



News Release

1999 Interims Results

Beijing Enterprises reported 2% earnings growth in the first half - supported by profit rise of Yanjing Brewery and Capital Expressway

Hong Kong, 6th September 1999 - Beijing Enterprises Holdings Limited (0392 HK) (the "Group") reported earnings growth in the first half despite a very difficult operating environment. Operating profit attributable to shareholders for the period ended June 30, 1999 was HK\$254mm, representing an increase of 2% over the same period of 1998. The Board of Directors proposed an interim dividend of HK\$0.10, the same as of the corresponding period of 1998.

The performance was mainly supported by strong sales growth of Yanjing Brewery, enhanced net margins of Beijing International Switching System Co., Ltd. ("BISC") due to decline in expenses, and profit rise on the back of toll increase of Capital Airport Expressway.

Consumer Goods

Yanjing Brewery, with effective annual production capacity exceeding 900,000 tons, reported substantial growth in the first half. Net turnover was HK\$623mm and profit after tax was HK\$161mm, representing 17% and 30% increases respectively over the corresponding period of 1998. The remarkable performance of this Shenzhen A-Share listed subsidiary was due to healthy volume growth, improved products mix and stringent cost control measures. High-end products, which achieved significant sales growth, further spurred the rise in profit.

Jiangxi Ji An Brewery, which was acquired in January, 1999, has successfully increased its annual production capacity from its original 50,000 tons to 100,000 tons in June.

Sanyuan Food, the dairy products supplier, reported increases in both net turnover and profit in the first half. Net turnover amounted to HK\$203mm and profit after tax amounted to HK\$21mm, representing 3% and 100% growth respectively over the same period. Increase in profit after tax was mainly attributable to other income derived from a property development project. A new factory in Shuang Qiao, Beijing commenced production in June, 1999 and is expected to boost Sanyuan's sales volume as well as competitiveness as a result of enlarged production capacity and enhanced quality.

Beijing McDonald's recorded a small operating loss in the first half mainly due to Sino-US conflicts in May and increased number of newly-opened outlets bringing up start-up costs.

The winery subsidiary reported satisfactory performance with a profit after tax of HK\$7mm in the first half.

Infrastructure

Capital Airport Expressway reported marginal decrease in traffic volume by 5% to approximately 10.8 mm vehicles in the first half. The decrease was owing to a combination of the average 48% toll increase effected in January and the decline in visitor arrivals in the midst of Sino-US tension in May and June of the year. However, net turnover increased by 38% to HK\$106mm while net profit increased substantially by 73% to HK\$44mm on the back of the toll increase.

The Phase I of No.9 Water Treatment Plant operating concession began recording minimum net of tax return on a time pro rata basis in mid January, 1999, resulting in HK\$58mm in net profit after amortization in the first half.

Tourism and Retail Services

Amid the very competitive retail market in China, **Wangfujing Department Store Group's** performance was aggravated by the temporary suspension of its flagship store in Wangfujing Street in Beijing. Net turnover declined by 38% to HK\$476mm compared to the same period last year. As a result, it recorded a net operating loss of HK\$28mm against a profit after tax of approximately HK\$22 mm in the same period last year. The flagship store was reopened in August 1999 and achieved an encouraging sales volume in the first few days. The reopening will boost sales growth in the second half. The management expects this sector to gradually turn the corner as measures to stimulate domestic consumption take effect.

The Badaling Great Wall site registered a slight increase of 1% of visitor arrivals to approximately 1.3 mm resulting in 1% increase in entrance fee income. **The Badaling Hot Spring Resort** reported an occupancy rate at 40.5% level while room rate increased by 27% to RMB413 for the period. Combined net turnover of the Great Wall site and the Hot Spring Resort was in line with last year, amounted to HK\$43mm while combined profit after tax was HK\$1mm against an operating loss of HK\$6mm over the same period in 1998.

Longqingxia scenic area recorded a small profit of HK\$1mm on the back of a 17% increase in visitor arrivals.

Jianguo Hotel recorded a 64% average occupancy rate, a further decline compared to 68% of the same period in 1998. Net turnover was HK\$54mm and profit after tax was HK\$2mm, representing 22% and 82% declines respectively. The worse than expected result was attributable to the glutted high-end hotel market in Beijing and reduced room availability due to the Hotel's room renovation works conducted in the first quarter.

Technology

The Group 40% owned **BISC**, the telephone switching system manufacturer and supplier, recorded a slight decline in sales volume by 5% to approximately 2.4 mm ports for the period. Net turnover declined by 6% to HK\$979mm while profit after tax increased by 25% to HK\$212mm over the same period last year. Improvement in net profit margin was attributable to waiver of software expenses by Siemens AG, the foreign joint venture partner.

Beijing WBL Peking University Biotech Co., Ltd., in which the Group owns 24%, reported net turnover of HK\$35mm and profit after tax of HK\$11mm in the first half. The associated company is engaged in the development of Chinese medicine and natural health care products including Xuezhikang, which is clinically proven effective in adjusting cholesterol levels and alleviating cardio-vascular symptoms. Xuezhikang has been marketed successfully in North America and Asian countries.

The Group has invested US\$10 mm in **Beijing Technology Development Fund**. Led by Silicon Valley venture capitalists, the Fund focuses on investing in information technology sectors, including software, multimedia, Internet, telecommunications and electronics as well as biotechnology and health care mainly in the Greater China region and North America. The Group has also partnered with Beijing Municipal Government High and New Technology Development Zone Management Committee in setting up **Beijing Enterprises Holdings High-Tech Development Co., Ltd.** The Group, initially invested RMB10 mm, would eventually commit cash and fixed assets of a total of US\$24 mm to the joint venture, representing an 80% interest. The joint venture focuses on investments in domestic high technology start-ups and provision of incubation and management consultancy services.

"Despite the prolonged effect of the Asian Financial Crisis, Beijing Enterprises has persisted in managing growth against the economic down cycle. It is our ultimate corporate objective to enhance long-term shareholders' value and in this respect, we will strive to seek for business opportunities with significant

development potential and to achieve growth in existing businesses along the principles of prudent financial management,"said Chairman Hu Zhao Guang.

"Infrastructure investments will remain to be one of the profit drivers in the future, while our technology projects will gradually begin to contribute to bottom line and to be the leading sector of earnings growth."

Beijing Enterprises has retained a very solid balance sheet enhanced by positive cash flows. Net borrowings (total borrowings minus cash on hand) were approximately HK\$700mm, out of which 41% were denominated in US dollar and the balance in Renminbi. About 70% of the total borrowings were long term loans. Net borrowings to equity ratio stood at 12% as at June 30, 1999.

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 consumer goods, infrastructure, tourism and retail services and technology.