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CORPORATE INFORMATION

GENERAL INFORMATION:**Registered Office**

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Company Secretary

Mr. Tam Chun Fai *CFA AHKSA*

Share Registrars

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

DIRECTORS:**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

Non-executive Director

Mr. Fang Fang

Independent Non-executive Directors

Mr. Lau Hon Chuen, Ambrose
Mr. Lee Tung Hai, Leo
Mr. Wang Xian Zhang

CORPORATE INFORMATION

PROFESSIONALS:

Auditors

Ernst & Young

Legal Advisers

as to Hong Kong law:

Johnson Stokes & Master

as to PRC law:

Haiwen & Partners

PRINCIPAL BANKERS:

In Hong Kong:

Bank of China (Hong Kong) Limited

Bank of Communications,

Hong Kong Branch

BNP Paribas, Hong Kong Branch

China Construction Bank,

Hong Kong Branch

Credit Lyonnais, Hong Kong Branch

Industrial and Commercial Bank of

China (Asia) Ltd.

Rabobank, Hong Kong Branch

Société Generale Asia Limited

The Bank of East Asia, Limited

In the PRC:

Agricultural Bank of China

Bank of China

China Construction Bank

Guangdong Development Bank

The Industrial and Commercial Bank

of China

HIGHLIGHTS

Net turnover for the period amounted to approximately HK\$3.32 billion, representing an increase of about 16% over the same period last year.

Net profit attributable to shareholders was HK\$216.12 million.

An interim dividend of HK10 cents per share was declared. Interim dividend payout ratio was increased by 7% to 28% over the corresponding period last year.

The segment results of expressway, retail, dairy, hotel and tourism operations grew healthily in the first half of 2002.

Beijing Yanjing Brewery Company Limited is in the process of applying for the issue of the 5 years Convertible Bonds in an aggregate principal amount of RMB700 million with a face value of RMB100 each in the PRC securities market.

Application for the listing of the shares of Beijing Sanyuan Foods Co., Ltd. on the Shanghai Stock Exchange A Share Market has been made, it will offer 150,000,000 new A shares of RMB1.00 each for subscription in the PRC.

With the establishment of a sponsored level one American Depositary Receipts (ADR) program in May 2002, the Company can broaden its investor base, particularly among institutional investors in U.S. in future.

BUSINESS OVERVIEW AND OUTLOOK

Management discussion and analysis

Despite a very competitive market condition in the PRC, the Group managed to grow its market share and revenue in most business sectors in the first half of 2002. However, the profit attributable to the shareholders was dragged down significantly by the sharp downturn in the business of our major associate, Beijing International Switching System Ltd. ("BISC"). The digital switching system industry in China encountered the most severest challenge in the first half of 2002 mainly due to the restructuring of the fixed line divisions of the China Telecommunication Bureau. The Company expects the performance of BISC to be improved in the second half of the year. The consolidated turnover of the Group was HK\$3.32 billion in the first half of 2002, improved by 15.8% comparing to the corresponding period last year. Net profit attributable to shareholders was HK\$216.12 million, down by 25% comparing to the first half of 2001.

(1) ***Consumer products***

Beer

The regional brewery companies in Shangdong province were turning around and generated strong sales volume growth for our brewery division. Sales volume reached 936,000 tons in the first half of the year which was almost 41% more than the same period last year. Net turnover increased by 11% to HK\$1.15 billion. However, profit after tax was declined by 20% to HK\$83.63 million mainly due to higher advertising and marketing expenses in a very competitive market.

BUSINESS OVERVIEW AND OUTLOOK

Beijing Yanjing Brewery Company Limited, our A share listed subsidiary, is in the process of applying for issue of convertible bond in the PRC securities market. The proceeds from the proposed issue will be used to upgrade the existing facilities and acquire more regional breweries.

Dairy products and fast food

The sales volume of Beijing Sanyuan Foods Co., Ltd. ("Sanyuan Foods") grew healthily in the first half of the year. Net turnover of Sanyuan Foods increased by 8.3% to HK\$472 million. Profit after tax jumped 103.4% to HK\$52.11 million when compared to the same period of 2001. Profit after tax was mainly enhanced by significant contribution from Beijing McDonald's and Guangdong McDonald's and amortisation of negative goodwill arising from acquisition of Beijing Kraft Company Limited.

