



北京發展（香港）有限公司  
BEIJING DEVELOPMENT (HONG KONG) LIMITED  
(incorporated in Hong Kong with limited liability)

SUMMARISED INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2002

RESULTS

The board of directors (the “Directors”) of Beijing Development (Hong Kong) Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2002, together with the comparative figures for the corresponding period in the previous year, which have been reviewed by Messrs. Ernst & Young, the independent auditors of the Company.

		Six months ended 30 June 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
	Notes		
TURNOVER			
Continuing operations		162,661	71,967
Discontinued operations	4	—	9,634
Cost of sales	3	162,661 (84,098)	81,601 (40,963)
Gross profit		78,563	40,638
Interest income		619	910
Other revenue and gains		245	1,833
Selling and distribution costs		(52,829)	(31,754)
Administrative expenses		(14,074)	(9,332)
Other operating expenses		(6,127)	(6,160)
Gain on disposal of discontinued operations	4	—	3,417
PROFIT/(LOSS) FROM OPERATING ACTIVITIES			
Continuing operations		6,397	(4,087)
Discontinued operations		—	3,639
	5	6,397	(448)
Finance costs	6	(2,514)	(5,344)
Share of profits and losses of:			
Associates		(405)	(816)
Jointly-controlled entities		—	(1,585)
PROFIT/(LOSS) BEFORE TAX		3,478	(8,193)
Tax	7	(575)	(688)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		2,903	(8,881)
Minority interests		304	(945)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		3,207	(9,826)
EARNINGS/(LOSS) PER SHARE (Cents)			
— BASIC	8	0.72	(5.05)
— DILUTED	8	0.72	N/A
INTERIM DIVIDEND PER SHARE		NIL	NIL

Notes:

1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The principal accounting policies and basis of preparation adopted in preparing these condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2001, except that the Group has adopted the following SSAPs which are effective for accounting periods commencing on or after 1 January 2002:

- SSAP 1 (Revised): “Presentation of financial statements”
- SSAP 15 (Revised): “Cash flow statements”
- SSAP 25 (Revised): “Interim financial reporting”
- SSAP 34: “Employee benefits”

These SSAPs prescribe new accounting measurement and disclosure practices. The adoption of these SSAPs during the current financial period does not have any significant impact on the Group’s profit or shareholders’ equity, except that the presentation of certain items and balances in the condensed consolidated interim financial statements have been revised to comply with the new requirements.

2. Segment information

The Group’s operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group’s business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- information technology segment
- restaurants segment
- property investment segment
- woollen and worsted segment (discontinued in 2001 — note 4)
- corporate segment

The following table presents revenue, results and expenditure information for the Group’s business segments for the six months ended 30 June 2002:

	Information technology		Restaurants		Property investment		Woollen and worsted		Corporate		Consolidated	
(Unaudited)	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	62,898	—	96,235	66,137	3,528	5,830	—	9,634	—	—	162,661	81,601
Segment results	6,913	—	2,314	2,907	2,403	5,105	—	3,639	(5,852)	(13,009)	5,778	(1,358)
Interest income											619	910
Profit/(loss) from operating activities											6,397	(448)
Finance costs											(2,514)	(5,344)
Share of profits and losses of:												
Associates	—	—	—	—	(405)	(816)	—	—	—	—	(405)	(816)
Jointly-controlled entities	—	—	—	—	—	—	(1,585)	—	—	—	—	(1,585)
Profit/(loss) before tax											3,478	(8,193)
Tax											(575)	(688)
Profit/(loss) before minority interests											2,903	(8,881)
Minority interests											304	(945)
Net profit/(loss) from ordinary activities attributable to shareholders											3,207	(9,826)
Other segment information:												
Depreciation	984	—	2,993	2,422	170	182	—	—	697	592	4,844	3,196
Amortisation	7,070	—	—	—	—	—	—	—	—	—	7,070	—

3. Turnover

Revenue from the following activities has been included in the Group’s turnover:

