



The Board of Directors of Beijing Enterprises Holdings Limited (the “Company”) is pleased to announce that the unaudited consolidated results for the six months ended 30th June, 2000 of the Company and its subsidiaries (the “Group”) are as follows:

	Notes	Unaudited	
		Six months ended 30th June, 2000	1999
		Consolidated	Consolidated
		HK\$'000	HK\$'000
Turnover		2,482,995	1,660,045
Cost of sales		<u>(1,745,644)</u>	<u>(1,114,664)</u>
Gross profit		737,351	545,381
Other revenue		155,773	125,560
Distribution costs		(170,079)	(94,120)
Administrative expenses		(260,475)	(157,286)
Other operating expenses		<u>(8,454)</u>	<u>(1,727)</u>
PROFIT FROM OPERATING ACTIVITIES		454,116	417,808
Finance costs		(155,633)	(122,863)
Share of profits and losses of:			
Jointly-controlled entities		(1,902)	(15,832)
Associates		<u>84,585</u>	<u>101,113</u>
PROFIT BEFORE TAX		381,166	380,226
Tax	1	<u>(48,198)</u>	<u>(59,279)</u>
PROFIT BEFORE MINORITY INTERESTS		332,968	320,947
Minority interests		<u>(72,015)</u>	<u>(66,921)</u>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>260,953</u>	<u>254,026</u>
EARNINGS PER SHARE — Basic	2	<u>HK\$0.42</u>	<u>HK\$0.41</u>



Notes:

1. Tax

No provision for Hong Kong profits tax has been made as there were no assessable profits arising in Hong Kong for the period. For the six months ended 30th June, 1999, Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong. Taxes on assessable profits for elsewhere in the People's Republic of China (the "PRC") have been calculated at the rates of taxation prevailing in the PRC.

	Unaudited	
	Six months ended 30th June, 2000	1999
	Consolidated	Consolidated
	HK\$'000	HK\$'000
Group:		
The PRC — Hong Kong	—	(893)
— elsewhere	36,542	46,801
	<hr/>	<hr/>
	36,542	45,908
Share of tax of associates	11,656	13,371
	<hr/>	<hr/>
	48,198	59,279
	<hr/> <hr/>	<hr/> <hr/>

2. Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to shareholders for the period of HK\$260,953,000 (1999: HK\$254,026,000) and the weighted average of 622,500,000 shares (1999: 622,500,000 shares) in issue during the period.

The exercise of the outstanding share options of the Company would not have a diluting effect to the earnings per share.

INTERIM DIVIDEND

The directors are pleased to declare an interim dividend of HK\$0.10 per share, to be paid on 10th October, 2000 to shareholders whose names are on the Register of Members on 29th September, 2000.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members, will be closed from 25th September, 2000 to 29th September, 2000, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the above dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tengis Limited, 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on 22nd September, 2000 (Friday).



BUSINESS OVERVIEW

The profit attributable to shareholders for the first half of 2000 was HK\$261 million (HK\$0.42 per share), representing an increase of 3% over the corresponding period in 1999.

1. Consumer Products

Beer

Turnover of Yanjing Brewery increased to HK\$721 million, representing 16% increase over the corresponding period in 1999. However, profit after tax for the first half of 2000 temporarily pulled back to approximately HK\$137 million, representing 15% decline over the corresponding period in 1999. Operating margin was affected by additional depreciation arising from the 200,000 tons new plant in Beijing, increasing sales expenses and advertising expenses. The Jiangxi Yanjing and Hunan Yanjing acquired last year have not yet reached optimum production output and did not make significant contribution to Yanjing Brewery.

Dairy products and fast food

Turnover of Sanyuan Food for the first half of 2000 increased to HK\$302 million, representing a significant growth of 49% over the corresponding period in 1999. Profit after tax (including the result of McDonald's) jumped to HK\$27 million representing 57% growth over the corresponding period in 1999. Since the opening of two new dairy plants in the middle of last year, both the production volume and varieties of products increased significantly. With strong promotion effort and solid product quality in place, the sales volume of premium products grew healthily and lifted the overall gross margin.

