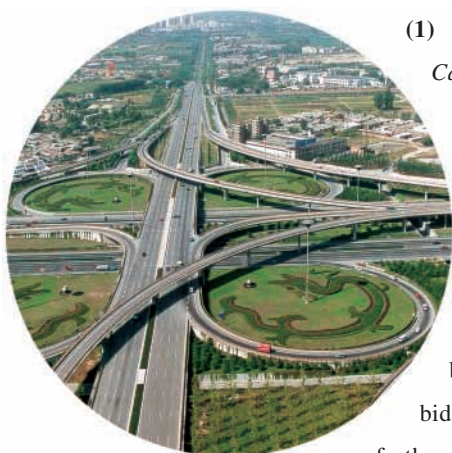


Management Discussion and Analysis

BUSINESS OVERVIEW

The Group achieved remarkable growth in performance during 2001. Consolidated turnover and profit attributable to shareholders of the Company amounted to HK\$6.2 billion and HK\$578 million respectively, up 19% and 10% respectively, over 2000. This is the first time since the Company's listing in 1997 that it has achieved a double-digit growth in earnings. The four principal business divisions of the Group have recorded satisfactory growth in 2001.



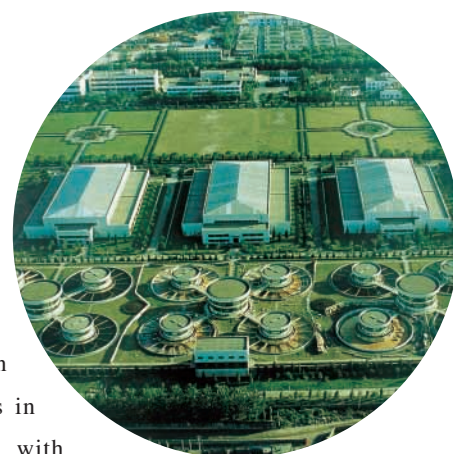
(1) Infrastructure

Capital Airport Expressway

Traffic volume continued to register steady growth in 2001 to 29.50 million vehicles, an increase of 13% over last year. Net turnover and profit after tax of Capital Airport Expressway amounted to HK\$315 million and HK\$170 million, respectively, representing substantial increases of 16% and 16%, respectively, over 2000. The average utilisation rate in 2001 was approximately 72%. With China's accession to the World Trade Organisation, it is expected that Beijing's growing business activities will generate a fresh impetus to traffic volume. Beijing's winning bid for the 2008 Olympiad will also herald arrivals of tourists with further increases in traffic volume in the next few years.

Water Treatment Concession

Net profit for 2001 was HK\$145 million. The Group received guaranteed cash income on a regular basis from the Beijing Water Bureau.



(2) Consumer goods

Beer

The development strategies of Yanjing Brewery in 2001 were to strengthen sales efforts, to focus in developing certain nationwide key markets with Beijing beer market under its control as well as to upgrade product quality. External mergers and acquisitions have also generated desired effects of enlightening growths in sales and net turnover by 45% and 33% respectively over 2000 to 1.66 million tons and HK\$2 billion respectively. Net profit of the beer division was HK\$190 million.



Looking ahead, Yanjing Brewery's strategies will be to solidify its market leadership position in brandname and sales volume as well as exert greater controls over costs and enhance overall efficiency.



Dairy product and fast food business

Having undergone product mix adjustments and improvised management, the economic indicators of Sanyuan Foods showed considerable growth over 2000. Its net turnover and profit after tax amounted to HK\$950 million and HK\$66.40 million respectively, denoting respective growths of 43% and 28% when compared to 2000. The newly acquired Beijing Kraft Food Corporation Ltd. and Guangdong McDonald's turned around in 2001.

Beijing McDonald's achieved substantial growth in earnings through economy of scale. As at the end of 2001, Beijing and Guangdong McDonald's operated a total of 135 restaurants.



Sanyuan Foods has submitted a formal application to the China Securities Regulatory Commission for an initial public offering of its shares on the A Share Market of the Shanghai Stock Exchange. Proceeds from the share offer will be used for expanding production facilities and sales network of Sanyuan Foods with an aim to become the market leader amongst the national dairy producers.