	Six months ended 30 June 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Construction contracts	49,760	—
Rendering of information technology related services	9,057	—
Receipts from restaurant operations	94,623	64,301
Gross rental income	3,528	3,633
Sales of management information products	4,081	—
Sales of dried seafood	1,612	1,836
Sales of properties held for sale	—	2,197
Sales of woollen and worsted products (discontinued operations — note 4)	—	9,634
	162,661	81,601

4. Discontinued operations

On 29 March 2001:

- the Company’s inventories of woollen and worsted products of HK\$4,662,000 were disposed to an affiliated company at net book value;
- the Company’s entire 70% interest in a subsidiary, Sino Textile Enterprises Limited, and the Company’s shareholder’s loan of HK\$1,518,000 were disposed to an affiliated company for a cash consideration of HK\$1,518,000, resulting in a gain on disposal of HK\$911,000; and
- the Company’s entire 50% interest in a jointly-controlled entity, Beijing Jin Yang Worsted Co., Ltd., was disposed to an affiliated company for a cash consideration of HK\$19,619,000, resulting in a gain on disposal of HK\$2,506,000.

The gains on disposal represent the differences between the net sales proceeds and the net carrying amounts of the Group’s share of assets and liabilities disposed at the time of disposal.

The Group discontinued the woollen and worsted business upon the completion of the above disposals.

5. Profit/(loss) from operating activities

The Group’s profit/(loss) from operating activities is arrived at after charging/(crediting):

	Six months ended 30 June 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Depreciation	4,844	3,196
Amortisation of goodwill	6,127	—
Amortisation of intangible assets	943	—
Net rental income	(2,567)	(2,619)
Gain on disposal of fixed assets	(245)	(1,777)

6. Finance costs

	Six months ended 30 June 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Interest expenses on bank loans, overdrafts, and other loans wholly repayable within five years	2,514	5,344

7. Tax

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2002.

In accordance with the relevant tax rules and regulations in the PRC, certain of the Company’s PRC subsidiaries enjoy income tax exemptions and reductions. Certain PRC subsidiaries are subject to income tax rates ranging from 7.5% to 33%.

Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Group:		
Hong Kong	51	69
Elsewhere	1,066	877
Prior year’s overprovision	(447)	—
Share of tax attributable to associates	(95)	(258)
Tax charge for the period	575	688

There was no unprovided deferred tax in respect of the six months ended 30 June 2002 (2001: Nil).

8. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the six months ended 30 June 2002 of HK\$3,207,000 (2001: loss of HK\$9,826,000) and the weighted average of 446,258,750 (2001: 194,758,750) ordinary shares in issue during the period.

The calculation of diluted earnings per share is also based on the net profit from ordinary activities attributable to shareholders for the six months ended 30 June 2002 of HK\$3,207,000 (2001: loss of HK\$9,826,000) and the weighted average of 446,258,750 (2001: 194,758,750) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period.

A diluted loss per share amount for the six months ended 30 June 2001 has not been disclosed as the share options outstanding during the period had an anti-dilutive effect on the basic loss per share.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2002 (2001: Nil).

BUSINESS REVIEW AND PROSPECTS

The Group’s turnover for the half year was HK\$162.7 million, increased by HK\$81.1 million or 99% compared with the previous corresponding period. The surge in turnover was mainly caused by revenue generated from information technology related businesses acquired in the second half of 2001 and an expansion of the restaurant operations.

The Group reported a profit attributable to shareholders of HK\$3.2 million for the six months ended 30 June 2002, representing a significant turnaround from a loss of HK\$9.8 million for the same period in 2001. Earnings per share amounted to 0.7 cent compared to loss per share of 5 cents in the same period last year.

As in the past 18 months, the restaurant and property investment operations continued to produce stable but modest profits during the period. What made the turnaround happened was new source of profit generated from the newly acquired IT services businesses.

Information Technology Services

The Group changed its overall business strategy since the second half of last year. The Group has been allocating most of its resources into the rapidly growing IT services sector in the PRC. This strategy has already produced satisfactory result as evidenced by the turnaround in profitability for the period under review.

The turnover of the IT services division was HK\$62.9 million (2001: Nil) which generated EBITDA of HK\$15 million or operating profit of HK\$6.9 million. The Group performance can be attributed to constructive and strong relationships it has with its customers, which enable the Group to provide suitable application solutions based on customers’ needs.

