

CHAIRMAN'S STATEMENT



Hu Zhao Guang
Chairman

I am pleased to announce the final results of Beijing Enterprises Holdings Limited (the “Company”) and its subsidiaries (the “Group”) for the year ended 31 December 2002. Consolidated turnover rose to HK\$7.01 billion, representing an increase of 13% over previous year. Net profit attributable to shareholders amounted to HK\$410 million. Earnings per share amounted to HK\$0.66.

The Board of the Company (the “Board”) recommended the payment of a final dividend of HK\$0.18 per share, making a total dividend of HK\$0.28 per share for the year.

Although most of our business strived to maintain growth in 2002, however, owing to the sluggish market performance of some business sectors and the realignments of state policy, the Group’s overall profit recorded a substantial decline.

For 2002, responding to the tough environment, the Board and the management of the Company undertook both substantial and effective work in solidifying the risk warning system, conducting a serious assessment and monitoring of the possible risks and its respective durations instantly. While striving to raise profitability, the Group continued to drive the triple development strategies of expansion, technology and reorganisation. During the year, the Group not only made remarkable progress in capital and financial market but also in formation and implementation of the planning for the Olympics.



In respect of the implementation of the expansion strategy, most of the Group companies saw steady growth in profitability with incessant strength in corporate prowess. Profit after tax of Sanyuan Foods, Badaling Tourism, Longqingxia Tourism and Beijing Peking University UBL Biotech Co., Ltd showed steady growth together with the Water Treatment Plant providing stable cash inflows for the Group.

Important progress has been made according to schedule in the reorganisation strategy. With the incorporation of Beijing Tourism Development Company Limited in October 2002, the offshore reorganisation of the Group's tourism resources was subsequently completed in Hong Kong. Sanyuan Foods has accelerated its implementation of low-cost expansion to overseas with its first equity joint venture being set-up and operated in Western Australia in April 2003. Take the advantages on both domestic and foreign in term of its resources and markets, Sanyuan foods intends to build an international brand name and enhance the international competitiveness of the company itself and its products.

Proactive implementation of the Group's technology strategy has shown healthy development in Beijing Development, which is the Group's information technology ("IT") flagship. The IT business was initially set-up by injecting telecommunication project into Beijing Development in 2002 which has become an important pillar of the new profit platform of the Group.

Despite the significant uncertainties prevailing in the global economy in 2003, the trends of economic development in the PRC and Beijing City reveals that they will be able to maintain their sustainable, speedy and healthy development. We believe that the Group's principal business segments will achieve better development opportunities in 2003 and in the coming few years.

Consumer segment: Subsequent to China's accession to WTO, the production and sales of the Group's food related industry had become highly localised. The revocation of trade protection measures, such as customs duties, has minimal effects to our food products in terms of economic fluctuations. Hence with the pulling effects of the Olympic economy, market demands will continue to expand.

Infrastructure and high technology segments: In recent years, as the host to the 2008 Olympic Games, Beijing City has been increasing their investments in infrastructure and information technology which will push Beijing City to an unprecedented level of economic growth. The Group is actively pursuing the Olympics development opportunity relating to the construction of "Digital Beijing" and "Technology Olympics".



Tourism and retail service segments: With economic development in recent year and the proximity of the Olympics, the domestic tourism had heated up with enormous market opportunities for businesses like Jianguo Hotel, Badaling Great Wall, Longqingxia Tourism and Hot Spring Holiday Resort. At the same time, the Government has continued to implement the policy of expanding domestic demands to stimulate consumption which will lead to a stable growth of trend for the domestic retailing market.

In 2003, the Group will actively strive in the investments of Olympics project to secure breakthroughs by seeking Olympics related infrastructure projects and learning the best way to gain entry points for participating in the Olympics construction projects. The Group companies are also gearing up their efforts in capitalising commercial opportunities which were initiated by the Olympics. Apart from the Group companies actively campaigning for franchising concessions to become the official distributors of designated Olympics products, the Group will also leverage on the Olympic concept by actively expanding the recognition of the Group's brand name through organising, sponsoring and participating in various activities such as promotional, tourism and industrial development of the Olympics.

As a red chip company with government background, we will capitalise on the opportunities presented by the economic key strategy of Beijing, and will continue to adhere to our objective in creating the highest benefits to shareholders and insisting on our active and solid development directions, creating new performance continuously as well as repaying the supports and well wishes of our shareholders and friends.

In the meantime, I would like to take this opportunity to express my appreciation to the diligence and dedication of fellow directors and the Group's employees.

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Chairman

Hong Kong
15 April 2003

