear on the Register of Members of the Company on 5th October, 2001.

## 7. Earnings per Share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$287,981,000 (2000: HK\$260,953,000) and the weighted average of 622,500,000 shares (2000: 622,500,000 shares) in issue during the period.

The exercise of the outstanding share options of the Company would not have a diluting effect to the earnings per share.

## 8. Trade Receivables

The various group companies have different credit policies, dependent on the requirements of their markets and the business which they operate. Ageing analysis of trade receivables are prepared and closely monitored in order to minimise any credit risk associated with receivables.

The ageing analysis of the Group's trade receivables is as follows:

	<b>30th June, 2001</b>	31st December, 2000
	<b>Unaudited</b>	Audited
	<b>HK\$ '000</b>	HK\$ '000
Within one year	<b>478,542</b>	360,674
One to two years	<b>27,489</b>	6,347
Two to three years	<b>1,772</b>	2,694
Over three years	<b>1,162</b>	1,006
	<b>508,965</b>	370,721
Less: Portion classified as current assets	<b>(508,965)</b>	(360,464)
Long term portion	—	10,257



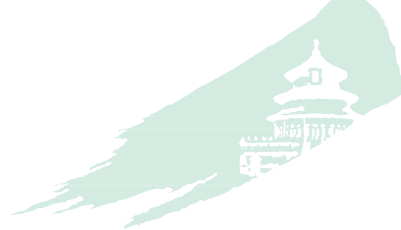
## 9. Trade Payables

The ageing analysis of the Group's trade payables is as follows:

	<b>30th June, 2001 Unaudited</b>	31st December, 2000 Audited
	<b><i>HK\$ '000</i></b>	<i>HK\$ '000</i>
Within one year	<b>291,644</b>	294,811
One to two years	<b>10,222</b>	20,624
Two to three years	<b>9,991</b>	1,830
Over three years	<b>6,309</b>	2,111
	<b><u>318,166</u></b>	<u>319,376</u>

## 10. Share Capital

	<b>30th June, 2001 Unaudited</b>	31st December, 2000 Audited
	<b><i>HK\$ '000</i></b>	<i>HK\$ '000</i>
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	<b><u>200,000</u></b>	<u>200,000</u>
Issued and fully paid:		
622,500,000 ordinary shares of HK\$0.10 each	<b><u>62,250</u></b>	<u>62,250</u>

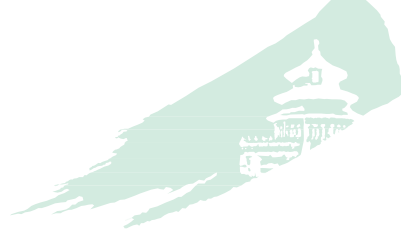


## 11. Reserves

	Share premium Unaudited	Capital reserve Unaudited	Exchange fluctuation reserve Unaudited	PRC reserve funds Unaudited	Retained profits Unaudited	Total Unaudited
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
At 1st January, 2001	4,839,497	195,779	35,176	272,702	1,034,422	6,377,576
Realized on partial disposal of interests in a subsidiary	—	18,169	—	—	—	18,169
Realized on disposal of a jointly-controlled entity	—	56,577	—	—	—	56,577
Exchange realignments	—	—	1,045	—	—	1,045
Retained profit for the period	—	—	—	—	287,981	287,981
Proposed interim dividend	—	—	—	—	(62,250)	(62,250)
Transfer to reserves	—	—	—	15,594	(15,594)	—
At 30th June, 2001	<u>4,839,497</u>	<u>270,525</u>	<u>36,221</u>	<u>288,296</u>	<u>1,244,559</u>	<u>6,679,098</u>

