



# 北京控股



北京控股有限公司

BEIJING ENTERPRISES HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

1999 Interim Report



## 1999 INTERIM RESULTS

The Board of Directors of Beijing Enterprises Holdings Limited (the “Company”) is pleased to announce that the unaudited consolidated results for the six months period ended 30th June, 1999 of the Company and its subsidiaries (the “Group”) are as follows:

	<i>Notes</i>	<b>Unaudited</b>	
		<b>Six months ended 30th June,</b>	
		<b>1999</b>	<b>1998</b>
		<b>Consolidated</b>	<b>Consolidated</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover		<u><b>1,660,045</b></u>	<u><b>1,716,252</b></u>
Operating profit		<b>294,945</b>	<b>304,162</b>
Share of profits less losses of			
— associated companies		<b>101,113</b>	<b>80,603</b>
— jointly controlled entities		<u><b>(15,832)</b></u>	<u><b>(2,512)</b></u>
Profit before taxation		<b>380,226</b>	<b>382,253</b>
Taxation	1	<u><b>(59,279)</b></u>	<u><b>(59,297)</b></u>
Profit after taxation		<b>320,947</b>	<b>322,956</b>
Minority interests		<u><b>(66,921)</b></u>	<u><b>(73,914)</b></u>
Profit attributable to shareholders		<u><u><b>254,026</b></u></u>	<u><u><b>249,042</b></u></u>
Earnings per share — basic	2	<u><u><b>HK\$0.41</b></u></u>	<u><u><b>HK\$0.40</b></u></u>



Notes:

## 1. Taxation

Hong Kong profits tax has been provided at the rate of 16% (1998: 16%) on the estimated assessable profits arising in Hong Kong during the period. 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,	
	1999	1998
	Consolidated	Consolidated
	HK\$'000	HK\$'000
Group:		
Hong Kong	(893)	9,222
Mainland China	<u>46,801</u>	<u>36,824</u>
	<b>45,908</b>	<b>46,046</b>
Share of taxation attributable to		
— associated companies	13,371	12,873
— jointly controlled entities	<u>—</u>	<u>378</u>
	<u><b>59,279</b></u>	<u><b>59,297</b></u>

## 2. Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to shareholders for the period of HK\$254,026,000 (1998: HK\$249,042,000) and the weighted average of 622,500,000 shares (1998: 622,500,000 shares) in issue during the period.

Diluted earnings per share has not been shown because 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 8th October, 1999 to shareholders whose names are on the Register of Members on 30th September, 1999.



## CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 27th September, 1999 to 30th September, 1999, 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, 1601 Hutchison House, Hong Kong not later than 4:00 p.m. on 24th September, 1999 (Friday).

## BUSINESS OVERVIEW

The operating profit attributable to shareholders for the first half of 1999 was HK\$254 million (HK\$0.41 per share), representing an increase of 2% over the corresponding period in 1998. The steady growth amid a very difficult operating environment was mainly attributable to continuous strong performance of certain businesses of the Group including Yanjing Brewery, BISC and Capital Expressway.

### 1. Consumer Products

#### *Beer*

Net turnover of Yanjing Brewery increased to HK\$623 million representing a 17% increase over the corresponding period in 1998. Profit after tax for the first half of 1999 increased healthily to approximately HK\$161 million representing 30% growth over the corresponding period in 1998. The remarkable performance was due to healthy volume growth, improved product mix and tight cost control measures. The expansion plan on existing factories at Beijing has been partially completed and effective annual production capacity was raised to more than 900,000 tons as at 30th June, 1999. Jiangxi Ji An Brewery Ltd., 72% of which was acquired by Yanjing Brewery in January 1999, has completed its 50,000 tons expansion plan in June 1999 and increased its effective production capacity to 100,000 tons per annum.



### *Dairy products and fast food*

Net turnover of Sanyuan Food for the first half of 1999 increased to HK\$203 million, representing a steady growth of 3% over the corresponding period in 1998. Profit after tax increased substantially to HK\$21 million mainly due to other income derived from a property development project. The new factory at Shuang Qiao was opened in April 1999 and has commenced commercial production in June 1999. With the enlarged capacity, Sanyuan is expected to further boost its sales volume and revenues in the second half of the year.