Beijing McDonald's performance has improved comparing to the corresponding period in 1999. The turnover in new outlets are picking up and is expected to increase further in the second half of the year.

Winery

Combined turnover of Shun Xing Winery and Feng Shou Winery increased by 7% to HK\$32 million and sales volume for most products recorded prominent growth. However, profit after tax declined by 14% to HK\$6 million, which was mainly due to higher advertising expense to push premium market.



2. Infrastructure

Capital Airport Expressway

Traffic volume increased healthily by 12% to approximately 12 million vehicles in the first half of 2000. Turnover in the same period increased by 17% to HK\$124 million. The traffic volume was mutually benefited by the opening of the new passenger terminal in Beijing Capital Airport in late 1999. Net profit for the first half of 2000 increased by 25% to approximately HK\$55 million due to stringent cost control measure.

Water Treatment Concession

Net profit after amortisation derived from the Concession amounted to HK\$63 million for the first half of 2000. Although upside potential is unlikely to realise in the foreseeable future, this Concession provides steady after tax cash income to the Group for new project investments.

3. Services

Tourism services

The number of visitors to the Badaling Great Wall site increased by 15% to approximately 1.54 million in the first half of 2000. The average occupancy rate of the Badaling Hot Spring Resort improved to 49% while average room rate declined to RMB348 per day in the first half of 2000.

Combined turnover of Badaling Great Wall site and Badaling Hot Spring Resort increased by 26% to HK\$54 million compared to the corresponding period in 1999. Combined profit after tax increased by 1.7 time to HK\$2.7 million.

The number of visitors to Longqingxia in the first half of 2000 increased by 14% to 279,000. Profit after tax retreated to HK\$470,000, which was mainly due to higher advertising expenses incurred.

Retail services

Turnover of Wangfujing Group jumped 120% to HK\$1.05 billion comparing to the corresponding period in last year. Substantial turnover recovery was mainly due to reopening of flagship store in Beijing and strong pick up in sales revenue of other stores in Chengdu and Guangzhou. Consolidated profit after tax of Wangfujing Group amounted to HK\$11 million in the first half of 2000 against



HK\$28 million loss in the corresponding period last year. Wangfujing's performance is expected to improve further when certain property assets are realised to repay bank loans which will reduce interest expenses.

Hotel services

The average occupancy rate of Jianguo Hotel recovered to 67.5% and turnover increased by 9% to HK\$59 million in the first half of 2000. Competition in the Beijing's high end hotel sector was still very keen and Jianguo Hotel managed to explore higher margin catering revenues. Net profit jumped 1.7 time to HK\$5.4 million comparing to the corresponding period in last year.

4. Technology

BISC (an associate)

BISC successfully expanded its market share during the period under review. Sales volume jumped by 67% to 4 million ports comparing to the corresponding period in last year. Turnover in the same period increased 34% to HK\$1.31 billion. Profit after tax declined by 23% to HK\$164 million was mainly due to depressed selling price as a result of aggressive price reduction policy to expand market share. Sales volume of EWSD switching machines is expected to grow further in the second half of the year. Also, BISC is actively widening its product range through launching new products and is expected to contribute to revenue growth next year.

Other technology related projects

Most of the other projects committed last year were progressing well during the period under review. Among these projects, Greencool contributed HK\$6.5 million and WBL Peking University Biotech Co., Ltd. contributed HK\$663,000 to the Group respectively in the first half of 2000.



CAPITALISATION AND FINANCIAL POSITION

Shareholders' equity increased to approximately HK\$6.4 billion while minority interests amounted to approximately HK\$2.9 billion as at 30th June, 2000. Net bank borrowings (total borrowings minus cash on hand) was HK\$300 million at period end date representing 5% net debt to equity ratio. Bank borrowings were predominantly in Renminbi with remaining 25% in US dollar.

NEW INVESTMENTS

During the period under review, the Group concluded the following new investments:

1. Beijing Transportation Smart Card Limited (北京市政交通一卡通有限公司)

The smart card system is similar to Octopus in Hong Kong and will be applied to all means of transportation in Beijing. The Company will invest RMB19 million to take up 38% equity interests in the joint venture company. Other shareholders include Beijing City Public Transport Company (33%); Beijing City Underground Railway Company (14%) and Beijing Bus Joint Stock Limited (5%), etc.

