



THE MARKET

McDonald's is the world's leading food service retailer, operating nearly 700 restaurants in China and serving millions of Chinese customers everyday from all walks of life.

McDonald's global brand re-launch campaign – "i'm lovin' it™" – in 2003 has further strengthened the focus on giving the best value to customers through the provision of friendly and efficient service, refreshing restaurant ambience and quality products. This high-energy and totally modern approach ensures that McDonald's will continue to be the favourite place and way to eat among customers – a visit to McDonald's is one of the simple pleasures of daily life.

ACHIEVEMENTS

In 2004, McDonald's was rated the 7th most valued brand in the world in Interbrand's global brand rankings. In China, McDonald's achieved the highest top-of-mind brand awareness in the Western Quick Service Restaurant category by Taylor Nelson Sofres.

McDonald's constantly strives to be the best, be it to its customers, the community, or to its employees. To customers, "the best" means that consumers can enjoy consistent standards of excellence in any McDonald's restaurant in China. To the community, "the best" means giving back to society. Various community programmes are organised on a regular basis, such as the annual World Children's Day fundraising event. For staff, McDonald's pledges to value each employee and provides training and career advancement opportunities to match their personal development. Every year, the Hamburger University located in Hong Kong provides operations training to more than 1,300 Chinese store managers, equipping them with the best practices of leadership, consultancy and people management.

HISTORY

McDonald's began as a small chain of hamburger outlets in San Bernardino, California, owned by brothers Richard and Maurice McDonald. In

1954, an entrepreneur named Ray Kroc recognised the venture as a unique and highly profitable business opportunity and proposed that the brothers let him franchise their operation nationwide. They agreed and thus, in 1955, McDonald's, the world's leading food service retailer, was born. It is an enterprise that has since grown into a multinational organisation, managing more than 31,000 outlets in over 100 countries.

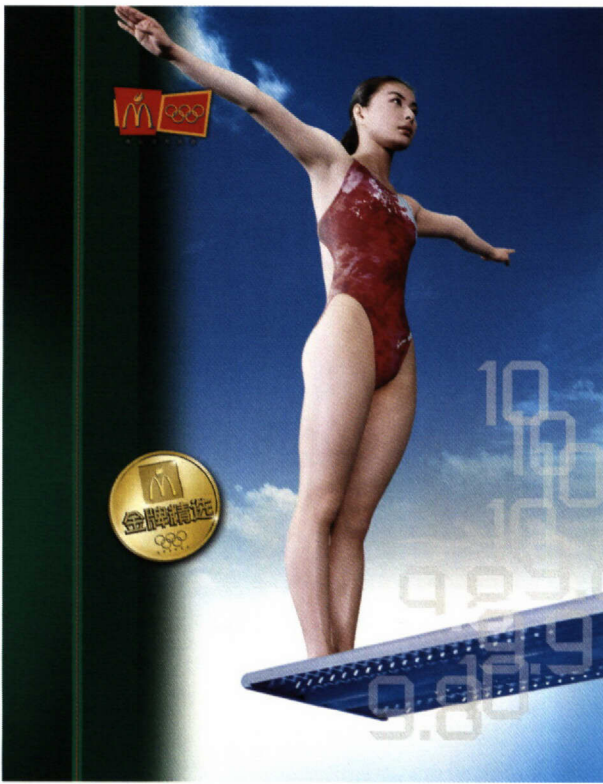
The first McDonald's outlet in China opened in 1990 in Shenzhen. Two years later, McDonald's opened its first restaurant in the capital, Beijing. Following its establishment in Guangzhou, Tianjin, Shanghai, Nanjing, Wuhan, Chengdu, Chongqing, McDonald's expanded throughout the country and now operates nearly 700 restaurants.

The unprecedented global brand campaign "i'm lovin' it" was unveiled in September 2003. It was an important milestone in McDonald's history as the campaign unified the brand under one global communication platform that

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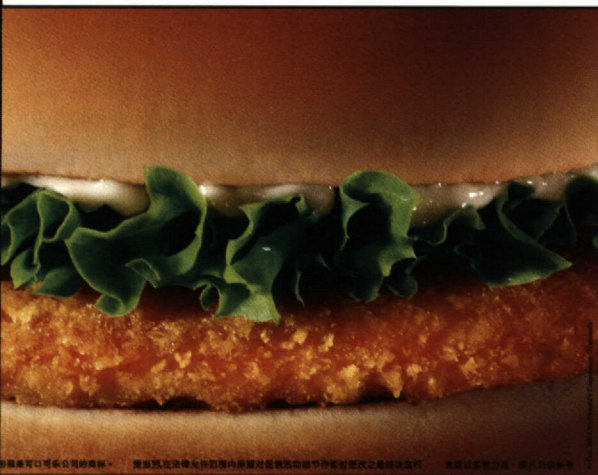
invigorated and revitalised the McDonald's brand. The new campaign encapsulates all the vital elements of McDonald's – it is youthful and fun, with a dynamic spirit that connects to customers and culture. It is about "individuality with a feeling of being interconnected".

