



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 2003

HIGHLIGHTS

- Turnover increased by 25% to HK\$202,691,000.
- Profit from operating activities increased by 131% to HK\$14,753,000.
- Net profit attributable to shareholders increased by 153% to HK\$8,125,000.
- Basic earnings per share amounted to 1.75 HK cents.
- The Directors has resolved not to declare any interim dividend.

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 2003, together with the comparative figures for the corresponding period in the previous year.

		Six months ended 30 June 2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
	Notes		
TURNOVER			
Cost of sales	3	202,691 (101,801)	162,661 (84,098)
Gross profit		100,890	78,563
Interest income		453	619
Other revenue and gains		471	245
Selling and distribution costs		(57,544)	(52,829)
Administrative expenses		(20,194)	(14,074)
Other operating expenses		(9,323)	(6,127)
PROFIT FROM OPERATING ACTIVITIES	4	14,753	6,397
Finance costs	5	(3,284)	(2,514)
Share of profits and losses of: Associates		(333)	(405)
Jointly-controlled entities		343	—
Amortisation of goodwill on acquisition of a jointly-controlled entity		(225)	—
PROFIT BEFORE TAX		11,254	3,478
Tax	6	(157)	(575)
PROFIT BEFORE MINORITY INTERESTS		11,097	2,903
Minority interests		(2,972)	304
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		8,125	3,207
EARNINGS PER SHARE — Basic (HK cents)	7	1.75	0.72
— Diluted (HK cents)	7	N/A	0.72

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 and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and have been reviewed by the Company’s independent auditors, Ernst & Young.

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 2002, except that the Group has adopted the SSAP 12 (Revised) “Income Taxes” which is effective for accounting periods commencing on or after 1 January 2003. The adoption of the SSAP 12 (Revised) has had no material effect on these condensed consolidated interim financial statements.

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
- corporate segment

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following table presents revenue, profit and certain expenditure information for the Group’s business segments:

	Information technology		Restaurants		Property investment		Corporate		Eliminations		Consolidated	
(Unaudited)	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment revenue:												
Sales to external customers	107,478	62,898	92,088	96,235	3,125	3,528	—	—	—	—	202,691	162,661
Intersegment sales	—	—	—	—	540	516	—	—	(540)	(516)	—	—
Total	107,478	62,898	92,088	96,235	3,665	4,044	—	—	(540)	(516)	202,691	162,661
Segment results	26,306	6,913	(5,940)	2,314	1,813	2,403	—	—	—	—	22,179	11,630
Interest income											453	619
Unallocated corporate expenses											(7,879)	(5,852)
Profit from operating activities											14,753	6,397
Finance costs											(3,284)	(2,514)
Share of profits and losses of: Associates	(274)	—	—	—	(59)	(405)	—	—	—	—	(333)	(405)
Jointly-controlled entities	343	—	—	—	—	—	—	—	—	—	343	—
Amortisation of goodwill on acquisition of a jointly- controlled entity	(225)	—	—	—	—	—	—	—	—	—	(225)	—
Profit before tax											11,254	3,478
Tax											(157)	(575)
Profit before minority interests											11,097	2,903
Minority interests											(2,972)	304
Net profit from ordinary activities attributable to shareholders											8,125	3,207
Other segment information:												
Depreciation	1,749	984	5,626	2,993	178	170	693	697	—	—	8,246	4,844
Amortisation	8,174	7,070	—	—	—	—	—	—	—	—	8,174	7,070

3. Turnover

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

	Six months ended 30 June 2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Construction contracts	47,944	53,841
Rendering of services	59,534	9,057
Receipts from restaurant operations	91,758	94,623
Gross rental income	3,125	3,528
Sales of dried seafood	330	1,612
	202,691	162,661

4. Profit from operating activities

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

	Notes	Six months ended 30 June 2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Depreciation		8,246	4,844
Amortisation of goodwill	(i)	7,006	6,127
Negative goodwill recognised as income during the period	(ii)	(104)	—
Amortisation of intangible assets	(iii)	943	943
Loss/(gain) on disposal of fixed assets		420	(245)
Net rental income		(2,081)	(2,567)

Notes:

- The amortisation of goodwill is included in “Other operating expenses” on the face of condensed consolidated profit and loss account.
- The negative goodwill recognised as income during the period is included in “Other revenue and gains” on the face of condensed consolidated profit and loss account.
- The amortisation of intangible assets is included in “Cost of sales” on the face of condensed consolidated profit and loss account.

5. Finance costs

	Six months ended 30 June 2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Interest expenses on bank loans, overdrafts, and other loans wholly repayable within five years	3,284	2,514

6. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2003.

In accordance with the relevant tax rules and regulations in the PRC, certain of the Company’s PRC subsidiaries and jointly-controlled entities 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 2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Group:		
Hong Kong	222	51
Elsewhere	341	1,066
Overprovision in prior years	(431)	(447)
Share of tax attributable to an associate	25	(95)
Tax charge for the period	157	575

There was no unprovided deferred tax in respect of the six months ended 30 June 2003 (2002: Nil).

7. Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the six months ended 30 June 2003 of HK\$8,125,000 (2002: HK\$3,207,000) and the weighted average of 464,817,348 (2002: 446,258,750) ordinary shares in issue during the period.

A diluted earnings per share amount for the six months ended 30 June 2003 has not been disclosed as the share options outstanding during the period had an anti-dilutive effect on the basic earnings per share. The calculation of comparative 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 and the 446,258,750 ordinary shares in issue and 1,215,511 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period.