2. Badaling Magnetic Floating Train Project (八達嶺磁懸浮列車)

The Company will invest approximately RMB80 million to take up 51% in this 2.5 km environmental friendly transportation project. The low speed floating train will become the only mean of transportation between Badaling Great Wall site and proposed coach terminal. The technology and system integration is provided by National Defense Science Technology University ("NDSTU") and the relevant intelligent right will be jointly owned by the Company and NDSTU.

3. Zhong Sang Beijing Enterprises Biotech (Medicine) Project (中生北控生物科技股份有限公司)

Beijing Enterprises High Technology Company will invest RMB24.5 million to take up 35% equity interests in the project. The biotech research division ("BRD") of China Science Bureau is a leading player in biomedicine research and successfully explored various types of biotech products and vaccines in the past. BRD will inject its patents on research products into the proposed venture and become the single largest shareholder (44%).



4. Beijing Enterprises New Otto E-Commerce Co., Ltd. (北控新奥特电子商务股份有限公司)

The Company will invest RMB40.8 million to take up 51% interest in the new joint venture. The Chinese partner will inject the lease right of Beijing Silicon Valley Computer Mall in Zhong Guan Cun to take up 49% of the joint venture. The Computer mall now accommodates more than one thousand computer and electronic components trading companies. The joint venture plans to develop a B to B trading platform for the existing trading companies and gradually extend to other region of China.

SIGNIFICANT SUBSEQUENT EVENTS

1. Yanjing Brewery spent HK\$222 million to acquire 93.75% and 92.95% equity interests, respectively, in Yanjing Heng Yang and Yanjing Xian Fan in July 2000. The details have been separately announced on 20th July, 2000.
2. The majority shareholder of Beijing Greencool Environmental Protection Engineering Co., Ltd (“Beijing Greencool”) underwent a restructure exercise whereby the 25% interests in Beijing Greencool held by the Company was converted into 5.33% interests in the listed company Greencool Technology Holdings Limited in July 2000. The investment in Beijing Greencool has since been changed to marketable securities in the Company’s balance sheet. Substantial investment gain is expected to be recorded based on initial investment cost and current market price as at date of this announcement.
3. Beijing Teletron Project (北京電信通網絡項目)

The Company signed a memorandum of cooperation with Beijing Teletron Network Technology Limited (“Beijing Teletron”) in early September 2000 to develop telecom network, data centre and ISP & ICP value added services in Beijing. The Company will invest RMB75 million to take up 51% in a new joint venture company. The shareholders of Beijing Teletron will inject the relevant business into the joint venture to take up the remaining 49% interests. Beijing Teletron is engaged in network construction, system integration, ISP and ICP value added services. Beijing Teletron has most corporate internet users in Beijing, sharing one third of the market in this sector. Beijing Teletron has recorded rapid revenue growth and steady profit growth since inception two years ago.



PROSPECTS

The outlook for most of the existing business is improving on the back of strong economic growth in mainland China. BISC has successfully explored certain convergence products and internet infrastructure equipments. These new products will be launched to existing customers later this year. BISC plans to transform itself into a telecom and network infrastructure system provider including equipment sales and system integration.

Yanjing Brewery is actively expanding its capacity and market share through strategic acquisitions. Its operating margin is expected to pick up when the present consolidation phase in brewery industry comes to an end in one or two years time.

Wangfujing will undergo a strategic merger/alliance with leading retail player in Beijing. The objective is to strengthen the competitiveness of Wangfujing Group in procurement and market share and ultimately improve the return on assets.

Sanyuan Food is building up its brandname and gradually plans to expand into other region of China. In order to finance its rapid expansion, Sanyuan is transforming itself into a joint stock company to prepare for an A share listing in mainland China.

To cope with the national policy of developing technology business, the Company has stepped up its efforts in technology related investments. So far, the Group has concluded a number of technology related investments. Optimistic potential is envisaged as those projects bear advantage in capital, management expertise and technology.