THE PRODUCT

McDonald's spares no effort to maintain exacting standards of quality, service, cleanliness and value at all operational levels – from product preparation to customer purchase. The same standards also apply to taste, as evidenced by items offered on McDonald's core menu that have become food icons in China such as the Big Mac™, McChicken™ and Filet-O-Fish™.

Side items include Chicken McNuggets™ and Spicy McWings™, not forgetting its world-renowned French Fries. Customers may be hard-pressed to resist adding the delicious Hot Fudge Sundae or steaming Apple Pie to their orders.

For children, McDonald's offers a Happy Meal™ with exciting balanced choices, Dino Nuggets, yoghurt, orange juice and milk. Children are also drawn to McDonald's to see Ronald McDonald, the company's official mascot. Created in 1963, Ronald McDonald is depicted as a friendly clown with bright red hair who features in advertising campaigns. A life-size statue of the clown is commonly found at the



entrances to McDonald's restaurants. In 2003, this magical and versatile character was appointed Chief Happiness Officer and in 2004, Ambassador of Balanced Lifestyles has been added to his leadership responsibilities.

RECENT DEVELOPMENTS

Continuing to build on the excitement and energy of its worldwide "i'm lovin' it" brand campaign, McDonald's announced a global partnership with NBA superstar Yao Ming in 2004. Born and raised in Shanghai, Yao has played a key role in McDonald's marketing plans, emphasising the importance of physical fitness and activity. McDonald's China is proud to have Yao Ming as a brand ambassador. His unique, larger-than-life personality and appeal transcends borders, and makes him an ideal global ambassador for McDonald's.

Additionally, McDonald's added to the basketball excitement in 2004 by signing a deal with the NBA. As part of this relationship, McDonald's was in part responsible for bringing the China Games, the first NBA games held in China, to Beijing and Shanghai in October of 2004. For the 300 million plus basketball fans in China, they got to see the Sacramento Kings and the Houston Rockets, led by local favourite Yao Ming, tip off in his home country in some real NBA action.

McDonald's is also partnering with the NBA to develop the sport of basketball in China with unique programs such as the Coaches Camp in 2004 and Basketball without Borders in 2005. These are part of McDonald's ongoing support to give something back to the community.

In addition to teenagers and adults, children and families are of equal importance to McDonald's. Besides providing quality toy options for children, McDonald's has re-launched its Happy Meal by providing more wholesome choices for children. At store level, there is a designated family ambassador whose role is to assist families and ensure a pleasurable dining experience. This programme was McDonald's first such effort in the world and is specifically designed to cope with the changing needs of the Chinese market.

PROMOTION

McDonald's is committed to providing quality products with great value to Chinese customers. Under that principle, an "Amazing Value" platform was introduced in March 2004, through which customers can buy a snack or create their own unique meal – selecting from a choice of over 10 delicious menu items – each for Rmb5 or less. Available 365 days a year, customers can enjoy the great taste of McDonald's at any time.

In addition to the "Amazing Value" platform, McDonald's introduced a series of outstanding promotional programmes in 2004. As an Olympic Games sponsor, McDonald's China launched an advertising campaign featuring Chinese gymnasts eating the McDonald's Gold Medal Selection, a range of four new tastes to satisfy Chinese palates. Limited edition Olympics collectable cups were

also produced to celebrate this global event and provide support for the China team.

BRAND VALUES

The golden arches "M" is the iconic logo of McDonald's. It represents a global system of more than 30,000 restaurants where the focus is on uncompromising quality. The "i'm lovin' it" brand campaign refines McDonald's brand attributes as forever young, fun, playful, witty, carefree, happy, passionate and optimistic. The core of the "i'm lovin' it" brand campaign is an enhanced focus on giving the best value to customers through the provision of efficient service and quality products at great value. A visit to McDonald's is one of the simplest pleasures of daily life for both children and adults alike.



THINGS YOU DIDN'T KNOW ABOUT MCDONALD'S

- In 2004, McDonald's renewed its sponsorship of the Olympic Games until 2012. This marketing partnership dates back to 1968 and is one of the longest running marketing partnerships in the food service industry today
- At the 1968 Olympic Winter Games, McDonald's airlifted hamburgers to US athletes competing in Grenoble, France who reported they were homesick for McDonald's food
- McDonald's China has activated the Olympic spirit via a promotional partnership with Gold Medal diver Guo Jing Jing
- In October 2004, McDonald's China sponsored the first ever NBA China Games in Beijing and Shanghai. McDonald's global brand ambassador Yao Ming led the Houston Rockets against the rival Sacramento Kings
- As of May 2005, the market capitalization of McDonald's was over US \$37 billion
- The Big Mac was introduced in 1968 and was the brainchild of Jim Delligatti, one of the earliest franchisees, who by the late 1960s operated a dozen stores in Pittsburgh