## 12. Contingent Liabilities

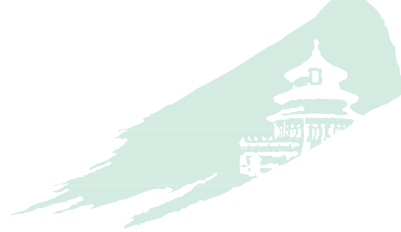
	<b>30th June, 2001 Unaudited</b>	31st December, 2000 Audited
	<b><i>HK\$ '000</i></b>	<i>HK\$ '000</i>
Guarantee of banking facilities granted to third parties	<u><b>8,857</b></u>	<u>8,905</u>



### 13. Commitments

#### *Capital commitments*

	<b>30th June, 2001</b>	31st December, 2000
	<b>Unaudited</b>	Audited
	<b>HK\$ '000</b>	HK\$ '000
Land and buildings:		
Authorised, but not contracted for	<b>39,574</b>	72,982
Contracted, but not provided for	<b>32,027</b>	58,012
	<b>71,601</b>	130,994
Plant and machinery:		
Authorised, but not contracted for	<b>48,224</b>	115,172
Contracted, but not provided for	<b>60,854</b>	44,868
	<b>109,078</b>	160,040
Capital contributions to subsidiaries and associates:		
Contracted, but not provided for	<b>24,557</b>	40,776
	<b>205,236</b>	331,810

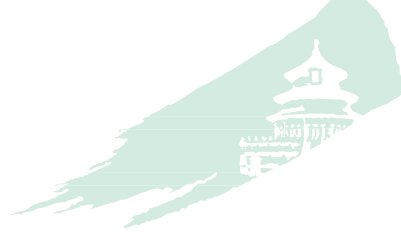


#### 14. Related Party Transactions

During the period, the Group entered into the following material transactions with related parties:

Name of company	Nature of transaction	Notes	30th June,	
			2001 Unaudited	2000 Unaudited
			HK\$ '000	HK\$ '000
<i>Ultimate holding company</i>				
Beijing Holdings Limited and its associates	Rental income	(a)	<b>1,603</b>	1,603
	Rental and related expenses	(a)	<b>2,706</b>	3,281
<i>Joint venture partners of subsidiaries</i>				
Beijing Yanjing Beer Group Company ("Yanjing Beer Group") and its associates	Purchases of bottle labels	(b)	<b>20,900</b>	16,905
	Purchases of bottle caps	(b)	<b>27,835</b>	22,041
	Canning service fees paid	(c)	<b>10,687</b>	6,337
	Comprehensive support service fees paid	(d)	<b>7,324</b>	6,215
	Land rent expenses	(e)	<b>821</b>	821
	Trademark licensing fees paid	(f)	<b>7,359</b>	7,406
	Less: 20% refund for advertising subsidies	(f)	<b>(1,472)</b>	(1,462)
Refund for marketing subsidies	(g)	—	—	10,499
Beijing Tourism Corporation and its associates	Land use fees	(h)	<b>1,539</b>	1,778
<i>Jointly-controlled entities</i>				
Nantong Wangfujing Department Store Company Limited	Compensation income	(i)	—	2,143
<i>Associates</i>				
Beijing International Switching System Co., Ltd.	Interest income	(j)	<b>3,400</b>	5,908
Wanbo Property Management Company Limited	Rental income	(a)	<b>2,167</b>	1,883

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

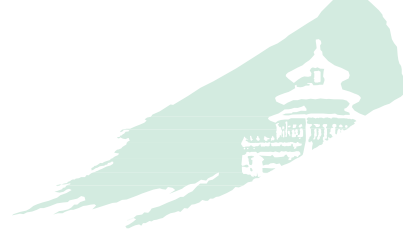


*Notes:*

- (a) The rentals were determined by reference to 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 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 Beijing Yanjing Brewery Company Limited (“Yanjing Brewery”) as its office, canteen and staff dormitories, were determined by reference to the 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 by Yanjing Brewery. Yanjing Beer Group will 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 refund for marketing subsidies from Yanjing Beer Group were at a mutually-agreed amount pursuant to an agreement entered into between Yanjing Brewery and Yanjing Beer Group on 9th April, 2001, and were determined with reference to the actual amount of marketing expenses incurred by the Group in the year ended 31st December, 2000 in promoting the “Yanjing” brand name in general.
- (h) Land use fees were determined based on 3% of the annual gross turnover of Jian Guo Hotel Joint Venture Beijing.
- (i) The compensation income received was based on a mutually-agreed amount of RMB2,275,000.
- (j) The loan to an associate was unsecured and bore interest at 5.85% per annum.