The total number of outlets operated under the franchises of Beijing McDonald's and Guangdong McDonald's increased to 84 and 58, respectively, at the end of June 2002. Optimal economy of scale is being achieved through expanding the number of outlets at different locations.

(2) **Infrastructure**

Capital Airport Expressway

Traffic volume increased by 11% to 15.53 million vehicles during the period under review mainly driven by prosperous air traffic volume in Beijing Capital Airport. The net turnover and profit after tax of Beijing Capital Expressway Development Co., Ltd. amounted to HK\$164 million and HK\$86.9 million respectively, representing 11.4% and 3.9% growth respectively. The new toll scheme has become effective from 1st September, 2002. Revenue derived from small vehicles will be negatively affected. However, the increase in

BUSINESS OVERVIEW AND OUTLOOK

traffic volume will be further stimulated under the new toll charge and reduction in revenue will be moderated by stronger traffic volume growth in next year.

Water Treatment Concession

Profit after amortisation on cost of the Concession right and tax remained at HK\$63.7 million for the six months ended 30th June, 2002. This project continued to provide steady cash flows to the Group.

(3) **Services**

Tourism services

The combined net turnover and profit after tax of Beijing Badaling Tourism Development Co., Ltd. amounted to approximately HK\$73.7 million and HK\$4.4 million respectively, representing 13.4% and 42.8% increase respectively over the corresponding period last year.

The net turnover of Beijing Longqingxia Tourism Development Co., Ltd. was HK\$18.3 million which was increased by 13.5% and turnaround to a profit compared to the corresponding period in last year.

Hotel services

The average occupancy rate of Jianguo Hotel was improved by 7% to 78% in the first half of 2002. Net turnover and profit after tax increased by 8.2% and 227.9% respectively to HK\$51.5 million and HK\$3.5 million, respectively. Room rates were still under pressure due to oversupply of up market hotels in Beijing.

BUSINESS OVERVIEW AND OUTLOOK

Retail services

The net turnover of Wangfujing Department Store Group Co., Ltd. ("Wangfujing Group") grew moderately by 4.6% to HK\$1.03 billion. Chengdu store managed to capitalise on the rapid economic growth of Sichun province and recorded the highest sales volume growth in Wangfujing. However, Wangfujing Group recorded a small profit in the first half of 2002 mainly due to the lack of investment income and lower contribution from the property division.

(4) **Technology business**

Information technology

Beijing Development (Hong Kong) Limited, the information technology flagship of the Group, has separately announced their interim results on 12th September, 2002. It had turnaround to make a small profit in the first half of 2002.

BISC (an associate)

During the period under review, BISC suffered a 70% decline in sales orders and turnover. Profit after tax declined by 66% to HK\$75.6 million. The industrial downturn was mainly caused by restructuring of fixed line division of China Telecommunication Bureau. Upon completion of the restructuring exercise in June this year, the various fixed line operators in China are expected to pick up their capital investments which in turn will benefit the switching system manufacturers in the PRC.

BUSINESS OVERVIEW AND OUTLOOK

CAPITALISATION AND FINANCIAL POSITION

Shareholders' equity increased to approximately HK\$7.1 billion while minority interests amounted to approximately HK\$3.28 billion as at 30th June, 2002. Net bank borrowings (total bank borrowings minus cash on hand) was HK\$1.267 billion at period end date representing 17.57% net debt to equity ratio. Bank borrowings were predominately in Renminbi with remaining 30% in US Dollar.

SIGNIFICANT SUBSEQUENT EVENTS

The Group entered into a shareholder agreement on 10th July, 2002 with the respective subsidiaries of Beijing Capital Tourism Group Limited and Hutchison Whampoa (China) Limited to form a joint venture company engaging in hotel services and tourism services in the PRC and the U.S.A. The Group holds approximately 40% equity interest in the joint venture company.

Effective from 1st September, 2002, the toll charges for all kinds of vehicles using the Tinzhu toll station of the Capital Airport Expressway have been reduced by RMB5. On average, the revenue is expected to decrease by 30% based on similar traffic volume flow. However, the substantial traffic volume growth after the toll reduction will moderate the decrease in revenue.

