

Chairman's Statement

BUSINESS REVIEW

Results

The Group's turnover for 2002 amounted to HK\$387.4 million, representing an increase of HK\$156 million or 67% over the previous year. The significant increase in turnover was mainly caused by a substantial increase of 141%, from HK\$74.6 million to HK\$179.9 million, of the revenue generated by the information technology business segment. The operating profit for the year was HK\$29.4 million, representing approximately a threefold increase from HK\$9.9 million in 2001. The huge growth was also mainly generated by the information technology business segment, whose segment results increased by HK\$17.6 million from HK\$14.6 million to HK\$32.2 million.

The Group reported a net profit attributable to shareholders of HK\$15.4 million. This represents a fundamental turnaround in the Group's results after incurring continuous losses for the last few years: HK\$1.6 million, HK\$22.8 million and HK\$50.2 million in 2001, 2000 and 1999, respectively. Earnings per share amounted to 3.5 cents while 2001 showed a loss per share of 0.6 cents.

Information Technology Services

The information technology segment grew rapidly in 2002. Segment revenue, EBITDA and segment results were HK\$179.9 million, HK\$46.5 million and HK\$32.2 million compared with HK\$74.6 million, HK\$17.5 million and HK\$14.6 million in 2001. During 2002, the Group continued to focus on two main areas: (a) providing information technology solutions, for both hardware and software, to primary and secondary schools in Beijing and (b) providing internet and communications services to enterprises in Beijing. The knowledge, experience and business connections it gained by focusing on these two fields enabled the Group to substantially enlarge its customer base. The Group became one of the leading participants in these fields in Beijing.

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Restaurants

The restaurant business produced a modest improvement in 2002, generating segment results of HK\$5.2 million. The performance of the restaurant operations is likely to be volatile in the coming year, depending on the length of time the outbreak of SARS in China and Southeast Asia effects it.

Property investment

Leasing activities for the Group's property portfolio remained flat during the year. The Group will continue to adjust its property holdings whenever market opportunities arise.

FUTURE PLANS AND PROSPECTS

The Group has built a strong market position in the educational information technology sector in Beijing. The Group plans to substantially increase its market penetration in the coming years, both in terms of customer base and types of services to be provided. The Group believes that there is still a huge growth prospect in this sector.

Based on the Company's announcement dated 20 December 2002, the Group completed the acquisition of a 60% equity interest in Wisdom Elite Holdings Limited ("Wisdom Elite") in January 2003. Wisdom Elite is principally engaged in the development and sale of social security information management systems and tax information management systems in China. The Group considers that the acquisition will enable it to further strengthen its software development capabilities. The Group plans to work closely with the Municipal Labour and Social Security Bureau in Beijing with a view to providing modern, suitable information technology solutions for the social security sector in Beijing.

In line with its strategy of becoming Beijing Enterprises Holdings Limited's information technology flagship, the Group will continue to seek investment opportunities in information technology businesses.

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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.

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Chairman

Hong Kong
14 April 2003