## **15. Approval of the Interim Financial Statements**

The condensed interim financial statements were approved by the Board on 6th September, 2001.



## **BUSINESS OVERVIEW**

The Group achieved a substantial growth in turnover and a double-digit growth in profit attributable to shareholders for the six months ended 30th June, 2001. The consolidated turnover and operating profit attributable to shareholders of the Company amounted to approximately HK\$2,871 million and HK\$288 million respectively, representing 15.61% and 10.36% increase over the corresponding period in 2000.

## **Management Discussion and Analysis**

### **(1) Consumer products**

#### *Beer*

Yanjing Brewery recorded strong turnover growth mainly through acquisitions of domestic brewery plants. Net turnover increased by 51% to HK\$1,091 million. Despite very difficult operating environment, the brewery division managed to achieve a profit after tax of HK\$124 million.

The brewery division of the Group are upgrading the production facilities of certain acquired brewery plants and expects the effective capacity to reach two million tons at end this year. The Group continued its effort in turning around the acquired subsidiaries and focused on cost cutting and boosting regional market share.

#### *Dairy products and fast food*

Net turnover of Sanyuan Food increased strongly by 49% to HK\$451 million through both organic growth and acquisitions. Operating profit after tax grew 19% to HK\$32.1 million when compared to 2000. Gross margin remained stable in the period under review while product range continued to broaden. The newly acquired Beijing Kraft Food Corporation Ltd. turned around in the period under review and integrated well with Sanyuan's operations in Beijing.



Beijing Mcdonald's managed to grow its profit significantly through economy of scale. Sanyuan's 50% interests in Guangdong Mcdonald's was transferred to Beijing Mcdonald's during the period under review. Guangdong Mcdonald's also made a turnaround in the period under review and contributed a small profit to the Group.

#### *Winery*

The combined net turnover of Shun Xing Winery and Feng Shou Winery increased 2% to HK\$33 million. The combined profit after tax declined by 16% to HK\$5 million mainly due to higher marketing expenses.

### (2) **Infrastructure**

#### *Capital Airport Expressway*

Traffic volume increase by 15% to 14 million vehicles during the period under review mainly driven by strong air traffic volume growth for Beijing Capital Airport. The net turnover and profit after tax of Capital Airport Expressway amounted to HK\$148 million and HK\$84.4 million respectively, representing 19% and 54% growth respectively. The traffic volume growth is expected to be benefited from prosperous tourism business after successful bidding of 2008 Olympic Games in Beijing.

#### *Water Treatment Concession*

Profit after amortisation on cost of the Concession remained at HK\$63 million for the six months ended 30th June, 2001. This project continued to provide steady cash flow to the Group.

### (3) **Services**

#### *Tourism services*

The net turnover and profit after tax of Badaling Tourism increase 20% and 5% respectively over the corresponding period in last year.



The net turnover of Longqingxia tourism site increased slightly while profit after tax remained stagnant when compared to corresponding period in last year.

*Hotel services*

The average occupancy rate of Jianguo Hotel remained flat while room rate picked up slightly when compared to corresponding period in last year. Net turnover and profit after tax declined by 13% and 47% respectively mainly due to traffic control outside the hotel during the Olympic Games bidding event which impacted the catering business significantly. The business for catering has recovered when the traffic returned to normal since July this year.

