

CHAIRMAN'S STATEMENT

I am pleased to present that the total revenue of Beijing Development (Hong Kong) Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2005 was HK\$543 million, maintaining at a stable level as last year. For the future development as well as a better reflection of the fair value of the Group's assets, we assessed certain assets and provided impairment of approximately HK\$53.3 million, encumbering the overall result of the Group. As a result, profit attributable to ordinary equity holders of the parent dropped significantly from last year's HK\$14.9 million to loss of HK\$35 million this year.

BUSINESS REVIEW

Looking back at 2005, with information technology as the core business, the Group continuously devoted more resources and strategies to this segment. The three main information technology business sectors, namely B E Information Technology Group Limited ("B E Info"), Beijing Municipal Administration & Communications Card Co., Ltd. ("IC Card") and Xteam Software International Limited ("Xteam") were well established and grow in different sectors simultaneously. In the course of transforming our business, we have gradually shifted from the contracting of short term projects to recurrent projects.

1. B E Info completed the five-year "School Intranet" construction project that providing network construction and software facilities to over 2,000 primary and secondary schools in Beijing. It has built the electronic education resources platform and launched the Beijing education resources network.
2. IC Card is actively constructing the infrastructure, and preparing the management system and technology for the rapid business growth resulting from the implementation of the IC electronic monthly pass in April 2006. It is also actively planning for many different small value transaction projects, such as access to Beijing's many famous tourist attractions, purchases at McDonald's and for use by students in schools.
3. Xteam completed the centralised "four insurances" system for the Beijing Labour Department. It also recorded income from the labour market information automation and street level e-government administration businesses. It acquired the In@box project at the end of the financial year to provide embedded Linux based distributed internet services. The targeted client base was extended from government to small and medium size enterprises, as well as individual.

CHAIRMAN'S STATEMENT

STRATEGIES AND PROSPECTS

2006 is a crucial year for the Company to establish itself as a high technology enterprise engaging in the construction, operation and maintenance of information systems in Beijing. With the change of management in early 2006, the Company carefully reviewed and examined its historical market positioning and development strategies, and two measures were adopted: (1) enhancing the internal reorganisation and management by consolidating the existing business resources, streamlining and optimising the business structure, while at the same time realising synergy and strengthening the core competitiveness resulting from the market changes; (2) implementing the plan to streamline the asset portfolio and reorganising the assets that did not match the overall development strategy so as to focus on the core business and develop the three main information technology business sectors.

1. B E Info will focus on the construction, operation and maintenance of information technology for infrastructure projects:
 - Railway: The company is specialising in the construction and operation of the information technology infrastructure of Beijing Subway. The successful bids included the Building Automation System, Full Height Safety Doors System, AFC Clearing Centre System of Beijing Mass Transit Network Management and Support Project, and AFC System for Beijing Metro Lines 1 & 2 and Line Batong. These projects have an aggregate contract value of over RMB600 million. By working with the multinational enterprises, B E Info has accumulated extensive experience in technology, management and cooperation, which will form a solid foundation for the future development in the infrastructure and utilities sectors.
 - Education: Based on the operation platform of the education resources network, the company will consolidate the relevant education resources and develop diversified application services in the education information area. A one-stop education information chain from consultation, construction, operation, research and development, maintenance, training and service will be formed, confirming B E Info's position as the leading operator and service provider in the education information sector.
2. Following the massive issuance of IC cards in 2006, the company will transit from the construction stage to the operational stage. On 10 May 2006, IC cards will be fully implemented in all buses and Metro Lines in Beijing, and will then be followed by 30,000 taxis in 13 taxi companies. It will also develop the small value transaction business in highways, car parks, tourist attractions and supermarkets. IC Card will gradually expand its operations leveraging its strength as the operator of the electronic clearing platform for infrastructure and the utilities.

CHAIRMAN'S STATEMENT

STRATEGIES AND PROSPECTS (continued)

3. Xteam will provide an investment and financing platform for e-government administration and network technology services. It will, at the same time, continue to increase its presence in social security, labour market and street level e-government administration areas. Through the in-house developed Linux-based In@box internet service, it will target the government, small to medium size enterprises and individual clients so as to increase the market share.

Looking forward, the Company will clearly define its strategic positioning and promote synergy and consolidation of its businesses in 2006. It will continue to improve the transparency of corporate governance, enhance communication with the capital market and explore any potential for the investment and financing available to it as a listed company. In addition, under the leadership of the new management, we will heighten the team spirit and morale. With the commitment and dedication of the staff, together we will strive for excellence in the performance of the business.

APPRECIATION

On behalf of the Board, I would like to express my sincere thanks to all the Group's employees for their continuous support and dedicated services.

Zhang Honghai

Chairman

Hong Kong

11 April 2006