

## Business Overview

Despite the impact of SARS occurred in the second quarter of the year, the Group managed to increase its revenue and achieved a double-digit growth in profit attributable to shareholders for the year ended 31 December 2003. The consolidated turnover and profit attributable to shareholders of the Company amounted to approximately HK\$7.97 billion and HK\$453 million, respectively, representing 13.7% and 11.4% increase comparing to year 2002, respectively.



## Infrastructure

### Toll Roads

Strong rebound in air traffic boosted the traffic volume of Beijing Capital Expressway in the second half of the year. Annual traffic flow was 34.4 million vehicles, increased by 1.6% comparing to last year. However, toll revenue decreased by 16% to HK\$278 million mainly due to full year impact of toll reduction starting from 1 September 2002. The profit contribution to the Group declined by 20% to approximately HK\$133 million comparing to last year.

The revenue of Shiguan Highway amounted to approximately HK\$83.3 million for year 2003 and contributed HK\$22.88 million profit to the Group in year 2003. Shiguan highway is expected to provide steady profit contribution to the Group in future.

### Water treatment concession

The profit contribution to the Group after amortisation derived from the Beijing No. 9 water treatment concession amounted to approximately HK\$128 million. This project will continue to provide steady cashflow to the Group in the future.

## Consumer Products

### Beer

Yanjing Brewery starts to see reward from its acquisition strategy. Sales volume of Yanjing Brewery's beer reached new high of 2.23 million tons in 2003. Net turnover increased by 25.5% to approximately HK\$3.04 billion for year 2003. The profit contribution to the Group increased by approximately 32.7% to HK\$113 million in 2003. Yanjing Brewery's strong performance was mainly attributable to fast expansion of the premium beer sector and turnaround of regional operations. Yanjing Brewery aims to remain one of the top beer producers and brand names in PRC's highly competitive beer market.



### Dairy

Net turnover of Beijing Sanyuan Foods Co. Ltd. ("Sanyuan Foods") rose 15.9% to HK\$1.22 billion. However, core business deteriorated due to keen competition in the PRC market and loss arising from overseas operations. The profit contribution to the Group declined by 69% to approximately HK\$22 million comparing to 2002. Sanyuan Foods has begun to restructure its operations and its business is expected to be stabilised this year. Sanyuan Foods was successfully listed on the Shanghai Stock Exchange in September 2003 and raised more than RMB300 million for development purpose. The Group recorded a substantial exceptional gain from the spin-off. The business of Beijing and Guangdong McDonald's were adversely affected by the outbreak of SARS in the second quarter last year and have since then returned to normal at large.



## Tourism and Retail Services

### Retail

Turnover of Beijing Wangfujing Department Stores (Group) Co. Ltd. ("Wangfujing") increased by approximately 10% to HK\$2.2 billion. The profit contribution to the Group amounted to approximately HK\$8 million, jumped 2.9 times comparing to last year. Core retail business was seriously affected by SARS in the second quarter of 2003. With the booming economic development of the capital city and other major cities in China, the retail business of Wangfujing rebounded strongly in the third quarter of 2003 and resumed to normal in the fourth quarter. The financial situation of Wangfujing also improved with the disposal of its non-core assets. Proceeds from the disposals will be used to finance expansion of core department store business.

### Hotel and tourism

Both hotel and tourism businesses were badly hit by the outbreak of SARS in Beijing in the second and third quarter of 2003. The overall turnover in this sector declined by 28% to HK\$175 million comparing to 2002. Profit contribution declined by 90.7% to approximately HK\$2 million comparing to 2002. Business in this sector has returned to normal in the first quarter of 2004 and is expected to pick up with increasing business and leisure visits to Beijing.

## Technology

### Beijing International Switching Company ("BISC", an associate)

Sales volume of BISC increased by 11% to 4.98 million ports in 2003. Turnover increased by 11.3% to approximately HK\$1.7 billion in the same period. Profit contribution to the Group declined, mainly due to provision of certain raw materials. The Group has entered into an agreement with Siemens AG to sell 20% equity interests in BISC whereby Siemens AG will become the controlling shareholder of BISC. In the mean time, Siemens AG is expected to inject more varieties of product lines into BISC and boost its development prospect.

### Other technology businesses

Beijing Development continued to make progress in the information technology business in Beijing. Both its turnover and profit grew healthily in year 2003. Beijing Eversource Technology, a geothermal energy provider, also made substantial development in its business in 2003. They are expected to contribute to the profit growth of the Group in the coming years.



## Capitalisation and Financial Position

Shareholders' equity increased to approximately HK\$7.55 billion while minority interests amounted to approximately HK\$3.55 billion as at 31 December 2003. Net debt (total borrowings minus cash and bank balances) was HK\$577 million at year end date, representing 7.6% net debt to equity ratio. Bank borrowings were predominately in Renminbi with remaining 35% in US Dollar.