



# 北京控股有限公司

## BEIJING ENTERPRISES HOLDINGS LIMITED

### News Release

CONTACTS : Lousie Chen or Freda Kwok, Corporate Affairs Department  
Tel: (852) 2105 6313  
Fax : (852) 2857 5084

### 2006 INTERIM RESULTS

Hong Kong, 13th September 2006 – Beijing Enterprises Holdings Limited (the “Company”) (0392 HK) and its subsidiaries (the “Group”) announced today that the consolidated turnover of the Group was HK\$6.36 billion for the first half of 2006, increased by 23.6% comparing to the corresponding period of last year of which turnover from continuing operations was HK\$3.42 billion, increased by 19.7% comparing to the same period last year. Profit attributable to the shareholders of the Company was HK\$13.99 million, declined by 95.7% comparing to the first half of 2005. Basic earnings per share amounted to HK\$0.02. The Board recommended an interim dividend of HK10 cents per share.

The Vice Chairman and CEO of the Group, Mr. Zhang Hong Hai said, “Subsequent to the implementation of the share reform plan of Beijing Yanjing Brewery Company Ltd. (“Beijing Yanjing”), the Company recorded a one-off attributable loss of HK\$344 million, while an exceptional gain of HK\$111 million attributable to the Company was also recorded after investors had exercised most of their outstanding convertible bonds due to the share reform of Beijing Yanjing. The net loss attributable to the Company was approximately HK\$233 million. Stripping off the loss of the share reform of Beijing Yanjing and other exceptional items, net profits attributable to shareholders of the Company increased by 14% to HK\$242 million mainly driven by strong profit growth of Capital Airport Expressway (“Airport Expressway”) and Wangfujing Department Store (Group) Co., Limited (“Wangfujing”).

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

	<b>For the six months ended 30 June 2006</b>	
	<i>Net profit before exceptional items</i>	<i>Proportion</i>
	<i>HK'000</i>	
Infrastructure	127,700	52.7%
Utilities	71,740	29.6%
Consumer Products	54,600	22.5%
Retail & Others	(11,860)	(4.8%)
	<u>242,180</u>	<u>100%</u> ”

## **BUSINESS REVIEW**

### **Infrastructure and Utilities**

#### ***Toll Roads***

Airport Expressway continued to benefit from the air traffic growth of the Beijing Capital International Airport (“Beijing Airport”) and its traffic volume grew by 14.5% to 24.31 million vehicles in the first half of the year. Turnover increased by 19% to HK\$214 million and attributable profit to the Group increased by 14% to approximately HK\$119 million in the same period. During the period, the Capital Expressway Co., has materialized the investment in 60% controlling stake in the northern extension of the Airport Expressway. The 11.29 kilometer extension will connect the Beijing Jingcheng Highway to the northern gate of the Beijing Airport new passenger terminal. The total investment is approximately RMB1.429 billion and construction to be completed by the end of this month.

The traffic volume of Shenzhen Shiguan Road was being diverted by neighboring new highways and declined by 6.2% to 4.7 million vehicles in the first half of the year. Turnover declined by 3.1% to HK\$36.87 million and profit attributable to the Group decreased by 12.5% to HK\$8.79 million.

#### ***Water Treatment Concession***

The attributable profit of Beijing number nine water purification concession to the Group had increased to HK\$71.74 million. The Group is actively pursuing investment opportunities in the water sector and intends to raise the weighting of profit contribution from this sector.

### **Consumer Products**

#### ***Beer operations***

The regional operations of Yanjing Brewery continued to grow at spectacular rate. Overall sales volume of beer operations managed by Yanjing increased 13.6% to 1.67 million tons in the first half of the year. Turnover increased even more by 24.7% to HK\$2,676 billion due to full consolidation of the businesses of previously unconsolidated companies, product price increase and higher Renminbi yuan exchange rate. Profit after tax of beer operation increased slightly in the first half of the year mainly due to amortization of sponsorship of the 2008 Beijing Olympic Games.

During the period, the A share listed subsidiary, Beijing Yanjing implemented the A share reform. Upon completion of the reform in May 2006, the Group transferred approximately 79 million shares of Beijing Yanjing to the Tradable Shares Shareholders and incurred a net exceptional loss of approximately HK\$233 million. The Group's effective stake in Beijing Yanjing has been reduced to approximately 43.29%.

