

OPERATING RESULTS

The turnover of the Group recorded a continuous growth in the last five financial years, and increased by over 30% from approximately HK\$128 million in 1999 to approximately HK\$168 million in 2000. The net loss from ordinary activities attributable to shareholders amounted to approximately HK\$22 million, representing a substantial improvement when compared to last year of approximately HK\$50 million.

No dividend will be declared for the year ended 31 December 2000.

BUSINESS REVIEW

Woollen and Worsted

The Group managed to substantially reduce the loss resulting from its woollen and worsted operations during the year under review. As stated below, the Group will dispose its woollen and worsted businesses in 2001.

Property

Contribution to profit from property operations was approximately HK\$4 million during the year 2000 compared to contribution to loss of approximately HK\$10 million in 1999, this improvement mostly resulted from changes in the open market values of the Group's investment properties. The underlying income derived from the property business has remained reasonably stable over the last few years. The Group does not foresee any major changes in the coming year.

Restaurant

The restaurant business produced a strong performance during the year 2000, both turnover and contribution to profit showed substantial improvements. The Group will continue to expand its restaurant operations as and when new opportunities arise.

SIGNIFICANT SUBSEQUENT EVENTS

Subsequent to the balance sheet date on 18 January 2001, the Company entered into three subscription agreements and a placing agreement (collectively the "Subscription Agreements") to issue a total of 218,000,000 new shares of the Company at an issue price of HK\$1 per share for an aggregate cash consideration of HK\$218 million. Upon the completion of the Subscription Agreements on 29 March 2001, the issued share capital of the Company increased from 85,758,750 shares to 303,758,750 shares. Beijing Enterprises Holdings Limited ("BEHL"), a company incorporated and listed in Hong Kong, is indirectly interested in 168,000,000 shares of the Company, representing 55.31% of the enlarged issued share capital, and became the indirect controlling shareholder of the Company.

Chairman's Statement

On 18 January 2001, the Company entered into an agreement (the "HK Disposal Agreement") with Guang Ming Group (Hong Kong) Limited ("GMG") to dispose of the Company's entire 70% interest in Sino Textile Enterprises Limited ("Sino Textile"), the shareholder's loan of approximately HK\$1.5 million which is due from Sino Textile to the Company and all the woollen and worsted products owned by the Company for an aggregate cash consideration of approximately HK\$6 million. The HK Disposal Agreement was completed on 29 March 2001 and resulting in a gain on disposal of approximately HK\$1 million.

On 18 January 2001, the Company also entered into an agreement (the "JV Disposal Agreement") with GMG to dispose of the Company's entire 50% interest in Beijing Jin Yang Worsted Co., Ltd. for a cash consideration of approximately HK\$19 million. The JV Disposal Agreement is expected to be completed before the end of June 2001 and it is expected that the transaction will not give rise to any significant gain or loss for the Group.

The above transactions have significantly strengthened the Group's capital base and financial position which will enable the Group to continue the development of its existing businesses and invest in other businesses.

Further details of the above transactions are set out in the Company's circular dated 23 February 2001 ("Circular").

PROSPECTS

As stated in the Circular, the Group will continue its existing businesses of property investment and restaurant operations. In addition, BEHL, with the continuous support from the Beijing Municipal Government, plans to develop the Company as its major flagship for investment in the information technology and telecommunications sectors. Accordingly, the Group will diversify its business to include those in the information technology and telecommunications sectors, in particular, network infrastructure facilities construction, network system integration, internet support related services as well as smart card development. The Group is aiming to become a leading network infrastructure facilities constructor and provide first-class network connection services in Beijing, as well as playing an important role in the government's long-term development plan to implement and promote the wider use of electronic transactions in all aspects of modern life in Beijing.

APPRECIATION

On behalf of the Directors, I would like to extend our gratitude and sincere appreciation to all management and staff members for their hard work and dedication throughout the year.

XIONG DA XIN

Chairman

Hong Kong

19 April 2001