Working closely with Beijing Education Bureau, the Group is investing and developing a full range of application solutions for the whole of primary and secondary education sector in Beijing. The Group is also actively seeking investment opportunity in smart card and software businesses.

Restaurant

The performance of the restaurant business was in line with the previous year’s comparable period. It is expected that the restaurant business will remain steady in the second half of the year.

Property

Leasing activities performed steadily during the period. The Group will continue its strategy of reducing its property holding whenever market opportunities arise.

FINANCIAL REVIEW AND ANALYSIS

Liquidity and Financial Resources

The Group continued to follow the practice of prudent financial strategy during the period under review. As at 30 June 2002, the Group had total assets of HK\$567 million, which were financed by total liabilities of HK\$163.2 million, minority interests of HK\$17.5 million and shareholders’ funds of HK\$386.3 million (31 December 2001: HK\$383.1 million). The Group’s net asset value amounted to HK\$0.87 per share (31 December 2001: HK\$0.86 per share).

As at 30 June 2002, the Group had a current ratio (current assets over current liabilities) of 1.5 compared to that of 1.45 as at 31 December 2001. The gearing ratio, calculated on the basis of the Group’s aggregate interest bearing borrowings over shareholders’ funds, decreased from 0.25 as at 31 December 2001 to 0.2 as at 30 June 2002. The earnings before interest expense, taxation, depreciation and amortization of HK\$18.3 million covered gross interest expenses of HK\$2.5 million for the period under review 7.28 times, compared to that of 3 times for the year ended 31 December 2001.

The management is comfortable that the Group’s existing healthy capital position can provide sufficient financial resources for its funding requirements. Should investment opportunities arise requiring additional funds, the management also believes that the Group is in a good position to obtain additional funds on favourable terms.

As at 30 June 2002, the Group’s cash and bank balances amounted to HK\$44.7 million (31 December 2001: HK\$123.5 million). The Group’s borrowings, principally on a floating rate basis, totalled HK\$77.2 million (31 December 2001: HK\$95.4 million), of which 29% were denominated in Hong Kong dollar, 61% in Renminbi and 10% in other currencies. The non-Hong Kong dollar denominated loans are either directly related to the Group’s businesses in the countries of the currencies concerned, or the loans are balanced by assets in the same currencies.

As at 30 June 2002, certain properties of the Group with an aggregate carrying value of HK\$72.2 million, with no significant change from last year end date, were pledged as securities for the Group’s banking facilities.

The management aims at deploying the Group’s resources effectively and practically to achieve the best use of funds. The Group’s capital expenditures for the period under review totalled HK\$14.9 million were funded primarily from cash generated from operations and internal resources. The Group has no material capital commitments or contingent liabilities outstanding as at the period end date.

Human Resources

Following the expansion of the Group’s business operation, the number of full-time employees employed by the Company and its subsidiaries increased from 400 as at 30 June 2001 to 1,040 as at 30 June 2002. The Group’s total employees’ cost (including directors’ remuneration) for the six months ended 30 June 2002 and 2001 amounted to approximately HK\$27 million and HK\$16.3 million, respectively, both representing 40% of the Group’s total operating expenses for those periods.

The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group’s salary and bonus system. The Group has established a share option scheme to reward its eligible employees (including executive directors of the Company) for their individual performances, to attract and retain a high caliber of capable and motivated workforce.

During the period under review, 23,700,000 share options were granted at an exercise price of HK\$1 per share and no share options were exercised. As at the period end date, a total of 38,900,000 share options were still outstanding.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the six months ended 30 June 2002.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) throughout the accounting period covered by the interim financial report, except that the non-executive directors of the Company are not appointed for specific terms as required by Paragraph 7 of the Code but are subject to retirement by rotation in accordance with the Company’s articles of association, and the Company has not established an audit committee.

PUBLICATION OF FINANCIAL INFORMATION

The Company’s 2002 interim report containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be available on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.bdhk.com.hk>) in due course.

By Order of the Board  
XIONG DA XIN  
Chairman

Hong Kong  
12 September 2002