

## **BUSINESS OVERVIEW**

The Group achieved a substantial growth in turnover and a double-digit growth in profit attributable to shareholders for the six months ended 30th June, 2001. The consolidated turnover and operating profit attributable to shareholders of the Company amounted to approximately HK\$2,871 million and HK\$288 million respectively, representing 15.61% and 10.36% increase over the corresponding period in 2000.

## **Management Discussion and Analysis**

### **(1) Consumer products**

#### *Beer*

Yanjing Brewery recorded strong turnover growth mainly through acquisitions of domestic brewery plants. Net turnover increased by 51% to HK\$1,091 million. Despite very difficult operating environment, the brewery division managed to achieve a profit after tax of HK\$124 million.

The brewery division of the Group are upgrading the production facilities of certain acquired brewery plants and expects the effective capacity to reach two million tons at end this year. The Group continued its effort in turning around the acquired subsidiaries and focused on cost cutting and boosting regional market share.

#### *Dairy products and fast food*

Net turnover of Sanyuan Food increased strongly by 49% to HK\$451 million through both organic growth and acquisitions. Operating profit after tax grew 19% to HK\$32.1 million when compared to 2000. Gross margin remained stable in the period under review while product range continued to broaden. The newly acquired Beijing Kraft Food Corporation Ltd. turned around in the period under review and integrated well with Sanyuan's operations in Beijing.



Beijing Mcdonald's managed to grow its profit significantly through economy of scale. Sanyuan's 50% interests in Guangdong Mcdonald's was transferred to Beijing Mcdonald's during the period under review. Guangdong Mcdonald's also made a turnaround in the period under review and contributed a small profit to the Group.

#### *Winery*

The combined net turnover of Shun Xing Winery and Feng Shou Winery increased 2% to HK\$33 million. The combined profit after tax declined by 16% to HK\$5 million mainly due to higher marketing expenses.

### (2) **Infrastructure**

#### *Capital Airport Expressway*

Traffic volume increase by 15% to 14 million vehicles during the period under review mainly driven by strong air traffic volume growth for Beijing Capital Airport. The net turnover and profit after tax of Capital Airport Expressway amounted to HK\$148 million and HK\$84.4 million respectively, representing 19% and 54% growth respectively. The traffic volume growth is expected to be benefited from prosperous tourism business after successful bidding of 2008 Olympic Games in Beijing.

#### *Water Treatment Concession*

Profit after amortisation on cost of the Concession remained at HK\$63 million for the six months ended 30th June, 2001. This project continued to provide steady cash flow to the Group.

### (3) **Services**

#### *Tourism services*

The net turnover and profit after tax of Badaling Tourism increase 20% and 5% respectively over the corresponding period in last year.



The net turnover of Longqingxia tourism site increased slightly while profit after tax remained stagnant when compared to corresponding period in last year.

*Hotel services*

The average occupancy rate of Jianguo Hotel remained flat while room rate picked up slightly when compared to corresponding period in last year. Net turnover and profit after tax declined by 13% and 47% respectively mainly due to traffic control outside the hotel during the Olympic Games bidding event which impacted the catering business significantly. The business for catering has recovered when the traffic returned to normal since July this year.

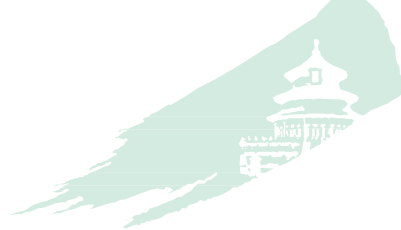
*Retail services*

The net turnover of Wangfujing Department Store Group (“Wangfujing”) was flat at approximately HK\$1 billion. The profit after tax of Wangfujing increased 38% to HK\$15 million when compared to corresponding period in last year mainly due to more effective cost control measures. Wangfujing is actively pursuing divesture of its non core property assets to reduce its bank borrowings and interest costs.

(4) **Technology business**

*BISC (an associated company)*

During the period under review, Beijing International Switching System Company Limited (“BISC”) beat the expectation again with 77% sales volume growth to 7.15 million ports and 74% turnover growth to HK\$2.3 billion. Profit after tax increased by 21% to HK\$198 million. The strong performance was attributable to strong sales growth in less developed provinces in mainland China and broadening of product range.



### *Other technology businesses*

Some of the information technology projects have been progressing well up to date: Beijing Transportation Smart Card Ltd. has rolled out its commercial operation for certain public bus lines and is in the process of extending the application to other means of transportation in Beijing city; Beijing Teletron secured a significant contract with the Beijing Education Bureau to provide ISP services as well as equipments for broadband network for more than 200 schools in Beijing. This is expected to boost the revenue growth of Teletron in the foreseeable future.

### **Strategy and Prospectus**

The Group intends to develop its consumer products brand name into national brand including Yanjing Brewery and Sanyuan Dairy. We believe brand name recognition will be key to success and domination in the domestic consumer products market. In the mean time, the Group will critically restructure those non performing assets in order to enhance return on assets and equity.

The outlook for the Group becomes even more prosperous after Beijing city successfully bided the host right for the 2008 summer Olympic Games. Certain business sectors including consumer products, infrastructure, tourism as well as information technology application will benefit directly from this development. We expect most of our business to pick up momentum on the way to prepare for the 2008 Olympic Games. This momentum will translate into healthy turnover and profit growth for the Group in the coming years. We will also capitalize on any opportunities arising from this Olympic Games event.