OUTLOOK

Despite temporary setback in certain business sector, the outlook for the Group remains 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 applications are benefiting directly from this development. We will also capitalise on any opportunities arising from this Olympic Games event, in particular, infrastructure and utilities investment opportunities in Beijing area. In the meantime, the Company will strike to complete

BUSINESS OVERVIEW AND OUTLOOK

the spin off exercise of Sanyuan Foods in the second half of the year. The proceeds derived from the initial public offering of Sanyuan Foods will accelerate the growth and expansion of Sanyuan Foods and strengthen its leading position in the dairy industry in the PRC.

APPRECIATION

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

By order of the Board

Hu Zhao Guang

Chairman

Hong Kong, 17th September, 2002

INTERIM DIVIDEND

The Board of Directors of the Company has resolved to declare an interim dividend of HK10 cents per share in cash for the six months ended 30th June, 2002 (2001: HK10 cents) payable on Tuesday, 22nd October, 2002 to shareholders whose names appear on the Registers of Members of the Company on Friday, 11th October, 2002.

Closure of Register of Members

The Register of Members will be closed from Wednesday, 9th October, 2002 to Friday, 11th October, 2002, 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 for registration not later than 4:00 p.m. on Tuesday, 8th October, 2002.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June, 2002

	Notes	Six months ended 30th June,	
		2002 Unaudited HK\$'000	2001 Unaudited HK\$'000
TURNOVER	3	3,324,301	2,870,524
Cost of sales		(2,346,992)	(2,042,346)
Gross profit		977,309	828,178
Interest income		31,208	72,525
Other revenue and gains, net	4	70,973	96,877
Selling and distribution costs		(264,420)	(179,965)
Administrative expenses		(364,720)	(357,035)
Other operating expenses, net		(26,396)	(29,410)
PROFIT FROM OPERATING ACTIVITIES	5	423,954	431,170
Finance costs	6	(112,757)	(110,861)
Share of profits and losses of:			
Jointly-controlled entities		7,663	7,092
Associates		38,117	108,660
PROFIT BEFORE TAX		356,977	436,061
Tax	7	(83,442)	(71,551)
PROFIT BEFORE MINORITY INTERESTS		273,535	364,510
Minority interests		(57,419)	(76,529)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		216,116	287,981
INTERIM DIVIDEND	8	62,250	62,250
EARNINGS PER SHARE — Basic	9	HK\$0.35	HK\$0.46

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2002

	Notes	30th June, 2002 Unaudited HK\$'000	31st December, 2001 Audited HK\$'000
NON-CURRENT ASSETS			
Fixed assets		7,014,460	6,981,751
Intangible assets		1,846,915	1,271,756
Goodwill:			
Goodwill		157,712	126,488
Negative goodwill		(25,295)	(46,348)
Interests in jointly-controlled entities		608,160	595,452
Interests in associates		467,098	592,841
Properties under development		249,825	141,303
Long term other receivables		—	6,998
Long term prepayments and deposits		15,017	9,290
Pledged bank balances and time deposits		25,289	10,852
Long term investments		382,190	304,486
		10,741,371	9,994,869
CURRENT ASSETS			
Short term investments		58,956	44,820
Properties held for sale		492,391	596,219
Inventories		894,096	942,968
Trade receivables	10	705,050	492,980
Taxes recoverable		20,343	38,140
Other receivables		455,288	482,402
Pledged bank balances and time deposits		17,554	29,719
Cash and cash equivalents		3,303,064	4,031,709
		5,946,742	6,658,957

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2002

	Notes	30th June, 2002 Unaudited HK\$'000	31st December, 2001 Audited HK\$'000
CURRENT LIABILITIES			
Trade payables	11	514,857	405,360
Taxes payable		216,735	194,615
Other payables and accruals		844,514	1,034,416
Bank and other loans		1,976,676	2,856,435
		3,552,782	4,490,826
NET CURRENT ASSETS			
		2,393,960	2,168,131
TOTAL ASSETS LESS CURRENT LIABILITIES			
		13,135,331	12,163,000
NON-CURRENT LIABILITIES			
Bank and other loans		2,593,807	1,837,413
Other long term liabilities		26,805	28,004
Deferred tax		20,595	18,558
		2,641,207	1,883,975
MINORITY INTERESTS			
		3,283,804	3,174,397
		7,210,320	7,104,628
CAPITAL AND RESERVES			
Issued capital	12	62,250	62,250
Reserves	13	7,085,820	6,930,328
Proposed dividend		62,250	112,050
		7,210,320	7,104,628

