



## CHAIRMAN'S STATEMENT

I am pleased to announce that Beijing Development (Hong Kong) Limited (the “Company”) and its subsidiaries (together the “Group”) recorded satisfactory growth and profit in its annual results for the year ended 31 December 2006. The Group’s turnover amounted to HK\$585 million, an increase of 10% when compared with 2005. Profit attributable to shareholders was HK\$12.08 million against loss of HK\$35.04 million incurred in 2005. Basic earnings per share were 2.42 HK cents. The board of directors does not recommend payment of final dividend for the year.

In 2006, the Company identified the construction, operation and maintenance of the electronic settlement and clearance platform for infrastructure and public utilities as its core business. Under the guidance of its new business strategy, it began a series of initiatives and achieved concrete results.

1. Set clear strategic direction and core business focus. The Company focused on growing Beijing’s Smart Card business and, with card business at the core, it extended business coverage onto other related areas. Building on the infrastructure co-developed by Smart Card and Teletron Group and targeting to serve public utilities, the Group brought to the foreground its core emphasis on providing construction, operation and maintenance services for electronic payment and clearance platform. It also developed the Jetric Group which led business of education-related IT provisions construction, operation and technical service, and restructured the strategic business of electronic government and network technical service provided by Xteam.
2. Restructured business and clarified operational focuses. The Company gradually exited from non-core businesses and optimized and streamlined its organizational structure. Guided by the new development strategies, it reviewed and consolidated its businesses into three core segments. The first is the business of Smart Card entailing the operation and marketing of Smart Cards, promotion of small payment application and engineering, building and maintenance of Smart Card related operations. The second is the IT service segment covering the development of Beijing Subway’s public communications information system platform and aiding the adoption of IT by the education sector. The last segment is the Xteam business of the research and development of IT software.
3. Strengthened internal management and lowered management cost. The Company boosted corporate governance and ensured orderly operation of its listed businesses, increased transparency and enhanced strategic decision-making, as well as reinforced management and control of its subsidiaries to gradually realize their strategic management.
4. Gained exposure in the capital market. The Company strengthened communication and interaction with the capital market, and projected a clear corporate image. This has helped to invigorate the Company’s financing capability with attention and recognition drawn from the capital market. In 2006, the Company made concrete achievement in raising capital. Through share placement and with boosted share price, a strong foundation was laid for future fund raising initiatives.



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In 2007, the Company will continue its development strategies. Through measures such as capital injection, strategic re-engineering and adjustment of organizational structure and business integration, it will grow its core business further in scale and scope.

1. Strengthen controlling rights on Smart Card business, increase issue volume and card usage rate, and establish effective mechanism to consolidate the Smart Card platform. The Group will actively look for suitable partners for different Smart Card application areas and promote the application of Smart Cards in small payments. It will also pursue in-depth strategic R&D of Smart Card and electronic settlement and clearance, and closely monitor development of overseas Smart Card operations, as well as to collect related information for the exploration of investment opportunities.
2. Continue to develop related projects of rail transportation and start construction of public communications information system platform. The Company will focus on these projects in 2007, aiming at delivering projects of guaranteed qualitative and quantitative standards. Apart from focusing on unearthing the potential and enhancing the efficiency of existing projects, the Company will also explore other development projects in the sector. For instance, it will closely monitor the progress of the Beijing Subway projects and actively explore cooperative opportunities in relation to subway projects with other provinces and cities.
3. Speed up and step up organization restructuring and adjustment efforts. The Company will let go of non-core businesses and dispose of ineffective assets and consolidate existing businesses. It will strengthen strategic management and control on its subsidiaries, especially Xteam, and actively identify new opportunities that agree with the Company's development strategies.

In the coming year, the Company will strive to apply capital more effectively, work on improving investor relations, boosting investor confidence and to build a favourable market image. It aims to fully realize its financing capacity as a Hong Kong main board-listed company to ensure it has adequate financial back up for implementing future plans and development strategies. Moreover, the Company will focus on developing its core businesses and markets to increase profitability. It is committed to delivering optimal value for shareholders, rewarding them and contributing to the society through outstanding performance.

On behalf of the Board, I would like to thank all employees, the society and different associated parties for supporting the Group in the past year.

**Zhang Honghai**

*Chairman*

Hong Kong

3 April 2007