Beijing McDonald's suffered an operating loss in the first half of 1999. The worse than expected operating results were mainly due to the Sino-US conflicts in May and the increased number of new outlets which resulted in high start up costs and reduced average per-store sales volume.


### *Winery*

The consolidated net turnover of Shun Xing Winery and Feng Shou Winery for the first half of 1999 amounted to HK\$30 million, representing a 7% increase over the corresponding period in 1998. The consolidated net profit after tax amounted to HK\$7 million, representing 23% growth over the corresponding period in 1998. The steady growth was due to high profit margin products such as premium and gift set dry red wine produced by Feng Shou Winery since early 1999 contributing to overall gross profit margin.

## **2. Infrastructure**

### *Capital Airport Expressway*

Traffic volume decreased slightly by 5% to 10,775,000 vehicles in the first half of 1999 compared to the corresponding period in 1998. Decrease in volume was partly due to a substantial toll increase in January 1999 and cut back of visitor arrivals to Beijing during May and June amidst Sino-US



conflict. Net toll revenues increased by 38% to HK\$106 million compared to the corresponding period in 1998. Net profit for the first half of 1999 increased substantially by 73% to approximately HK\$44 million, attributable largely to the 48% toll increase effected January 1999.

#### *Water Treatment Concession*

The Company completed the acquisition of the operating concession (the "Concession") of the Phase I of No. 9 water treatment plant in Beijing in mid January 1999 and started to record the minimum net of tax income on a time pro rata basis. Profit after amortization derived from the Concession amounted to HK\$58 million for the first half of 1999. Based on existing retail water price in Beijing and sales volume of Phase I of No. 9 water plant, the Group is unlikely to realize any return in excess of the guaranteed minimum annualized income of RMB210 million in the foreseeable future.

### **3. Services**

#### *Retail services*

In late February 1999, Wangfujing suspended the operation of its flagship store at Wangfujing street in Beijing for major renovation and refurbishing works. Therefore, net turnover of Wangfujing Group declined by 38% to HK\$476 million, compared to the corresponding period in 1998. Wangfujing Group recorded a net loss of HK\$28 million in the first half of 1999 against a profit after tax of approximately HK\$22 million in the corresponding period in 1998. Due to highly competitive retail environment in mainland China and over supply of large scale department stores, Wangfujing chain stores in other cities of China were either suffering from operating losses or struggling for a break even. The flagship store was reopened in late August 1999 and is expected to boost the performance of Wangfujing Group in the second half of the year.



### *Tourism services*

The number of visitors to the Badaling Great Wall site rebounded gently by 1% to 1,335,000 in the first half of 1999 compared to the corresponding period in 1998. Entrance fee income increased by same percentage compared to the corresponding period in 1998.

The Badaling Hot Spring Resort was still under-utilized and recorded an average occupancy of 40.5% in the first half of 1999. Room rate improved by 27% to RMB413 in the same period.

Combined net turnover of the Great Wall site and the Hot Spring Resort was in line with the corresponding period in 1998, amounted to HK\$43 million. Combined profit after tax was HK\$1 million against an operating loss of HK\$6 million for the corresponding period in 1998.

### *Longqingxia*

Number of visitors to Longqingxia for the first half of 1999 increased by 17% to 244,000 compared to corresponding period in 1998. It recorded a profit of approximately HK\$1 million for the first half of 1999.

### *Hotel services*

Due to keen competition in the Beijing high-end hotel market and renovation works of guest rooms in the first quarter, Jianguo Hotel has recorded its worst ever performance in the first half of 1999. Average occupancy rate for the first half of 1999 further declined to 64% compared to 68% in the corresponding period in 1998. Average room rate was RMB647 in the first half of 1999, representing a 17% decrease compared to corresponding period in 1998. Net revenues decreased by 22% to HK\$54 million compared to the corresponding period in 1998. Profit after tax declined substantially to HK\$2 million, representing an 82% decrease compared to the corresponding period in 1998.



