



北京控股有限公司

BEIJING ENTERPRISES HOLDINGS LIMITED

News Release

1998 ANNUAL RESULTS

Hong Kong, 20th April 1999 - Beijing Enterprises Holdings Limited (0392 HK) (the "Group") is pleased to announce its 1998 annual results.

BUILDING ON STRONG FUNDAMENTALS, BEIJING ENTERPRISES' 1998 NET ATTRIBUTABLE OPERATING PROFIT UP 18%

Hong Kong, 20th April 1999 - Beijing Enterprises Holdings Limited (the "Group") (0392 HK) reported today that for the year ended December 31, 1998, the Group's attributable operating profit rose 18% to HK\$503 million against HK\$426 million for 1997. The Board has proposed a final dividend of HK15 cents per share which, together with the interim dividend of HK10 cents per share already paid, will make a total annualised distribution for 1998 of HK25 cents per share representing 4.16% growth over 1997.

Beijing Yanjing Brewery Co., Ltd. and Beijing International Switching System Co., Ltd. were the top performers of the Group in 1998. The brewery business accounted for 26% of the Group's net profit while the telephone switching system manufacturing business accounted for 41%. Benefiting from healthy traffic volume growth, Beijing Capital Expressway Development Co., Ltd. recorded stable profit growth in 1998 as well.

The Group registered an exceptional loss of HK\$29 million in 1998 owing to re-valuation deficits of certain commercial properties in Beijing. In 1997 the Group recorded exceptional gains of approximately HK\$385 million resulting from the separate listing of Yanjing Brewery and interest income earned on IPO subscription funds.

CONSUMER GOODS

Beijing Yanjing Brewery Co., Ltd., with production capacity exceeding 800,000 tons per annum, recorded significant growth in 1998. Net turnover increased by 13% to HK\$1.06 billion while net operating profit increased by 67% to HK\$246 million. Despite a very competitive beer market in China, its gross margin continued to improve as lower raw material costs and increasing contribution from high end products took place. Separately listed on the Shenzhen Stock Exchange, the subsidiary raised approximately RMB820 million through a rights issue in the second half of 1998. As the strongest consolidator in the fragmented beer market in China, Yanjing Brewery recently acquired control of Jiangxi Ji An Brewery to pave the way for its entry into the central part of China.

Other businesses in the consumer goods sector were inevitably hurt by the prolonged effects of the Asian financial crisis.

Beijing San Yuan Foods Co., Ltd., producer of dairy products and the dominant supplier of fresh milk to Beijing residents, was continuously impacted by downturns in retail spending. Despite an increase of 6% in net turnover, net profit fell by 12% to HK\$21 million owing to increase in marketing expenditures and provision in relation to milk powder inventory.

Beijing McDonald's Food Co., Ltd., an associated company 50% owned by Beijing San Yuan Foods Co., Ltd., recorded decrease in net profit as new outlets have yet to attain full operating capacity.

To capitalise on the growing wine consumption in China and seek potential synergy with existing consumer goods business, the Group acquired 51% interests in two wineries in the first half of 1998. Net turnover and net profit for the seven months ended December 31st 1998 amounted to HK\$33 million and HK\$5 million respectively.

INFRASTRUCTURE

Beijing Capital Expressway Development Co., Ltd., which manages and operates the Capital Airport Expressway connecting the Capital Airport and the city center, experienced steady growth with traffic volume amounting to almost 25 million vehicles in 1998, representing 14% growth compared to 1997. As traffic volume growth was mainly attributable to certain lower toll charge stations, increase in net turnover resulted in 6% compared to 1997. Net profit increased by 8% to HK\$57 million against HK\$53 million in 1997. The Expressway obtained approval to raise its average toll fee by 48% effective Jan 15, 1999. The substantial growth in toll revenue is expected to become the main driver of the Group's growth in 1999.