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2002

	Six months ended 30th June,	
	2002 Unaudited HK\$'000	2001 Unaudited HK\$'000
Total shareholders' equity — 1st January	7,104,628	6,533,201
Net gains not recognised in the profit and loss account — exchange differences on translation of the financial statements of foreign entities	1,626	1,045
Goodwill realised on partial disposal of interest in a subsidiary	—	18,169
Goodwill realised on disposal of a jointly-controlled entity	—	56,577
Net profit for the period attributable to shareholders	216,116	287,981
Dividends paid	(112,050)	(93,375)
Total shareholders' equity — 30th June	7,210,320	6,803,598

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2002

	Six months ended	
	30th June,	
	2002	2001
	Unaudited	Unaudited
	HK\$'000	HK\$'000
		(Restated)
Net cash inflow from operating activities	22,787	534,202
Net cash outflow from investing activities	(516,668)	(823,806)
Net cash inflow/(outflow) from financing activities	(282,144)	234,053
Decrease in cash and cash equivalents	(776,025)	(55,551)
Cash and cash equivalents at beginning of period	4,060,796	3,755,978
Cash and cash equivalents at end of period	3,284,771	3,700,427
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,908,455	1,648,151
Time deposit	1,437,452	2,102,422
	3,345,907	3,750,573
Less: Pledged bank balances and time deposits	(42,843)	(50,146)
Bank overdrafts	(18,293)	—
	3,284,771	3,700,427

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim financial reporting”, issued by the Hong Kong Society of Accountants (the “HKSA”) and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of the audited financial statements for the year ended 31st December, 2001 except that the Group has adopted the following new or revised SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised)	:	“Presentation of financial statements”
SSAP 11 (revised)	:	“Foreign currency translation”
SSAP 15 (revised)	:	“Cash flow statements”
SSAP 25 (revised)	:	“Interim financial reporting”
SSAP 34	:	“Employee benefits”

These SSAPs prescribe new accounting measurement and disclosure practices. The adoption of these SSAPs during the current financial period does not have any significant impact on the Group’s profit or shareholders’ equity, except that the presentation of certain items and balances in the condensed consolidated interim financial statements have been revised to comply with the new requirements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SEGMENT INFORMATION

An analysis of the Group's revenue and results by business and geographical segments for the six months ended 30th June, 2002 is as follows:

(a) *Business segments***For the six months ended 30th June, 2002****Group**

	Brewery operations Unaudited HK\$'000	Retail operations Unaudited HK\$'000	Dairy operations Unaudited HK\$'000	Expressway operations Unaudited HK\$'000	Water treatment operations Unaudited HK\$'000
Segment revenue:					
Sales to external customers	1,115,437	910,665	471,679	169,621	173,625
Intersegment sales	—	—	—	—	—
Other revenue	11,982	7,481	6,612	279	—
Total	1,127,419	918,146	478,291	169,900	173,625
Segment results	113,811	54,264	31,345	124,298	70,164
Interest income					
Unallocated revenue and gains					
Unallocated expenses					
Profit from operating activities					
Finance costs					
Share of profits and losses of:					
Jointly-controlled entities	(3,771)	(1,112)	12,546	—	—
Associates	(35)	(77)	—	—	—
Profit before tax					
Tax					
Profit before minority interests					
Minority interests					
Net profit from ordinary activities attributable to shareholders					

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Hotel operations Unaudited HK\$'000	Tourism operations Unaudited HK\$'000	Property construction and development Unaudited HK\$'000	Telecommunications and IT related services and products Unaudited HK\$'000	Corporate and others Unaudited HK\$'000	Eliminations Unaudited HK\$'000	Consolidated Unaudited HK\$'000
69,814	76,682	54,066	90,708	192,004	—	3,324,301
—	—	—	—	192	(192)	—
182	1,979	630	—	13,221	—	42,366
69,996	78,661	54,696	90,708	205,417	(192)	3,366,667
2,332	7,399	(13,372)	(3,112)	(18,090)		369,039
						31,208
						28,607
						(4,900)
						423,954
						(112,757)
						7,663
			33,299	4,930		38,117
						356,977
						(83,442)
						273,535
						(57,419)
						216,116