### ***Winery***

Both turnover and operating profit of Shun Sing Winery remained sluggish in the first half of the year mainly due to keen competition in the PRC market.

### **Retail and Tourism Services**

Boosted by buoyant property market and assets appreciation in the PRC, various department stores of Wangfujing achieved record high in sales in the first half of the year. Turnover increased 29.7% to HK\$2,917 billion and profit attributable to the Group increased by 283% to HK\$45.3 million.

Despite strong rebound in the business of Wangfujing, the Group decided to divest the 50.13% controlling stake in Wangfujing at a consideration of HK\$971 million. This major transaction has been approved by independent shareholders of the Company on 29 June 2006 and is now pending for approval from regulatory bodies in the PRC. The Group considered Wangfujing's department stores business is a market oriented business and future returns may not justify for the tremendous management resource required. The proceeds from the disposal of Wangfujing will be deployed mainly for future investments in the utilities sector.

Longqingxia remains the only tourism business in the Group, turnover for the first half of the year 2006 was HK\$24.84 million, attributable profit to the Group was HK\$250,000. The Group will look for good opportunity to divest Longqingxia and completely withdraw from this business.

### **Other Business**

Information technology was operating under very competitive environment and the Group recorded operating loss of HK\$10.06 million. The Company will continue to monitor the performance of non-core assets and endeavor to increase or recognize their value through restructure and divestiture.

## **PROSPECTS**

After a series of divestitures in the past three years, the Group has successfully streamlined its assets portfolio. Currently, the Group derives its earnings primarily from toll roads, water treatment concession and beer operations. The Group has transformed itself into a limited diversified conglomerate with focus on infrastructure, utilities and consumer products. All of the core assets are providing steady profits and cashflow to the Group.

Going forward, the Group will actively look for further investment opportunities in infrastructure and utilities sectors in Beijing. We are carefully studying feasibility of new water treatment and toll road projects around the Beijing Airport vicinity. In terms of public utilities development, the Company is particularly keen in exploring the potential investment opportunities in the pipe line gas project in Beijing.

## **FINANCIAL REVIEW**

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

#### **1. Turnover**

Net turnover increased by 23.6% to HK\$6.36 billion mainly driven by the nationwide expansion plans of Beijing Yanjing and Wangfujing Department Stores of which turnover from continuing operations was HK\$3.42 billion, increased 19.7% comparing to the same period last year.

The additional production capacity of Yanjing's regional operations, including Liquan at Guilin, Baotau and Chifeng at Inner Mongolia are generating phenomenal volume growth. In the mean time, certain regional operations including Huiquan at Fujian, Xiandu at Zhejiang and Hengyang at Hunan are turning around their business and further boosted sales volume of the Group's beer operations.

Although turnover contribution from other business were relative small, however, toll road business contributed significantly to the bottom line profit of the Group.

## **2. Profit before tax**

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

Overall gross profit margin of continuing operations for the period under review was 34.8%, remained stable comparing to corresponding period last year. Product prices of Yanjing improved in general due to higher growth in premium beer and price upward adjustments for certain medium to low end products. Toll roads remained the most profitable business due to their relatively fixed cost structure.

### **(b) Gain on deemed disposal of interest in a subsidiary and dilution loss on share reform of Beijing Yanjing**

Gain on deemed disposal of interest in a subsidiary arose due to conversion of very substantial portion of the convertible bonds of Beijing Yanjing by its bondholders in April 2006. Dilution loss was incurred when the Group transferred 79 million non-tradable shares of Beijing Yanjing to the Tradable Shareholders at nil consideration under the requirement of the A Share Reform Plan of Beijing Yanjing.

### **(c) Share of results of associates**

Decline by approximately HK\$3.8 million mainly due to lower profit contribution from Biosino Bio-Technology and Science Incorporation (Stock code 8247), BMEI Co., Ltd. and Peking University WBL Biotech Co., Ltd.

### **(d) Income tax rate**

Effective income tax rate edged up to approximately 68% due to the net exceptional loss from Beijing Yanjing of HK\$233 million is not deductible for tax calculation. The effective tax rate, if not taking into account the above net exceptional loss, is comparable with same period last year.