The acquisition of the operation concession of the Phase I of Beijing No.9 Water Treatment Plant was concluded in the fourth quarter of 1998. The designed production capacity of the Plant is 500,000 cubic meters of purified water per day. The Plant will contribute a guaranteed minimum after tax net cash income of RMB210 million annually starting 1999.

TOURISM AND RETAIL SERVICES

Jian Guo Hotel Joint Venture, one of the upper scale Beijing hotels favored by overseas visitors, recorded decrease in occupancy rate and average room rate by 6% and 16% respectively. Net profit fell by 42% to HK\$25 million owing to the decline in foreign visitors and the keen competition in the high-end hotel market in Beijing.

Beijing Badaling Tourism Development Co., Ltd., which holds the exclusive franchise to provide tourism and related services in the Badaling Great Wall site, reported loss in 1998 against setbacks in tourism activities in general. With the number of visitors on decline from 4.4 million in 1997 to 3.4 million in 1998, coupled with low initial room rates and high financial costs of the newly opened Badaling Hot Spring Resort, the subsidiary reported a net loss of HK\$4 million against HK\$22.7 million profit in 1997. To consolidate its position as leader in tourism services in this region renowned for its historic heritage, the Group acquired a stake in closeby Long Qing Xia scenic area in the second half of 1998.

Beijing Wangfujing Department Store (Group) Co., Ltd., one of the largest department store chains in China, was unsparingly harmed by the economic downturn last year. Beijing Wangfujing Department Store, the Group's flagship department store, was under severe pressure as sales performance was materially affected by renovation works on Wangfujing Street. Newly opened stores at Wuhan and Nantong reported operating losses owing to the prevailing negative market conditions. The subsidiary recorded a loss after tax of HK\$63 million against a net profit of HK\$90 million in 1997. Beijing Wangfujing Store has been temporarily suspended from operation since the first quarter of 1999 for renovation and will reopen in September 1999.

TECHNOLOGY

Beijing International Switching System Co., Ltd. ("BISC"), the Group's 40% owned associated company engaged in the manufacture and sale of telephone switching system, reported remarkable

increases in both turnover and net operating profit despite keen market competition. Net turnover amounted to approximately HK\$2.7 billion while net profit amounted to HK\$521 million, representing 50% and 129% increase compared to 1997. The associated company managed to reduce costs of major components and achieve better volume efficiency in 1998. The Group's 40% share of the net operating profit amounted to HK\$208 million. To sustain its leadership position, BISC is actively developing value-added products to add to its inventories.

Beijing Enterprises Chairman Hu Zhao Guang said: "In pace with the government policy of enhancing national competitiveness through development of science and education, the technology sector will continue to be the Group's development priority. In 1998, we devoted major efforts to tap the potential of high and new technology. These include teaming up with Silicon Valley venture capitalists to set up venture capital funds as well as lining up with Beijing High & New Technology Development Zone for technology project investments."

Apart from technology sector which is expected to generate significant growth potential, the Group would further look into investment opportunities in the infrastructure sector which promise steady cash flows and recurrent earnings.

The Asian financial crisis has taken its toll on the economy in the Region. However, the Group, guided by its corporate policy of prudent financial management, has been able to withstand volatile market conditions on the basis of its strong fundamentals. As of end of 1998, Beijing Enterprises was in a net cash position.

"As the sole window company of the Beijing Municipal Government, Beijing Enterprises is uniquely exposed to the opportunities in the metropolitan capital city-home to the largest pool of talents and most knowledgeable consumers in the PRC. I am confident that Beijing Enterprises would come out of the storm better recognised for its own strength and its steadfast commitment to achieve its corporate objective - to be one of the best managed conglomerates in China and Hong Kong," concluded Chairman Hu.

Beijing Enterprises Holdings Limited is the sole overseas listed conglomerate controlled by the Beijing Municipal Government for channelling capital, technologies and management expertise from international markets into Beijing's development priorities. Its core businesses comprise of consumer goods, infrastructure, services and technology.