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

For the six months ended 30th June, 2001

Group

	Brewery operations Unaudited HK\$'000	Retail operations Unaudited HK\$'000	Dairy operations Unaudited HK\$'000	Expressway operations Unaudited HK\$'000	Water treatment operations Unaudited HK\$'000
Segment revenue:					
Sales to external customers	1,091,907	894,924	451,000	147,558	98,935
Intersegment sales	—	—	—	—	—
Other revenue	13,322	18,430	6,559	1,120	—
Total	1,105,229	913,354	457,559	148,678	98,935
Segment results	118,688	34,716	22,111	107,180	63,530
Interest income					
Unallocated revenue and gains					
Unallocated expenses					
Profit from operating activities					
Finance costs					
Share of profits and losses of:					
Jointly-controlled entities	(1,460)	712	6,428	—	—
Associates	612	46	—	—	—
Profit before tax					
Tax					
Profit before minority interests					
Minority interests					
Net profit from ordinary activities attributable to shareholders					

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Hotel operations Unaudited HK\$'000	Tourism operations Unaudited HK\$'000	Property construction and development Unaudited HK\$'000	Telecom- munications and IT related services and products Unaudited HK\$'000	Corporate and others Unaudited HK\$'000	Eliminations Unaudited HK\$'000	Consolidated Unaudited HK\$'000
59,705	69,270	10,761	3,383	43,081	—	2,870,524
—	—	—	—	—	—	—
112	862	—	—	—	—	40,405
59,817	70,132	10,761	3,383	43,081	—	2,910,929
(999)	3,472	(3,186)	1,766	(40,105)		307,173
						72,525
						56,472
						(5,000)
						431,170
						(110,861)
—	—	—	1,412	—		7,092
—	—	—	106,139	1,863		108,660
						436,061
						(71,551)
						364,510
						(76,529)
						287,981

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SEGMENT INFORMATION (continued)

(b) Geographical segments

For the six months ended 30th June, 2002

Group

	Hong Kong Unaudited HK\$'000	Elsewhere in the PRC Unaudited HK\$'000	Overseas Unaudited HK\$'000	Eliminations Unaudited HK\$'000	Consolidated Unaudited HK\$'000
Segment revenue:					
Sales to external customers	8,066	3,241,111	75,124	—	3,324,301
Intersegment sales	—	192	—	(192)	—
Other revenue	13,221	29,145	—	—	42,366
Total segment revenue	21,287	3,270,448	75,124	(192)	3,366,667
Segment results	(8,136)	375,993	1,182	—	369,039

For the six months ended 30th June, 2001

Group

	Hong Kong Unaudited HK\$'000	Elsewhere in the PRC Unaudited HK\$'000	Overseas Unaudited HK\$'000	Eliminations Unaudited HK\$'000	Consolidated Unaudited HK\$'000
Segment revenue:					
Sales to external customers	4,424	2,849,043	17,057	—	2,870,524
Intersegment sales	—	—	—	—	—
Other revenue	—	40,405	—	—	40,405
Total segment revenue	4,424	2,889,448	17,057	—	2,910,929
Segment results	(23,390)	331,161	(598)	—	307,173

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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, entrance fees and telecommunications and IT related services, net of business and consumption taxes and government surcharges; and (3) rental income.