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

### **1. Capital and Shareholders' Equity**

As at 30 June 2006, the Company has a total of 622,500,000 shares in issue, shareholders' equity decreased by approximately HK\$111 million mainly due to payment of final dividend for year 2005. Minority interests increased by approximately HK\$740 million mainly to conversion of convertible bonds of Beijing Yanjing and execution of the Yanjing Share Reform Plan.

### **2. Borrowings**

The Group's bank and other borrowings amounted to HK\$1.874 billion as at 30 June 2006, which mainly comprised short term working capital loans of HK\$1.455 billion carried in the PRC subsidiaries. Around 80% of the bank loans were denominated in renminbi and 20% in Hong Kong and US dollars.

### **3. Bank Deposits**

As at 30 June 2006, cash and bank deposits held by the Group amounted to HK\$2.46 billion. At present, the Group is in a net cash position and has a strong net working capital of HK\$1.449 billion with a current ratio of 1.35. The Group maintains sufficient banking facilities to cope with the needs of its working capital requirements and has plenty of room to gear up its balance sheet should significant investment opportunities arise.

### **4. Non-current assets classified as held for sale and Relevant Liabilities**

These represent the assets and liabilities of Wangfujing Department Store (Group) Limited as at 30 June 2006. Independent shareholders of the Company resolved to sell the controlling interests in Wangfujing in June and the completion of this transaction is pending for the approvals from various PRC regulatory bodies. The attributable profit on disposal of such asset will be recorded once the transaction is legally completed.

### III Risk Management

The Group's major financial instruments include equity investments, borrowings, trade receivables, trade payables, other receivables, other payables and bank balances and cash. The management adopts and applies the following policies to manage and monitor financial risks.

1. Provision for diminution is made according to Group's accounting policy or where a permanent impairment in value has taken place or there is evidence of reduction in recoverability of the cash flows;
2. Review market trends on interest rates and exchange rates movements, assess potential financial impact on the Group's operation and financial position. Effective hedging instruments can be used to level off dramatic market movements should a need arises.
3. The Group's cash and bank deposits should be placed with financial institutions with strong credit rating and good reputation.

*Beijing Enterprises Holdings Limited is the sole overseas listed conglomerate controlled by the Beijing Municipal Government for channeling capital, technology and management expertise from international markets into Beijing's development priorities. Its core businesses comprise infrastructure & utilities, consumer products, retail services and technology.*

*For more information, please visit the Group's site at: <http://www.behl.com.hk>*

**BEIJING ENTERPRISES HOLDINGS LIMITED**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**

For the six months ended 30 June 2006

	2006 Unaudited HK\$'000	2005 Unaudited HK\$'000 (Restated)
<b>CONTINUING OPERATIONS:</b>		
<b>TURNOVER</b>	3,415,514	2,854,162
Cost of sales	(2,225,507)	(1,851,086)
Gross profit	<u>1,190,007</u>	<u>1,003,076</u>
Interest income	32,928	24,065
Gain on deemed disposal of interest in a subsidiary	139,363	14,498
Other income and gains, net	95,160	38,604
Selling and distribution costs	(393,335)	(295,907)
Administrative expenses	(398,322)	(306,554)
Dilution loss on share reform of a subsidiary	(429,877)	-
Other operating expenses	<u>(48,969)</u>	<u>(22,578)</u>
<b>PROFIT FROM OPERATING ACTIVITIES</b>	186,955	455,204
Finance costs	(62,160)	(61,256)
Share of profits and losses of:		
Jointly-controlled entities	(922)	(524)
Associates	<u>8,039</u>	<u>11,835</u>
<b>PROFIT BEFORE TAX</b>	131,912	405,259
<b>TAX</b>	<u>(90,000)</u>	<u>(98,601)</u>
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	41,912	306,658
<b>DISCONTINUED OPERATIONS:</b>		
Profit for the period from discontinued operations	<u>68,576</u>	<u>109,118</u>
<b>PROFIT FOR THE PERIOD</b>	<u><u>110,488</u></u>	<u><u>415,776</u></u>
<b>ATTRIBUTABLE TO:</b>		
Shareholders of the Company:		
Continuing operations	(8,242)	221,299
Discontinued operations	22,230	105,589
	<u>13,988</u>	<u>326,888</u>
Minority interests	<u>96,500</u>	<u>88,888</u>
	<u><u>110,488</u></u>	<u><u>415,776</u></u>
<b>DIVIDENDS</b>		
Interim	<u><u>62,250</u></u>	<u><u>62,250</u></u>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>		
Basic for profit for the period	<u><u>HK\$0.02</u></u>	<u><u>HK\$0.53</u></u>
Basic for profit/(loss) from continuing operations	<u><u>(HK\$0.01)</u></u>	<u><u>HK\$0.36</u></u>
Diluted for profit for the period	<u><u>HK\$0.02</u></u>	<u><u>HK\$0.52</u></u>
Diluted for profit from continuing operations	<u><u>(HK\$0.01)</u></u>	<u><u>HK\$0.35</u></u>