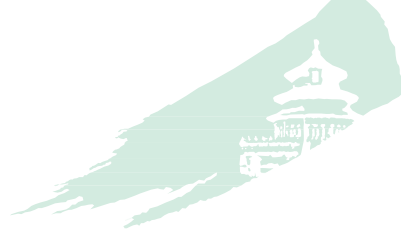
*Retail services*

The net turnover of Wangfujing Department Store Group (“Wangfujing”) was flat at approximately HK\$1 billion. The profit after tax of Wangfujing increased 38% to HK\$15 million when compared to corresponding period in last year mainly due to more effective cost control measures. Wangfujing is actively pursuing divesture of its non core property assets to reduce its bank borrowings and interest costs.

(4) **Technology business**

*BISC (an associated company)*

During the period under review, Beijing International Switching System Company Limited (“BISC”) beat the expectation again with 77% sales volume growth to 7.15 million ports and 74% turnover growth to HK\$2.3 billion. Profit after tax increased by 21% to HK\$198 million. The strong performance was attributable to strong sales growth in less developed provinces in mainland China and broadening of product range.



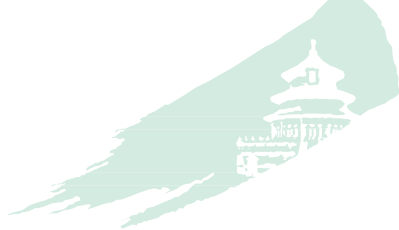
*Other technology businesses*

Some of the information technology projects have been progressing well up to date: Beijing Transportation Smart Card Ltd. has rolled out its commercial operation for certain public bus lines and is in the process of extending the application to other means of transportation in Beijing city; Beijing Teletron secured a significant contract with the Beijing Education Bureau to provide ISP services as well as equipments for broadband network for more than 200 schools in Beijing. This is expected to boost the revenue growth of Teletron in the foreseeable future.

**Strategy and Prospectus**

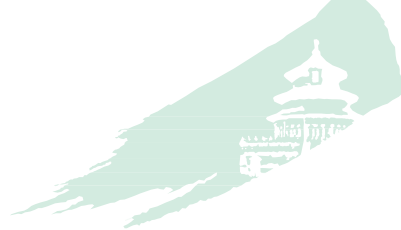
The Group intends to develop its consumer products brand name into national brand including Yanjing Brewery and Sanyuan Dairy. We believe brand name recognition will be key to success and domination in the domestic consumer products market. In the mean time, the Group will critically restructure those non performing assets in order to enhance return on assets and equity.

The outlook for the Group becomes even more prosperous after Beijing city successfully bided the host right for the 2008 summer Olympic Games. Certain business sectors including consumer products, infrastructure, tourism as well as information technology application will benefit directly from this development. We expect most of our business to pick up momentum on the way to prepare for the 2008 Olympic Games. This momentum will translate into healthy turnover and profit growth for the Group in the coming years. We will also capitalize on any opportunities arising from this Olympic Games event.



## **CAPITALISATION AND FINANCIAL POSITION**

Shareholders' equity increased to approximately HK\$6.8 billion while minority interests amounted to approximately HK\$3 billion as at 30th June, 2001. Net bank borrowings (total bank borrowings minus cash) was HK\$1.1 billion at period end date representing 17% net debt to equity ratio. Bank borrowings were predominately in Renminbi with remaining 30% in US Dollar.



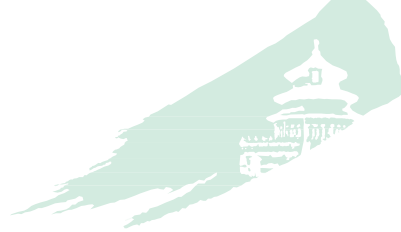
## OTHER INFORMATION

### Directors' interests in shares

As at 30th June, 2001, the interests of the directors and their associates in the issued share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

<b>Name of director</b>	<b>Nature of interest</b>	<b>Name of associated corporation</b>	<b>Number of shares held</b>
Zheng Wan He	Personal	Beijing Wangfujing Department Store (Group) Co., Ltd.	45,738
Li Fu Cheng	Personal	Beijing Yanjing Brewery Company Limited	18,720