4. OTHER REVENUE AND GAINS, NET

	Group	
	Six months ended 30th June,	
	2002	2001
	Unaudited	Unaudited
	HK\$'000	HK\$'000
<i>Other revenue, net</i>		
Negative goodwill recognised as income	21,513	11,828
Service income	13,209	—
Investment income	6,847	—
Corporate income tax and value-added tax refund	1,488	16,754
Others	27,761	23,541
	70,818	52,123
<i>Gains, net</i>		
Gain on partial disposal of interest in a subsidiary	—	19,965
Gain on disposal of short term investments	155	24,789
	155	44,754
	70,973	96,877

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Six months ended 30th June,	
	2002	2001
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Depreciation	226,955	193,403
Amortisation of intangible assets	36,039	35,334
Amortisation of goodwill	6,840	1,045
Negative goodwill recognised as income	(21,513)	(11,828)
Investment income	(6,847)	(31,039)

6. FINANCE COSTS

	Group	
	Six months ended 30th June,	
	2002	2001
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest on bank loans and other loans wholly repayable within five years	105,827	102,941
Interest on other loans	6,930	7,920
	112,757	110,861

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. TAX

	Six months ended 30th June,	
	2002 Unaudited HK\$'000	2001 Unaudited HK\$'000
Group:		
The PRC — Hong Kong	51	—
— elsewhere	72,991	52,568
Overseas	846	—
Overprovision in prior period, net	(967)	—
Deferred tax	2,029	—
	74,950	52,568
Share of tax of jointly-controlled entities	4,944	1,997
Share of tax of associates	3,548	16,986
	83,442	71,551

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong for the period. No provision for Hong Kong profits tax was made in the prior period as the Group had no assessable profit arising in Hong Kong during that period. The income tax provision in respect of operations elsewhere in the PRC and overseas is calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

8. INTERIM DIVIDEND

	Six months ended 30th June,	
	2002 Unaudited HK\$'000	2001 Unaudited HK\$'000
Proposed 2002 interim dividend of HK\$0.10 (2001: HK\$0.10) per ordinary share	62,250	62,250

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. 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\$216,116,000 (2001: HK\$287,981,000) and the weighted average of 622,500,000 (2001: 622,500,000) ordinary 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.

10. TRADE RECEIVABLES

The various group companies have different credit policies, dependent on the requirements of their markets and the business in which they operate. Ageing analyses 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 as at the balance sheet date is as follows:

	30th June, 2002 Unaudited HK\$'000	31st December, 2001 Audited HK\$'000
Within one year	667,191	458,626
One to two years	24,944	32,367
Two to three years	12,915	1,987
	705,050	492,980

11. TRADE PAYABLES

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

	30th June, 2002 Unaudited HK\$'000	31st December, 2001 Audited HK\$'000
Within one year	497,944	381,294
One to two years	2,752	3,057
Two to three years	605	2,930
Over three years	13,556	18,079
	514,857	405,360

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. SHARE CAPITAL

	30th June, 2002 Unaudited HK\$'000	31st December, 2001 Audited HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
Issued and fully paid:		
622,500,000 ordinary shares of HK\$0.10 each	62,250	62,250

Share options

The Company operates a share option scheme, further details of which are set out under the heading "Share option scheme" in the section of "Discloseable Information" on pages 35 to 38.

At the balance sheet date, the Company had outstanding share options entitling the holders to subscribe for shares in the Company. The share options entitle the registered holders to subscribe in cash for fully paid ordinary shares of HK\$0.10 each in the Company at HK\$17.03 per share. Of the total 19,950,000 share options outstanding as of 30th June, 2002, 2,000,000 share options are exercisable at any time in the 10 years commencing on 1st September, 1998, and 17,950,000 share options are exercisable in 9 equal portions commencing on 1st January, 1999 with one additional portion becoming exercisable on 1st January, in each of the following years. All of such options (to the extent not exercised) will be exercisable on 1st January, 2007, and if not otherwise exercised, will lapse on 1st January, 2009. The exercise in full of such options would, under the present capital structure of the Company, result in the issue of 19,950,000 additional ordinary shares of HK\$0.10 each and cash proceeds of approximately HK\$339,748,500 before the related issue expenses.