## 4. Technology

*BISC (an associated company)*

During the period under review, sales volume of programmable EWSD digital switching system slipped 5% to approximately 2.4 million ports. Average revenue per port declined by 1% compared to the corresponding period in 1998. Net turnover declined by 6% to HK\$979 million compared to the corresponding period in 1998. Profit after tax increased to HK\$212 million representing a 25% increase compared to the corresponding period in 1998. Improvement in net profit was mainly due to waiver of certain software fees by Siemens AG, the foreign joint venture partner.

### NEW INVESTMENTS

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

1. **Beijing Technology Development Fund** — the Company has contributed US\$10 million to the Fund as an anchor investor. The Fund is expected to invest in various information technology sectors, including software, multi-media, Internet, telecommunications and electronics as well as other industries such as biotechnology and health care.
2. **Beijing Enterprises Holdings High-Tech Development Co., Ltd.** — a joint venture entered in October 1998 with Beijing Municipal Government High and New Technology Development Zone Management Committee. The Company, as an 80% shareholder, invested RMB10 million initially and will eventually commit cash and fixed assets total of US\$24 million to the joint venture over the next two years. The joint venture will primarily focus on investments in start-up high-technology projects, research and development as well as provision of management consultancy services.



3. **Beijing WBL Peking University Biotech Co., Ltd. (“WPU”) —** the Company has acquired a 24% interest in WPU for a consideration of RMB100 million in 1999. WPU is engaged in the development of Chinese medicine and natural health care products. Its major innovative product, Xuezhikang capsule, has been clinically proven to be effective in adjusting cholesterol levels and alleviating cardio-vascular symptoms. WPU recorded net turnover of HK\$35 million and profit after tax of HK\$11 million for the first half of 1999.

### **USE OF PROCEEDS OF INITIAL PUBLIC OFFERING**

During the period under review, the Company further invested HK\$950 million of the IPO proceeds in completing new investments, including the acquisition of the operating concession of the Phase I of Beijing No. 9 Water Treatment Plant, Beijing Technology Development Fund and WPU. As at 30th June, 1999, the Company has completely utilized the IPO proceeds.

### **CAPITALISATION AND FINANCIAL POSITION**

Shareholders’ equity increased to approximately HK\$6 billion while minority interests amounted to approximately HK\$2 billion as at 30th June, 1999. At period end date, the Group had net borrowings (total borrowings minus cash on hand) of approximately HK\$721 million. Of the total borrowings, less than 40% were denominated in US\$ and the remaining balance predominately Renminbi loans. Approximately 70% of the total borrowings were long term loans. Average interest rates of bank borrowings ranged from 5.5% to 7.7%. As at period end date, the cash of the Company was denominated in Hong Kong dollar and US dollar whereas the cash of the subsidiaries was predominately denominated in Renminbi.



## YEAR 2000 COMPLIANCE

The Group has completed the remediation and compliance testing for all major systems. The Group has also completed the review of Y2K contingency plans. The Group has performed series of test in respect of the contingency plans of those critical systems. The plans include mitigating the effects of any failure to complete remedial work on critical business systems as well as business resumption contingency plans to address the possibility of the failure of systems.

Upon satisfactory testing and verification of the modifications and new systems, the independent consultant will issue compliance certificate in due course.

## DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 1999, the interests of the directors or their respective associates in the equity securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register maintained by the Company pursuant to section 29 of the SDI Ordinance were as follows:

### (i) Interests in shares

Name	Nature of interest	Name of associated corporation	Number of shares held
Zheng Wan He	Personal	Beijing Wangfujing Department Store (Group) Co., Ltd.	41,580
Li Fu Cheng	Personal	Beijing Yanjing Brewery Company Limited	14,400



**(ii) Interests in share options**


Under the Company's share option scheme, options to subscribe for shares in the Company have been granted to certain directors of the Company:

Name of Director	Number of shares options granted	
	Note (a)	Note (b)
Mr. Hu Zhao Guang	400,000	3,600,000
Mr. Guo Ying Ming	300,000	2,700,000
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, 1999, 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, 1999, 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)	391,267,000	62.85

*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, 1999, 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**

None of the directors is aware of any information which would reasonably indicate that the Company was not in compliance with the Code of Best Practice, as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange at any time during the six months period ended 30th June, 1999 except that the audit committee was only established since 15th April, 1999.

By order of the Board  
**Hu Zhao Guang**  
*Chairman*

Hong Kong, 6th September, 1999