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance as recorded in the register required to be kept under Section 29 of the SDI Ordinance 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

As at 30th June, 2001, the interests of the directors of the Company in options to subscribe for shares of the Company under the share option scheme of the Company were as follows:

Name of director	Note	Number of options held	
		Note (a)	Note (b)
Mr. Hu Zhao Guang		400,000	3,600,000
Mr. Bai Jin Rong		240,000	2,160,000
Mr. Xing Chun Hua		240,000	2,160,000
Mr. Zheng Wan He		200,000	1,800,000
Mr. Wei En Hong		200,000	1,800,000
Mr. Li Fu Cheng		200,000	1,800,000
Mr. Qiao Yu	(c)	200,000	1,800,000
Mr. Li Zhong Gen		200,000	1,800,000

### 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 for the options granted was HK\$1. The options can be exercised at any time in the next ten years commencing on 1st September, 1998. No such options were exercised during the year.
- (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 for the options granted was HK\$1. The options can 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 part of these share options was exercised during the year.
- (c) Due to the resignation of Mr. Qiao Yu on 30th August, 2001, a total of 2,000,000 share options granted to him on 3rd March, 1998 (200,000 share options) and 23rd June, 1998 (1,800,000 share options) respectively were lapsed on 30th August, 2001.



Save as disclosed above, at no time during the year 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 children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### Substantial shareholders

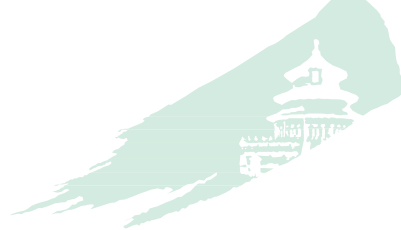
As at 30th June, 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

<b>Name</b>	<b>Number of shares</b>	<b>%</b>
Modern Orient Limited	90,050,000	14.47
Beijing Enterprises Investments Limited ( <i>Note 1</i> )	384,000,000	61.69
Beijing Holdings Limited ( <i>Note 2</i> )	393,645,000	63.23

*Notes:*

- (1) The interest disclosed included 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 shares owned by Modern Orient Limited.
- (2) The interest disclosed included 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 shares owned by Beijing Enterprises Investments Limited and Modern Orient Limited.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.



## **Connected transactions**

The connected transactions undertaken by the Group are set out in note 14 to the 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 letter in respect of connected transactions granted by The Stock Exchange of Hong Kong Limited.

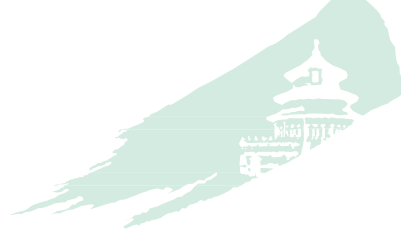
## **Loan Agreement with Covenant Relating to Specific Performance of the Controlling Shareholders**

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.

## **Purchase, Sale or Redemption of Shares**

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



### **Audit Committee**

The members of the audit committee of the Company comprise of Mr. Lee Tung Hai, Leo and Mr. Wang Xian Zhang both being Independent Non-Executive Directors of the Company.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated interim financial statements for the six months ended 30th June, 2001.

### **Publication of the Results on the Website of the Stock Exchange**

The interim report of the Company for the six months ended 30th June, 2001, together with the information required under the paragraph 46(1) to 46(6) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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.

The 2001 interim financial information set out above does not constitute the Group's statutory accounts for the six months ended 30th June, 2001 but is derived from the condensed financial statements for the six months ended 30th June, 2001 to be included in the 2001 interim report.

### **Closure of Register of Members**

The Register of Members will be closed from Wednesday, 3rd October, 2001 to Friday, 5th October, 2001, 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 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Friday, 28th September, 2001.



### **Code of Best Practice**

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the interim report except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's articles of association.

By order of the Board

**Hu Zhao Guang**

*Chairman*

Hong Kong, 6th September, 2001