



News Release

1998 INTERIM RESULTS

September 7, 1998 Hong Kong - Beijing Enterprises Holdings Limited (the "Company" or "BEHL") (0392 HK) reported satisfactory interim results today. Its net revenue and operating profit attributable to shareholders for the first half of 1998 amounted to HK\$1,716 million and HK\$249 million respectively, representing increases of 4.8 % and 24% over the corresponding period in 1997. The healthy growth was mainly due to the remarkable performance of certain businesses of the Company, namely Beijing Yanjing Brewery Company Limited ("Yanjing Brewery") and Beijing International Switching Co., Ltd. ("BISC"). Yanjing Brewery and BISC achieved significant volume growth and substantial profit improvement. In addition, interest income of approximately HK\$80 million from unused IPO proceeds also contributed to the earnings increase. Although certain businesses of the Company were affected by the Asian financial crisis, the adverse effect was fully covered by the growth factors and therefore giving rise to a substantial increase in operating profit for the first half of 1998. Earnings per share were approximately HK\$0.40. An interim dividend of HK\$0.10 was proposed by the Board of Directors.

In the consumer goods sector, net sales revenue of Yanjing Brewery was up by 15% as compared to the first half of 1997. Yanjing Brewery, the largest brewery in China, recorded a remarkable 80% increase in net profit as a result of cost reduction and improved product mix. Proceeds from Yanjing's A share offering were used to reduce interest expenses of the brewery. Despite 16% increase in net sales revenue, Sanyuan Food, the largest dairy products supplier in Beijing, experienced 18% decrease in net profit owing to increased expenses on brand promotion and write-offs on inventory. Net profit of Beijing McDonald's remained flat owing to the lack of profit contributions from newly-opened restaurants.

In the infrastructure sector, Capital Airport Expressway reported increase in net toll revenue of 4% on the back of 11% growth of traffic volume over the corresponding period in 1997. Net profit rose by 2% despite implementation of a policy change in the second half of 1997 exempting military vehicles using the Expressway and passenger-free taxi using Erzha station from toll fees.

Performances in tourism, hotel and retail services were held back as a result of the Asian economic downturn. Badaling Tourism Development reported a net loss of approximately HK\$6 million. The operating profit of Beijing Wangfujing Department Store (Group) Co., Ltd. fell sharply as a result of heightened competition in the retail sector in China. This was further aggravated by the current renovation work in Wangfujing Street in Beijing. Despite additional sales contributions from property developments, net profit reported 56% decrease over the corresponding period in 1997. Jianguo Hotel, continuing to be the leading performer in the high-end hotel sector in Beijing, nevertheless recorded decreases in turnover and net profit by 20%

and 46% respectively owing to the decline of foreign visitors in general and glut of room supply in Beijing.

BISC, the Company's investment in the technology sector, recorded better-than-expected increases in turnover and net profit. Turnover rose by 32% while net profit rose by 27% reflecting strengthened leadership of this associated company in the telephone switching system manufacturing industry in China.

BEHL's financial position has remained healthy for the first half of 1998. Shareholders' equity amounted to approximately HK\$5.8 billion while minority interest amounted to approximately HK\$1.7billion. At the end of the period under review, BEHL's long term bank loans amounted to HK\$434 million while short term loans amounted to HK\$554 million, together resulting in 17% total debt to equity ratio. Despite the prolonged financial turmoil in the Region, a loan facility was successfully arranged in September 1998 for US\$165 million with a syndicate of 13 banks. The facility would be used for the general purposes of corporate development. Adequate measures have been under review for the purposes of hedging the risk aspects of the loan.

Projecting into the second half of 1998, Mr Hu Zhao Guang, Chairman of BEHL, maintained that the Group was well-positioned to meet the challenge of the economic downturn. Despite difficulties in achieving short-term EPS growth target, the Company is reviewing several strategic initiatives to cope with depression in the tourism and retail sectors. Steps would be taken to keep the momentum of the brewery and telephone switching system manufacturing operations while a stable and stronger cash flow would be provided from its infrastructure sector. Going forward, development focus would be put on existing business sectors with specific emphasis on technology investments.

Beijing Enterprises Holdings Limited is the sole overseas listed conglomerate controlled by the Beijing Municipal Government for channeling capital, technologies and management expertise from international markets into Beijing's development priorities. Its core businesses comprise of consumer goods, infrastructure, services and technology. It reported total revenue and operating profit attributable to shareholders of approximately HK\$ 3,371 million and HK\$ 426 million, respectively, for 1997.