

Chairman's Statement



Yi Xi Qun

I am pleased to announce that Beijing Enterprises Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") continued to record profit growth in 2004. Turnover for the year amounted to HK\$9.67 billion, representing an increase of 21.3% over the previous year, of which turnover from operating business amounted to HK\$8.78 billion, representing an increase of 26% over last year. Profit attributable to equity holders of the parent for the year reached HK\$503 million, representing an increase of 11.8% over the previous year. Basic earnings per share amounted to HK\$0.81, representing an increase of HK\$0.09 over the previous year. The board of directors of the Company (the "Board") recommended a payment of a final dividend of HK 20 cents per share for 2004.

2004 witnessed a drastic change in the Company's development strategy since its listing. Hard hit by the keen market competition and cyclical industry downturn, Beijing International Switching System Company Limited (now known as Siemens Communication Networks Ltd., Beijing ("SCNB")), Beijing Sanyuan Foods Co., Ltd. ("Sanyuan Foods") and Jian Guo Hotel Joint Venture of Beijing ("Jian

Guo Hotel"), the formerly important profit sources of the Company's asset portfolio, recorded significant deteriorations in their recent results, which substantially offset the profit growth of other assets and dampened the overall result performance of the Company.

After thorough planning and consideration, the Company entered into agreements at different times of the year to dispose of its 20% interest in SCNB, 50.5% interest in Jian Guo Hotel and 55% interest in Sanyuan Foods and in return received or will receive total cash amount of approximately HK\$870 million. The disposal of these assets reflected the Company's strategy of reorganising assets with low yields.

In addition to streamlining its asset portfolio, the Board, based on the market trend and development, conducted a comprehensive review on the Company's past market positioning, development tactics and investment strategy in 2004 and made important adjustments on its development strategy. The Company initially lays down the strategic objectives of becoming an investment and financing platform of the infrastructure and utilities business of Beijing.

In respect of strategy adjustment, the establishment of Beijing Enterprises Group Company Limited ("BE Group") has aroused widespread concern. On 8 January of this year, BE Group was established by merging Beijing Holdings Limited (the parent company of the Company) and Beijing Gas Group Co., Ltd., which constituted a cross industry merger.

Meanwhile, the Company has adjusted its investment strategy to cater for its core business positioning. The Company has focused on the business segments of infrastructure and utilities, especially in the areas of toll roads, water treatment, environmental protection and gas supply. In order to focus our investment in

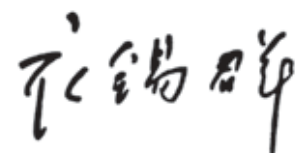
the above segments, we established four major investment platforms for toll roads, urban water supply, recycled resources and gas supply early this year. The rationale behind is to transform the Group to a limited conglomerate with business synergy.

In the coming year, the Group will implement the following measures which capitalise on the opportunities arising from the state-owned enterprise reforms and cater for the market changes:

1. Stepping up efforts in internal reorganisation: BE Group, under the direct administration of the State-owned Assets Supervision and Administration Commission of Beijing, will become the controlling company of the Company upon the completion of shareholding reallocation. The Group will be well-positioned to embark on investment projects relating to Beijing's public utilities and infrastructure in the course of the persistent economic development of Beijing.
2. Actively implementing plans to streamline asset portfolio; to reorganise assets not in line with the overall development strategy, so as to develop a clearer positioning for the Group's core business.
3. Enhancing the development of the core business of Beijing Yanjing Brewery Company Limited ("Yanjing Brewery"), consolidating its status as a renowned brand in the PRC beer industry and aiming at a sales volume of over 3 million tons in this year; developing premium products to mitigate the impact of rising cost of raw materials on production cost; maintaining a capital structure of low gearing ratio and taking full advantage of the opportunities brought about by acquisitions and mergers; expediting the development of regional business; accelerating the pace of strategic research and paving the way for the Group's sustainable development.

In 2005, the Board will lead the Company in consolidating its position as the financing window of Beijing in the international capital market and in providing financing channels and management experience for Beijing's economic development and city construction.

Last but not least, on behalf of the Board, I would like to express my heartfelt gratitude to the shareholders and all the staff for their dedication and contribution in the past year.



Chairman

Hong Kong
12 April 2005