



**Yi Xi Qun**  
Chairman

Although the Group maintained a steady growth in early 2003, the outbreak and the widespread of SARS from April onwards adversely affected a majority of the Group's sources of revenue directly, and in particular, the businesses of transportation, tourism and retail service were severely affected, which in turn constituted immense pressure to the Group's overall profit. Having fully recognised the overall market situations and trends, the Group adopted corresponding measures of risk management to alleviate the negative impacts caused by SARS, and was managed to sustain a growth in operating results for the year.

Last year, the Group recorded a revenue of HK\$8 billion, representing an increase of HK\$1 billion or 13.7% over previous year. Profit after tax was HK\$631 million, representing an increase of HK\$133 million or 26.7% as compared with the restated figure of 2002. Profit attributable to shareholders was HK\$453 million, representing an increase of HK\$46.44 million or 11.4% as compared with the restated figure of 2002. The Board recommended the payment of a final dividend of HK\$0.18 per share.

By business segment analysis, the revenue of the infrastructure business for the year slightly increased. However, as the revenue from the airport expressway was seriously affected by the outbreak of SARS in the first half of the year, coupled with the effect of price adjustment, the profit after tax declined. The Water Treatment Plant and Shenzhen Shiguan Road continued to provide the Group with a steady cash inflow.

In respect of the consumer products segment, the overall profit of such business segment dropped due to the deteriorating operating environment faced by Sanyuan Foods. The expansionary strategies of Yanjing Brewery implemented over the previous years were fruitful and the overall profit of overseas business recorded a significant increase. The sales of Yanjing Beer in 2003 attained 2.23 million tonnes and the revenue was HK\$3.04 billion, up 25.5% from last year. The profit attributable to the Group was HK\$113 million, representing an increase of 32.7%.

In respect of the technology segment, driven by the development of Beijing Ever Source Scientific Technology Development Company Limited, Beijing Development (Hong Kong) Limited, Beijing Enterprises Teletron Information Technology Co., Ltd. and BMEI Co., Ltd., the growth of such business segment in 2003 was remarkable and a substantial increase of both revenue and profit after tax was recorded for the year.

The growth momentum of tourism and retail services segment resumed at the beginning of the year was severely hit by the outbreak of SARS. Profit after tax and profit attributable to shareholders declined significantly. At present, a rebound of the above segments is observed and a full recovery is yet to resume.

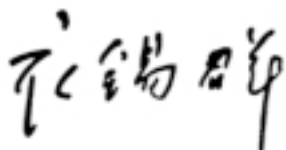
In 2003, progress was made in respect of the Group's financing. The extraordinary revenue generated from the listing of A Shares of Sanyuan Foods has effectively set off the profit loss caused by SARS. The completion of negotiations lasted for two financial years over the equity transfer of BISC brought a new era for its further development. Apart from increasing its shareholding in Beijing Ever Source Scientific Technology Development Company Limited, the Group also integrated its internal resources strategically by way of consolidating Beijing Municipal Administration & Communications Card Co., Ltd. into the accounts of Beijing Development (Hong Kong) Limited. Such consolidation further strengthened its business linkage and propelled a synergy effect.

The Group maintained a sound financial position and the net debt equity ratio as at the balance sheet date was 7.6%. The Company's existing cash balance, credit facilities available and the steady cash inflows generated from ordinary activities are sufficient to meet the requirements of ordinary activities and strategic expansion.

At present, driven by the mutual progression in the marketisation and globalisation, China's economy is expected to enter into a new era of rapid development. The economy of the Capital city is expected to have an even stronger growth momentum during this critical period of economic development. The Board remained prudent but optimistic to the business environment in 2004 and proposed the direction of the Group's 2004 business development as follows:

1. Actively participates in the state-owned assets management system reform of Beijing City and fully reallocates its internal and external resources to boost the strategic development.
2. Solidifies the management over the areas of strategic development, investment and budget-control and endeavours to the innovation of management system and operating system for the creation of a corporate governance structure with a high degree of stringency and transparency.
3. Enhances the profitability of the existing business portfolio and builds the brand to strengthen its competitiveness and its position in the industry while consolidating the foundation for further development, expediting the pace of the disposal of non-performing assets, and withdrawing from the businesses without competitive edges as scheduled.
4. Invests in new high value-added projects with an emphasis on infrastructure projects and Olympic concept projects to attain a higher value growth.

Looking ahead, the Group will focus on the enhancement of the intrinsic value of the Company and more attention will be paid on the changes of market regulations and prevailing development trends in order to proactively capitalise on the golden opportunities arising from the state-owned assets reform in Beijing city. The objectives are the expansion for development and the sustainable growth. Lastly, I would like to express my deepest gratitude to all the staff members and with their dedication and support, the Group was managed to achieve outstanding results under such a tough operating environment.



*Chairman*

Hong Kong  
15 April 2004