Winery

Net turnover and profit after tax of Shunxing Winery and Fengshou Winery declined against last year due to product mix adjustments in 2001.

Management Discussion and Analysis

(3) Tourism and Retail Services

Retailing services

Due to the completion of its asset restructure in 2001, the operating results of Wangfujing Department Store Group (“Wangfujing”) saw significant turnarounds with initial successes in the chain store development strategy, leading to profits in every store. Net turnover and profit after tax for 2001 were HK\$2 billion and HK\$38.17 million respectively, a reversal from loss to profit.



Hotel services

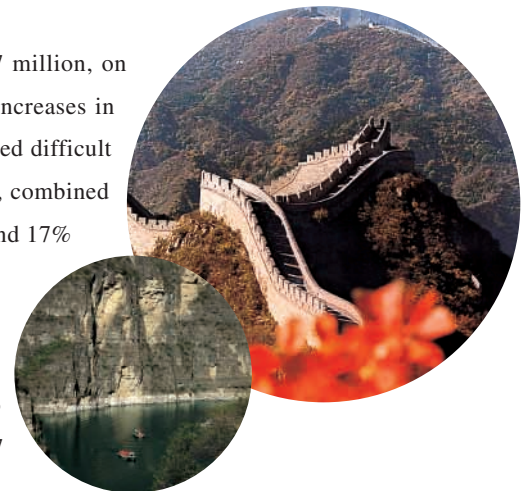
As a result of the fierce market competition amongst hotels in Beijing, the operation of Jianguo Hotel encountered unprecedented difficulties with the average occupancy rate and the average room rates declined slightly over last year to 74.5% and HK\$549 respectively. Turnover of its catering business was severely hampered by traffic controls during the first half of the year. Net turnover and profit after tax of Jianguo Hotel for the year decreased by 10% and 38% respectively to HK\$108 million and HK\$10.13 million.



Tourism services

In 2001, the number of visitors to Badaling Great Wall totalled 3.67 million, on par with last year. An increase in admission fees causes an obvious increase in total income. The operation of the Badaling Hot Spring Resort remained difficult with declining occupancy rates and flat average room rates. However, combined net turnover and profit after tax of Badaling Tourism surged by 25% and 17% respectively to HK\$154 million and HK\$12.31 million respectively.

The number of visitors to Longqingxia increased by 11% to 646,793 in 2001 with a likewise increase in net turnover by 8% to HK\$35.73 million. Profit after tax reduced by HK\$1.93 million to HK\$2.57 million due to additional expenses on sales and promotion.





(4) Technology

Beijing International Switching System Company ("BISC") (an associated company)

Competition within the domestic switching system market in 2001 was still fierce. Through deploying methods in market expansion devised by different levels of management as well as adopting more effective and flexible sales strategies, BISC pitched a sales record of 11.76 million ports. Net turnover and profit after tax of BISC grew at 30% and 12% respectively over last year to HK\$3.8 billion and HK\$408 million respectively. During the year, it had tightened up its collections of accounts receivable so that changes in their receivable balances and aging were favourable.

Other technology businesses

As the information technology flagship of the Company, Beijing Development (Hong Kong) Limited has achieved considerable progress. The ISP (internet service provider) and broadband infrastructure constructor business of Beijing Teletron has become profitable. Having undergone a number of restructuring and development, earnings of other technology business investments of the Company also grew over last year.



北京發展(香港)有限公司
Beijing Development (Hong Kong) Limited

CAPITALISATION AND FINANCIAL POSITION

Shareholders' equity increased to approximately to HK\$7.1 billion while minority interests increased to approximately HK\$3.2 billion as at the year end date. At 31 December 2001, the cash and borrowings of the Group amounted to approximately HK\$4 billion and HK\$4.7 billion, respectively. Net debt to equity ratio was 8.8%. The Group's foreign currency borrowings were fully hedged by equivalent amount of Hong Kong dollar and US dollar deposits.