

RESULTS

The Group's turnover for the financial year amounted to HK\$231.4 million, representing a growth of 38% over the previous year. The operating profit for the whole year was HK\$9.9 million, representing a major improvement when compared with the operating loss of HK\$0.4 million for the first half of the year. Year to year comparison also shows a growth of 17% over the previous year. Net loss attributable to shareholders was HK\$1.6 million, representing a massive reduction of the loss by 93% or HK\$21.2 million from the corresponding figure last year. The comparative loss per share figures for 2001 and 2000 were 0.6 cent and 26.6 cents respectively. The turnaround was mainly due to the disposal of loss making woollen and worsted businesses, the acquisition of profitable information technology related businesses and the successful restructuring of the Company's capital which led to significant reduction in finance costs. In considering the turnaround of the results it should also be noted that the Group incurred one-off professional fees relating to the group restructuring and acquisition totalling HK\$10.5 million.

BUSINESS REVIEW

Group Restructuring

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, Beijing Enterprises Holdings Limited ("BEHL"), a company incorporated and listed in Hong Kong, became the controlling shareholder of the Company. BEHL has stated its intention to develop the Company as its major flagship for investment in the information technology and communications sectors.

During the year under review, the Company used HK\$117 million of the proceeds from the Subscription Agreements for the repayment of interest-bearing bank and other loans and HK\$69 million for business expansion, representing 54% and 32% respectively of the proceeds. The remaining proceeds are mainly placed on short term deposit.

As part of the restructuring plan, the Group disposed of its woollen and worsted businesses at the end of March 2001, resulting in an aggregate gain on disposal of HK\$3.4 million.

Acquisition of Cyber Vantage Group

On 31 October 2001, the Company acquired 51% and 49% equity interests in Cyber Vantage Group Limited ("CVG") from BEHL and five individuals, respectively, at an aggregate consideration of HK\$190 million which was satisfied as to HK\$47.5 million in cash and HK\$142.5 million by way of the allotment of 142,500,000

Chairman's Statement

new shares of the Company. At the date of acquisition, CVG, via a wholly-owned subsidiary, Beijing Enterprises Teletron Information Technology Co. Ltd. ("BETIT"), was principally engaged in (i) the provision of system integration services; and (ii) the provision of internet and communications related services.

The consideration represented a price earnings multiple of 9.5 times of the guaranteed profit of HK\$20 million. The audited consolidated net profit after tax and minority interests of CVG for the year ended 31 December 2001 amounted to HK\$22.7 million. The goodwill arising on acquisition of HK\$122.5 million is being amortised over 10 years. Since the acquisition, CVG contributed HK\$74.6 million to the Group's turnover and HK\$14.5 million to the consolidated profit after tax and minority interests for the year ended 31 December 2001.

On 1 August 2001, BETIT entered into several technical services agreements with Beijing Teletron Telecom Engineering Co. Ltd. ("BTTE"), a 91% owned subsidiary of BEHL, under which BETIT will provide services to BTTE for 20 years from 1 August 2001, in return for a monthly service fee from BTTE calculated at an aggregate of 25% of BTTE's total turnover during that period. The transactions constitute on-going connected transactions for the Company. The Stock Exchange has granted a waiver for a period of three financial years ending 31 December 2003 from the disclosure/shareholders' approval requirements. Since the acquisition, total service fees received from BTTE amounted to HK\$5.7 million, representing 2.5% of the Group's total turnover for the year ended 31 December 2001.

To comply with the requirements of the Central Government's nationwide "School Intranet" project, Beijing Education Bureau is in the process of establishing a platform with the ability of internet access, on-line education and dissemination of education information, known as "Beijing Education Information Network", which will connect all primary and secondary schools, students, teachers and other related entities in Beijing. Starting with 200 schools in 2001 as a pilot project, it is proposed that by the end of 2005, all primary and secondary schools in Beijing (approximately 3,000 schools) should be equipped with the network infrastructure, software and connected to the platform.

In 2001, BETIT was chosen by the Beijing Education Bureau as an exclusive contractor to build the system and network facilities for the 200 schools with a contract value of RMB90 million.

Under a Strategic Cooperative Agreement signed by Beijing Education Bureau on 29 December 2001, BETIT was named as the party responsible for the construction of the remaining schools' network in Beijing.

Restaurant Operation

The restaurant business did not perform so well in 2001 with operating profit falling by 54% to HK\$4.4 million as compared with HK\$9.5 million in 2000. This was mainly caused by the economic downturn in Singapore, although restaurants in other countries remained stable.

In line with the modest economic recovery across the South East Asia region, including Singapore, there is recently some evidence to suggest that the worse may now be over for the restaurant business which we believe will improve in the coming year. The Group will continue to keep a watchful eye on the markets our restaurants operate in so as to enable it to respond quickly to changes in consumer spending behaviour.

Property Investment and Holding

Both sales and leasing activities performed satisfactorily during the year with turnover and operating profit increasing by approximately 29% and 37%, respectively, over the previous year. The Group will continue to sell down its property holdings whenever appropriate market opportunities arise.

FUTURE PLANS AND PROSPECTS

The acquired information technology businesses have already made a significant impact on the Group's turnover and profit. The Group expects its information technology related businesses will grow rapidly in the coming year.

To implement the targets set by the Central Government's "School Intranet" project, Beijing Education Bureau plans to accelerate the construction of system and network facilities for more schools in Beijing. The Group expects its business in this area will increase substantially in the coming year.

To compliment the Group's established niche in the education sector, the Group set up an education software arm at the end of last year. The Group is actively seeking investment opportunities in this field which would enable the Group to substantially increase its development and marketing resources within a short period of time.

For "Beijing Education Information Network" to be economically viable, a settlement platform needs to be established. At the end of last year, the Group obtained an approval from Beijing Education Bureau to provide and operate IC cards to all primary and secondary students and teachers (approximately 1.8 million) in Beijing. Such IC cards will enable payments to be made both on-line and off-line, and at the same time, they can be used as electronic money. The Group is currently engaged in discussions with a major PRC national bank with a view to entering into a cooperative agreement regarding the provision and operation of the student IC cards. If all goes as planned, the Group intends to cover the whole student and teacher population of Beijing within the next two years.

Following the acquisition of the information technology businesses, the Group has been focusing on providing internet and communications services to enterprises in Beijing. The Group is currently one of the leading participants in this field. The Group plans to use its expertise to enter the education sector with a view to providing services to schools, students, teachers and other education related entities.

Chairman's Statement

In view of the success of the Octopus Cards in Hong Kong, coupled with the successful bid by Beijing to host the Summer Olympic Games in 2008, the Group is actively seeking this type of investment opportunity in Beijing. With the support of BEHL, the Group believes that it has a good chance of being able to do so.

APPRECIATION

The Directors would like to take this opportunity to express our sincere thanks to our shareholders for their support and to our staff for their commitment and diligence during the year.

XIONG DA XIN*Chairman*

Hong Kong

8 April 2002