



News Release

Beijing Enterprises Holdings Limited Entered Into Agreements To Invest In Several Projects In Beijing

Beijing Enterprises Holdings Limited ("Beijing Enterprises" or the "Company") (HK 392) announced today that it recently entered into agreements to invest in several projects in Beijing involving consumer products, tourism, technology and infrastructure sectors. Since its listing in Hong Kong, Beijing Enterprises has focused on its existing four principal business sectors. While continue to strengthen the management and improve the profitability of its existing seven subsidiaries and one associated company, the management of Beijing Enterprises also plans to expand its earnings base and enhance the profit of the Company through new investments.

Consumer product

With the continued increase of the living standard in Mainland China, the number of people regularly drink wine is increasing, resulting in a substantial increase of sales of wine. To tap into the significant potential, Beijing Enterprises entered into agreements in May 1998 to contribute a total of RMB65 million to Beijing Shun Xing Wine Co Ltd. ("Beijing Shun Xing") and Beijing Legacy Grape Wine Co Ltd. ("Beijing Legacy") in exchange for 51% equity of each of these two joint ventures. The three other joint venture partners are Beijing Nanjiao Wine Factory (24.5%), Taiwan Tung Hsin Trading Company Ltd. (12.25%) and Beijing Municipal Cereals, Oils and Foodstuffs Import and Export Corporation (12.25%).

Beijing Shun Xing was established in 1992. It primarily engages in the production of the renowned brand "Gui Hua Chen" wine and series of dry red and dry white wine mainly under the brand name of "Feng Shou". Currently its annual wine production capacity was approximately 7,000 tonnes. Beijing Legacy was established in 1995. It will primarily engage in the production and sale of wines under the brand name of "Feng Shou" and is expected to commence production by early 1999. Its production capacity of wine for year 1999 is expected to be around 30,000 tonnes.

Beijing Enterprises currently also owns 54.28% equity in Yanjing Brewery which is the largest beer company in China. Such acquisition by Beijing Enterprises will consolidate its leading position in the alcohol beverage market in Beijing and its surrounding area.

Tourism

To further develop its travel and tourism business, Beijing Enterprises and Beijing Longqingxia Travel Corporation ("BLTC") entered into an joint venture agreement in June 1998 to establish Beijing Longqingxia Tourism Development Co. Ltd. ("Longqingxia Development").

Longqingxia scenic area is located at Yan Qing County, a summer resort area of Beijing, and only 20 kilometres away from the Badaling section of the Great Wall. Together with the Great Wall and the Hot Spring Resort at Badaling, also owned and operated by Beijing Enterprises, these scenic area and resorts constitute a popular tourist attraction in the North of Beijing. The Longqingxia gorge is beautiful and its landscape is unique, comparable with the rivers in Li Jiang and mountains in the Three Gorges. It has been named as one of the "16 New Beijing Sceneries".

The registered capital of Longqingxia Development is RMB120 million, of which Beijing Enterprises will contribute RMB90 million, representing 75% of the registered capital, and BLTC will contribute RMB30 million, representing 25% of the registered capital. The life of the joint venture will be 30 years. Longqingxia Development will enter into a 40-year operating concession agreement with Longqingxia Administration Office, a branch of Beijing Yan Qing County People's Government, to obtain the exclusive franchise of selling tickets of the Longqingxia scenic area, annual winter ice carving and lantern exhibition, boat cruise and other tourism related facilities subsequently developed in Longqingxia area, and provisions of tourism-related services.

Technology

Beijing Greencool Environmental Protection Engineering Co. Ltd. ("Beijing Greencool") was established on 11th May 1998 in Beijing. Its registered capital and phase I contribution was US\$12.09 million in aggregate; of which Beijing Enterprises contributed US\$3.023 million for 25% of equity; GCT Investment, a Canadian company with proprietary CFC-free technology, injected US\$9.067 million in combination of cash and technology know-how for 75% of equity. The life of the joint venture will be 15 years. The joint venture primarily engages in the production of CFC refrigerant substitution equipment, CFC-free refrigerant injection equipment and CFC-free refrigerant related appliances and products. It also engages in different kinds of latest refrigerant replacement engineering and installation services, improvement of central air-conditioning and refrigeration facilities, distributions of latest refrigerants and the related equipment as well as the relevant import and export trading.

Beijing Greencool expects to benefit from the introduction of a new model of refrigerant developed by GCT Investment, which is compatible with various refrigeration equipment, to improve electricity efficiency. It plans to establish a large-scale CFC-free refrigeration and air-conditioning engineering services network specialising in replacing the current CFC refrigerant, a substance causing damages to the ozone layer, with CFC-free refrigerant. It aims to make Beijing the first CFC free city in the PRC. It will benefit from the global trend of sustainable economic development. The Greencool refrigerant was not only an important contribution to China and global environmental preservation, it is also energy-saving, resulting in significant economic benefits. Currently, Beijing Greencool intends to work with Beijing Tourism Group to provide air-conditioning and refrigeration engineering services to hotels in Beijing.

Water Treatment Plant

Beijing Enterprises entered into a Memorandum of Understanding dated 26th June 1998 with Beijing Municipal Water Company ("BMWC"), pursuant to which the operation concession of Phase I of No. 9 Plant will be transferred from MBWC to Beijing Enterprises for a fee of

RMB1.5 billion for 20 years commencing on the effective date of a final agreement. Beijing Enterprises will receive a minimum annual return of RMB 210 million. With the increase of both water price and supply volume after certain years, the investment return for Beijing Enterprises will increase correspondingly.

With the economic development of Beijing and continuous enlargement of the city scale, the water demand in Beijing is increasing as well. According to the forecast of Beijing City Planning Institute, the daily water demand in Beijing will increase from 2.26 million tonnes in 1996 to over 350 million tonnes in 2005, representing an average compound increase rate of approximately 5.5% per annum. At the same time, Beijing's underground water, its major water source, has been over exploited and the availability is gradually withering. Therefore, the use of surface water source has become the major solution to the shortage of water supply, which is highly encouraged by Beijing Municipal Government. The Phase I of No. 9 Water Plant is the largest surface water purification plant in Beijing therefore is believed to have a significant investment potential.

Mr. Hu Zhaoguang, the Chairman of Beijing Enterprises, said: "Beijing Enterprises, is confident that the economic growth of the PRC in 1998 could reach the target of 8% and remains optimistic about the prospect of the infrastructure and consumer goods sector in Beijing. Cordial collaboration has been obtained from the relevant authorities in the PRC with respect to these investment projects, reflecting their support to the Red-chip companies. The above investments are part of Beijing Enterprises' continuous expansion and development strategy and will be primarily financed by the Company's internal resources. Beijing Enterprises is actively seeking other investment opportunities to enhance its earning and profitability."