DIRECTORS' INTERESTS IN SECURITIES

(i) Interests in Shares

As at 30th June, 2000, the interests of the Directors in the Shares or other securities of the Company or any associated Corporations (within the meaning of the SDI Ordinance) which had to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under section 31 or Part I of the Schedule to the SDI Ordinance) or which were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Nature of interest	Name of associated corporation	Number of Shares held
Zheng Wan He	Personal	Beijing Wangfujing Department Store (Group) Co., Ltd.	45,738
Li Fu Cheng	Personal	Beijing Yanjing	18,720



(ii) Interests in Share Options

The following options previously granted to the Directors to subscribe for Shares pursuant to the Company's share option scheme were outstanding as at 30th June, 2000:

Name of Director	Number of Shares in respect of which options have been granted	
	(Note a)	(Note b)
Mr. Hu Zhao Guang	400,000	3,600,000
Mr. Bai Jin Rong	240,000	2,160,000
Mr. Xing Chun Hua	240,000	2,160,000
Mr. Zheng Wan He	200,000	1,800,000
Mr. Wei En Hong	200,000	1,800,000
Mr. Li Fu Cheng	200,000	1,800,000
Mr. Cong Shi Jie	200,000	1,800,000
Mr. Qiao Yu	200,000	1,800,000
Mr. Li Zhong Gen	200,000	1,800,000

Notes:

- (a) The options were granted on 3rd March, 1998 at an exercise price per share of HK\$17.03. The options can be exercised at any time in the next ten years commencing on 1st September, 1998. No such options were exercised during the period.
- (b) The options were granted on 23rd June, 1998 at an exercise price per share of HK\$17.03. The options can be exercised in 9 equal portions. The first portion is exercisable commencing on 1st January, 1999, and one additional portion becomes exercisable on 1st January in each of the following years. Accordingly, all of the options (to the extent not exercised) will become exercisable on 1st January, 2007 and if not otherwise exercised will lapse on 1st January, 2009. No part of these share options was exercised during the period.

Save as disclosed above, none of the Directors of the Company or their associates, as at 30th June, 2000, had any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.



SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2000, the following parties were interested in 10% or more of the issued share capital of the Company as recorded in the register of interests required to be maintained by the Company pursuant to section 16(1) of the SDI Ordinance:

Name	Number of shares	%
Modern Orient Limited	90,050,000	14.47
Beijing Enterprises Investments Limited (Note 1)	384,000,000	61.69
Beijing Holdings Limited (Note 2)	391,569,000	62.90

Notes:

- (1) The interest disclosed included the shares owned by Modern Orient Limited. Modern Orient Limited is held directly as to 100% by Beijing Enterprises Investments Limited. Accordingly, Beijing Enterprises Investments Limited is deemed to be interested in shares owned by Modern Orient Limited.
- (2) The interest disclosed included the shares owned by Beijing Enterprises Investments Limited and Modern Orient Limited. Beijing Enterprises Investments Limited, the holding company of Modern Orient Limited, is held indirectly as to 50.37% by Beijing Holdings Limited. Accordingly, Beijing Holdings Limited is deemed to be interested in shares owned by Beijing Enterprises Investments Limited and Modern Orient Limited.

Save as disclosed above, the Directors are not aware of any other persons who, as at 30th June, 2000, were directly or indirectly interested in 10% or more of the nominal value of the issued share capital of the Company

LOAN AGREEMENT WITH COVENANT RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

The Company obtained a three-year US\$165 million loan facility in 1998. The loan agreement includes certain conditions imposing specific performance obligations on the Company's holding companies, among which are the following events which would constitute an event of default on the loan facility.

1. If the beneficial interest in more than 50% of the entire issued share capital of the Company ceases to be owned by persons or entities controlled by the Beijing Municipal People's Government of China; or
2. If any of the Company's holding companies stops or suspends payments to its creditors generally or is unable or admits its inability to pay its debts as they fall due, or is declared or becomes bankrupt or insolvent.



PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the period except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's articles of association.

By order of the Board
Hu Zhao Guang
Chairman

Hong Kong, 5th September, 2000