No share options were granted or exercised during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. RESERVES

Group

	Share premium Unaudited HK\$'000	Capital reserve Unaudited HK\$'000	Hotel property revaluation reserve Unaudited HK\$'000	Exchange fluctuation reserve Unaudited HK\$'000	PRC reserve funds Unaudited HK\$'000	Retained profits Unaudited HK\$'000	Total Unaudited HK\$'000
At 1st January, 2002	4,839,497	303,151	2,051	34,663	400,775	1,350,191	6,930,328
Exchange realignments	—	—	—	1,626	—	—	1,626
Net profit for the period	—	—	—	—	—	216,116	216,116
Proposed interim dividend	—	—	—	—	—	(62,250)	(62,250)
Transfer to reserves	—	588	—	—	31,431	(32,019)	—
At 30th June, 2002	4,839,497	303,739	2,051	36,289	432,206	1,472,038	7,085,820

14. CONTINGENT LIABILITIES

	Group	
	30th June, 2002 Unaudited HK\$'000	31st December, 2001 Audited HK\$'000
Guarantee of banking facilities granted to third parties	28,929	10,852

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. CAPITAL COMMITMENTS

	Group	
	30th June, 2002 Unaudited HK\$'000	31st December, 2001 Audited HK\$'000
Land and buildings:		
Authorised, but not contracted for	124,623	109,580
Contracted, but not provided for	65,604	99,990
	190,227	209,570
Plant and machinery:		
Authorised, but not contracted for	39,664	45,322
Contracted, but not provided for	11,483	42,555
	51,147	87,877
Capital contributions to subsidiaries and associates:		
Authorised, but not contracted for	72,220	72,197
Contracted, but not provided for	138,746	94,315
	210,966	166,512
Total capital commitments	452,340	463,959

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. RELATED PARTY TRANSACTIONS

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

Name of company	Nature of transaction	Notes	Six months ended 30th June,	
			2002 Unaudited HK\$'000	2001 Unaudited HK\$'000
<i>Ultimate holding company</i>				
Beijing Holdings Limited and its associates	Rental income	(a)	1,471	1,603
	Rental and related expenses	(a)	2,253	2,706
<i>Joint venture partners of subsidiaries</i>				
Beijing Yanjing Beer Group	Purchases of bottle labels	(b)	25,504	20,900
Company ("Yanjing Beer Group") and its associates	Purchases of bottle caps	(b)	3,002	27,835
	Canning service fees paid	(c)	10,421	10,687
	Comprehensive support service fees paid	(d)	7,372	7,324
	Land rent expenses	(e)	821	821
Beijing San Yuan Group Company ("San Yuan Group")	Trademark licensing fees paid	(f)	8,169	7,359
	Less: 20% refund for advertising subsidies	(f)	(1,633)	(1,472)
	Purchase of raw milk	(g)	98,774	—
Beijing Tourism Corporation and its associates	Lease of land	(h)	1,258	—
	Land use fees	(i)	1,634	1,539
<i>Associates</i>				
Beijing International Switching System Co., Ltd.	Interest income	(j)	3,783	3,400
Wanbo Property Management Company Limited	Rental income	(a)	—	2,167

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. RELATED PARTY TRANSACTIONS (continued)

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) San Yuan Group provided the supply of raw fresh milk to Sanyuan Foods. Ten years commencing from 1st January, 1997 at market price determined by reference to the prices offered by raw fresh milk market in Beijing.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. RELATED PARTY TRANSACTIONS (continued)

- (h) Lease of the land located in Beijing by San Yuan Group to Sanyuan Foods with a total gross floor area of approximately 286,800 sq. metres for industrial use. The lease is for a term of 20 years commencing from 1st January 1997, and automatically renewable for a further 20 years unless terminated by either party three months before the expiry of the initial term.
- (i) Land use fees were determined based on 3% of the annual gross turnover of Jian Guo Hotel Joint Venture Beijing.
- (j) The loan to an associate was unsecured and bore interest at 5.85% per annum.

17. REVIEW AND APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Audit Committee has reviewed the accounting policies adopted by the Group and has discussed the internal controls and financial affairs including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30th June, 2002.

The condensed interim financial statements were approved by the Board of Directors of the Company on 17th September, 2002.

DISCLOSEABLE INFORMATION

DIRECTORS' SERVICE CONTRACTS

Except for Mr. Liu Kai, all the remaining executive directors proposed for re-election at the forthcoming annual general meeting have service contracts with the Company, each with an unexpired period of 11 months as of 30th June, 2002. Mr. Liu Kai has entered into a service contract with the Company for a period of three years commencing on 15th January, 2001.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a beneficial interest in any material contract to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the period.

