

## | CHAIRMAN'S STATEMENT |



Yi Xi Qun

I am pleased to announce that Beijing Enterprises Holdings Limited (the "Company") and its subsidiaries (the "Group") have registered a sound growth in respect of each of its performance indicators for the year 2005. Profit attributable to equity holders increased by HK\$ 67 million to HK\$ 570 million, representing a growth of 13.3% over that of 2004. Earnings per share increased by 13.3% over that of 2004 to HK\$ 0.92. The Board of Directors recommended a payment of final dividend of HK 20 cents per share.

The growth was mainly driven by three factors. Firstly, Beijing Yanjing Brewery Company Limited ("Beijing Yanjing") and Beijing Wangfujing Department Store (Group) Co., Ltd. ("Wangfujing") achieved rapid growth in operating revenue due to expanded market share through acquisitions & mergers. Secondly, during the year, the Company successfully aligned its assets portfolio and effectively materialized capital gains through disposal of

certain businesses such as Beijing Sanyuan Foods Co., Ltd. ("Sanyuan Foods"), Beijing Enterprises Holdings Maglev Technology Development Co., Ltd. ("Beijing Maglev"), Beijing Enterprises (Tourism) Limited ("BE Tourism"), Beijing Qin Chang Glass Company Limited ("Qin Chang Glass") and Beijing Western Food Co., Ltd. ("Beijing Western Food"). Such disposals collectively contributed gross exceptional profit of approximately HK\$ 217 million to the company and helped relieve pressure on profit growth. The Company also took the chance to make provision for the goodwill of poor-performing businesses and laid the foundation for future growth. Lastly, riding on the interest rate trend, we have timely adjusted our capital strategy and considerably reduced our finance cost.

During the year 2005, the Group adopted the following multiple measures to accelerate realization of its strategic objectives of building core competitiveness with focus on urban energy services:

Firstly, the Company further aligned our assets portfolio, achieved orderly exit of non-core businesses and divested itself of various poor-performing assets. During the year, the disposals of the Company's equity interests in operations such as Sanyuan Foods, Beijing Maglev, BE Tourism, Qin Chang Glass and Beijing Western Food were completed.

Secondly, we continued further research of development strategy. The Company is going to transform itself into a top utilities conglomerate in China with urban energy services as its core business as its strategic objective for the next few years.

Thirdly, through our investment platforms, we proactively pursued investment opportunities focusing on infrastructure and utilities projects especially toll roads, water treatment, environmental protection and clean energy, and achieved certain degree of success. In the beginning of 2006, we duly signed relevant agreements and set up a business vehicle to carry out Capital Airport Expressway north line project. Now, the project, which is scheduled to open in October 2006, is in smooth progress. Also, Water Treatment Plant 10 BOT Project has got a forceful push, as the counterparties have started to negotiate the core issues. As for energy sector, research and feasibility studies on utilization of clean energy like natural gas had been conducted.

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Fourthly, we have initiated the share reform plan of Beijing Yanjing and Wangfujing, both are A-share listed companies, and achieved substantial progress thereon. Currently, the share reform plan of Beijing Yanjing has been submitted to the relevant authorities for approval. In addition, as the Company has arranged to divest itself of Wangfujing recently, Wangfujing's share reform will not be implemented under the Company.

The pros of the above mentioned share reform plan and disposal will outweigh its cons. Firstly, upon completion of the share reform plan of Beijing Yanjing, the Company's equity interests in Beijing Yanjing will become tradable shares to fairly reflect the value. Beijing Yanjing will be able to retain its listed status for financing purposes in A-share Market, which is surely beneficial to its business expansion. Secondly, the disposal of Wangfujing will help the Group to defuse the loss incurred by Wangfujing's share reform plan, and an exceptional gain of approximately HK\$ 180 million is expected to be derived from such transaction to cover the major loss incurred by the share reform of Beijing Yanjing. The disposal is also expected to bring a cash flow of over HK\$ 970 million for future acquisitions. What's more important is that such disposal will help further realize the Company's strategic objective to divest itself of non-core businesses in an orderly way, representing a big progress on its course of strategic transition.

Fifthly, we have further strengthened our management efforts to build management base. During the year, the Company was committed to upscale its management level and corporate governance capability. For this, we not only carried out continual reviewing and perfecting our internal rules and practices such as financial, internal and risk controls, but also made great efforts in improving team quality, implementing performance assessment, rationalizing management structure and hierarchy and deploying of management information system and so on. All these help lay solid foundation for further development of the Company.

Looking forward, the Group will take building itself into a top domestic utilities conglomerate as its strategic objective and take urban energy services as its core business, gradually realize economy of scale and strategic transition and improve its competitive capability. The Company continues to aim to maximize its shareholders value and sustain long-term development by enlisting concerted efforts of all management and staff members.

I would like to express my heartfelt gratitude to all members from our constituencies for their dedication and support in the past year!



Chairman

Hong Kong  
11 April 2006