**BEIJING ENTERPRISES HOLDINGS LIMITED**  
**CONDENSED CONSOLIDATED BALANCE SHEET**

30 June 2006

	30 June 2006 Unaudited HK\$'000	31 December 2005 Audited HK\$'000
<b>ASSETS</b>		
Non-current assets:		
Property, plant and equipment	7,170,527	8,037,017
Investment properties	301,150	446,820
Prepaid land premiums	257,345	377,320
Goodwill	196,631	275,777
Other intangible assets	1,458,838	1,517,866
Interests in jointly-controlled entities	33,162	182,918
Interests in associates	221,368	248,849
Long term trade receivables	11,704	33,202
Other receivables	303,448	313,782
Pledged bank balances	30,082	34,684
Available for sale financial assets	460,980	510,037
Deferred tax assets	15,201	67,772
Total non-current assets	<u>10,460,436</u>	<u>12,046,044</u>
Current assets:		
Prepaid land premiums	6,696	12,684
Properties under development	-	322,301
Properties held for sale	-	39,406
Inventories	1,457,680	1,574,923
Amounts due from customers for contract work	14,844	25,238
Trade and bills receivables	630,515	928,709
Other receivables	958,249	1,092,481
Investments held for trading	68,571	45,551
Cash and cash equivalents	2,430,215	3,523,612
	<u>5,566,770</u>	<u>7,564,905</u>
Assets of a disposal group and non-current assets classified as held for sale	<u>3,362,499</u>	<u>19,319</u>
	<u>8,929,269</u>	<u>7,584,224</u>
<b>TOTAL ASSETS</b>	<u><u>19,389,705</u></u>	<u><u>19,630,268</u></u>

**BEIJING ENTERPRISES HOLDINGS LIMITED****CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)**

30 June 2006

	30 June 2006 Unaudited HK\$'000	31 December 2005 Audited HK\$'000
<b>EQUITY AND LIABILITIES</b>		
Equity attributable to shareholders of the Company		
Issued capital	62,250	62,250
Reserves	8,207,920	8,256,191
Proposed final dividend	62,250	124,500
	<u>8,332,420</u>	<u>8,442,941</u>
Minority interests	4,805,337	4,064,052
<b>TOTAL EQUITY</b>	<b><u>13,137,757</u></b>	<b><u>12,506,993</u></b>
Non-current liabilities		
Bank and other borrowings	419,625	373,311
Convertible bonds	838	548,785
Other long term liabilities	13,782	32,682
Deferred tax liabilities	28,503	168,527
<b>Total non-current liabilities</b>	<b><u>462,748</u></b>	<b><u>1,123,305</u></b>
Current liabilities:		
Trade and bills payables	514,660	1,165,555
Amounts due to customers for contract work	66,850	48,580
Other payables and accruals	1,610,847	1,839,417
Taxes payable	470,230	395,132
Bank and other borrowings	1,454,695	2,505,132
	<u>4,117,282</u>	<u>5,953,816</u>
Liabilities directly associated with assets of a disposal group and non-current assets classified as held for sale	1,671,918	46,154
<b>Total current liabilities</b>	<b><u>5,789,200</u></b>	<b><u>5,999,970</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>6,251,948</u></b>	<b><u>7,123,275</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>19,389,705</u></b>	<b><u>19,630,268</u></b>