

# CHAIRMAN'S STATEMENT

## BUSINESS REVIEW

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### Results

The Group's results for the year ended 31 December 2003 showed significant improvement over the previous year. Turnover increased to HK\$481.3 million from HK\$387.4 million, operating profit jumped to HK\$42.7 million from HK\$29.4 million and net profit attributable to shareholders rose to HK\$21.7 million from HK\$15.4 million, representing increases of 24%, 45% and 41%, respectively. Earnings per share amounted to 4.5 cents, representing an increase of 29% over the 2002 figure of 3.5 cents. The information technology business segment was the sole powerhouse behind the strong performance in 2003.

### Information Technology

The information technology business continued to grow rapidly in 2003. Segment revenue, EBITDA and results increased to HK\$268.2 million, HK\$78.9 million and HK\$50.5 million, respectively from the corresponding figures of HK\$179.9 million, HK\$45.2 million and HK\$32.2 million in 2002, representing increases of 49%, 75% and 57%, respectively. The information technology business segment became the main contributor to both revenue and profit in 2003.

The Group continued to make progress in the education sector in 2003, carrying out hardware and software integration works for approximately 400 schools in Beijing (2002: 300 schools, 2001: 200 schools). In addition, the Group started to market the use of contactless multipurpose electronic student cards in selected schools in Beijing. Such cards can be used for personal identification, settlement, storage of personal and academic data, computer access, library access and other access controls. The Group believes that there should be huge commercial potential for such student cards.

Since the acquisition of Wisdom Elite Holdings Limited and Astoria Innovations Limited in early 2003, the Group has made significant progress in other government sectors, especially in the development and sale of management information systems for retirement, industrial accident and unemployment social insurances and in the development and sale of e-government solutions for community level government authorities.

In May 2003 the Group acquired a 100% interest in Business Net Limited whose sole asset is its 38% interest in the registered capital of Beijing Municipal Administration & Communications Card Co., Ltd. ("BMAC"). BMAC is a company authorised by the Beijing Municipal government authorities and is principally engaged in (a) the production and issuance of contactless multipurpose electronic payment cards, namely "Yikatong"; and (b) the investment, operation and management of the "Yikatong" automated collection system for the public transportation network in Beijing, including, but not limited to, buses, taxis, mass transit railway and light railway. This electronic payment and settlement system may be extended to cover other retail businesses, just like the Octopus Cards in Hong Kong.

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### **Other Businesses**

The outbreak of SARS in China and Southeast Asia in 2003 adversely affected the performance of the Group's restaurant business. The segment results showed a negative contribution of HK\$0.7 million compared with a positive contribution of HK\$5.2 million in 2002. The outlook for the coming year is brighter in line with general economic improvement in the regions.

The Group's property investment business remained flat and insignificant during the year.

### **FUTURE PLANS AND PROSPECTS**

The "Yikatong" cards were rolled out at the end of 2003. A very extensive mass transit railway network is being constructed in Beijing and will be completed in the next few years prior to the 2008 Olympic Games. It is expected that the "Yikatong" cards will grow exponentially over the next few years. The acquisition of a 38% interest (the single largest shareholder) in the "Yikatong" automated collection system is of long term strategic importance to the Group. The Group will be actively seeking further investment opportunities in this field.

The Group plans to continue to increase its market share in the education sector. In addition, the Group is planning to make every effort to try to secure other large systems integration contracts that may be put out to tender in the coming year in Beijing, especially in areas where the Group has gained an in-depth industry knowledge, such as social insurance, employment and mass transit railway automatic fare collection systems.

### **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.

### **ZHANG HONGHAI**

*Chairman*

Hong Kong  
15 April 2004