DISCLOSEABLE INFORMATION

DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2002, 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 (the "SDI Ordinance"), were as follows:

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

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or 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 or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DISCLOSEABLE INFORMATION

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The directors of the Company may, at their discretion, invite employees, including executive directors, of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK\$1 per grant of options. The Scheme became effective on 16th May, 1997 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme (the “Maximum Number”) is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. No option may be granted to any one person which if exercised in full would result in the total number of ordinary shares of the Company issued and issuable to him/her under all the options previously granted to him/her and the said option exceeding 25% of the Maximum Number. At 30th June, 2002, the number of shares issuable under share options granted under the Scheme was 19,950,000, which represented approximately 3.2% of the Company’s shares in issue as at that date.

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

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

DISCLOSEABLE INFORMATION

SHARE OPTION SCHEME (continued)

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

The following share options were outstanding under the Scheme as at 30th June, 2002:

	Number of options held	
	<i>Note (a)</i>	<i>Note (b)</i>
Name of Directors:		
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. Li Zhong Gen	200,000	1,800,000
	1,680,000	15,120,000
Employees in aggregate	320,000	2,830,000
	2,000,000	17,950,000

DISCLOSEABLE INFORMATION

SHARE OPTION SCHEME (continued)*Notes:*

- (a) These options were granted on 3rd March, 1998, at an exercise price per share of HK\$17.03. The cash consideration paid by each director and employee for the options granted was HK\$1 per grant of options. The options may be exercised at any time in the next 10 years commencing on 1st September, 1998. No such options were exercised during the period.
- (b) These options were granted on 23rd June, 1998 at an exercise price per share of HK\$17.03. The consideration paid by each director and employee for the options granted was HK\$1 per grant of options. The options may be exercised in 9 equal portions. The first portion is exercisable at any time commencing on 1st January, 1999, and one additional portion becomes exercisable on 1st January, in each of the following years. All of the options (to the extent not exercised) will become exercisable on 1st January, 2007, and if not otherwise exercised, will lapse on 1st January, 2009. No portion of these share options was exercised during the period.

Summary details of the Scheme are also set out in note 12 to the financial statements.

In addition to the above, as at 30th June, 2002, the interests of the directors of the Company in options to subscribe for shares of Beijing Development (Hong Kong) Limited (“Beijing Development”), an indirectly owned subsidiary of the Company listed on the Stock Exchange, under the share option scheme of Beijing Development, were as follows:

Name of director	Number of options held
Mr. Xiong Da Xin	2,800,000
Mr. Bai Jin Rong	2,600,000

DISCLOSEABLE INFORMATION

SHARE OPTION SCHEME (continued)

These options were granted on 19th June, 2001 at an exercise price of HK\$1.13 per option. The options may be exercised in 2 or 3 equal portions. The first portion is exercisable at any time commencing on 1st January, 2002, and each further portion becomes exercisable on 1st January in each of the following years. All of the options, if not otherwise exercised, will lapse on 26th June, 2006. No portion of these share options was exercised during the period.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or the balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

DISCLOSEABLE INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2002, 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:

Name	Number of shares held	Percentage of the Company's share capital
Modern Orient Limited	90,050,000	14.47
Beijing Enterprises Investments Limited (<i>Note a</i>)	384,000,000	61.69
Beijing Holdings Limited (<i>Note b</i>)	391,577,000	62.90

Notes:

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

Save as disclosed above, 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 during the period are set out in note 16 to the financial statements.

DISCLOSEABLE INFORMATION

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.

PURCHASE, SALE AND 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.

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.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in the section of "Business Review and Outlook" under heading of "Significant Subsequent Events".

CORPORATE GOVERNANCE

The Company is committed to ensuring high standards of corporate governance and transparency as the Directors believe it would increase efficiencies in the overall operations of the Group and 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 comprised two Independent Non-Executive Directors of the Company.

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 to the Listing Rules 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.

PUBLICATION OF THE RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report of the Company for the six months ended 30th June, 2002, together with the information required under the paragraph 46(1) to 46(6) of Appendix 16 to the Listing Rules, will be published on the Company's website (www.behl.com.hk) and website of the Stock Exchange (www.hkex.com.hk) in due course.