INTERIM DIVIDEND

The Directors has resolved not to declare any interim dividend for the six months ended 30 June 2003 (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group’s results for the six months ended 30 June 2003 showed significant improvement over the same period last year. Turnover increased to HK\$202.7 million from HK\$162.7 million, operating profit rose to HK\$14.8 million from HK\$6.4 million and net profit attributable to shareholders jumped to HK\$8.1 million from HK\$3.2 million, representing increases of 25%, 131% and 153% respectively. All these improvements were entirely attributable to the strong growth of the Group’s information technology business segment.

Information Technology

The information technology business grew rapidly during the first half of 2003. Segment revenue and results were HK\$107.5 million and HK\$26.3 million respectively, representing increases of HK\$44.6 million or 71% and HK\$19.4 million or 281% over the corresponding period last year. The information technology business became the main source of revenue and profit for the Group.

The Group continued to do well in its two established business areas of (a) providing both hardware and software solutions to students, schools and other education entities in Beijing, and (b) providing internet and communications services to enterprises in Beijing.

In line with its stated strategy, the Group made three strategic acquisitions during the first half of the year.

In January 2003 the Group acquired a 60% interest in Wisdom Elite Holdings Limited, a solution and service provider to the Labour and Social Security and Tax authorities in China.

In April 2003 the Group acquired a 51% interest in Astoria Innovations Limited, who is principally engaged in the development and sale of re-employment and e-government software systems to government authorities.

In May 2003 the Group acquired a 100% interest in Business Net Limited whose sole asset is its interest in 38% of 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, subway and light railway. This electronic payment and settlement system may be extended to cover other retail businesses.

Other Businesses

The outbreak of SARS in China and Southeast Asia affected the performance of the restaurant business. The segment results showed a negative contribution of HK\$5.9 million compared with a positive contribution of HK\$2.3 million for the same period last year. The outlook for the second half of the year is brighter with business already recovering to the pre-SARS levels.

The property investment business remained stable during the period.

Future Plans and Prospects

The Group expects that it will do well in the education sector in the second half of the year. The Group has secured a further system integration contract, for both software and hardware, for approximately 400 schools (2002: 300 schools, 2001: 200 schools) in Beijing to be completed by the end of 2003. To date, most of the Group’s education business has been carried out in Beijing. However, the Group plans to promote its products and services to other cities and provinces in China.

Since the acquisition of Wisdom Elite Holdings Limited, the Group has made significant progress in the social security sector, especially in the development and sale of management information systems for retirement, industrial accident and unemployment social insurances. The Group expects a significant contribution from this sector in the near future.

The acquisition of a 38% interest (the single largest interest) in the “Yikatong” automated collection system is of long term strategic importance to the Group. It is expected that a significant portion of the system construction and conversion work will be completed and ready for use by the end of 2004, particularly for buses and taxis, currently the main forms of public transport in Beijing. The use of contactless multipurpose electronic payment cards has been very successfully deployed and received in many Asian countries and cities including Hong Kong, South Korea, Shanghai, Taiwan and Singapore. The Group is confident that the same will be true for Beijing in future.

Liquidity and Financial Resources

During the six months ended 30 June 2003, the Group’s net asset value increased by 14% to HK\$0.92 per share. The Group’s total assets of HK\$751.2 million as at 30 June 2003 were financed by total liabilities of HK\$256.2 million, minority interests of HK\$41.4 million and shareholders’ equity of HK\$453.6 million.

As at balance sheet date, the Group’s cash and bank balances the maintained at HK\$90 million, while total financial indebtedness was HK\$152.5 million. Out of this financial indebtedness, HK\$99.2 million will mature within one year. Certain Group’s properties with an aggregate carrying value of HK\$69.6 million were pledged as securities for the banking facilities. The Group had limited exposure to exchange fluctuations and over 90% of its bank borrowings and bank balances were denominated in Renminbi and United States Dollars.

As at 30 June 2003, the current ratio (current assets over current liabilities) of the Group was 201% and the gearing ratio, calculated by dividing the financial indebtedness net of cash and bank balances over shareholders’ equity, was 14%.

During the period under review, the Group had operating profit before working capital changes of HK\$33.1 million and cash generated from operations of HK\$11.5 million. In view of the cash generated from the Group’s operations and the available banking facilities, the directors believe that the Group has adequate cash resources for working capital requirements and its capital expenditure commitments.

Capital Structure

During the six months ended 30 June 2003, the Company totalling issued 47,722,400 new shares of HK\$1 each at par as part of the consideration for the acquisition of certain subsidiaries.

Employees

As at 30 June 2003, the Group employed approximately 1,100 full time employees, of which 14 employees are employed in Hong Kong. On top of regular remuneration, discretionary bonus and share option may be granted to eligible staff by reference to the Group’s performance and as well as individuals’ performance. As at 30 June 2003, the Company had 35,100,000 share options outstanding under the share option scheme.

Contingent Liabilities

As at 30 June 2003, the Company has given corporate guarantees to banks in connection with general banking facilities granted to subsidiaries amounting to HK\$53 million. The extent of these facilities utilised by the subsidiaries at 30 June 2003 amounted to HK\$43.3 million.

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 2003.

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 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 2003 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.

APPRECIATION

The board of 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 period.

By Order of the Board
XIONG DA XIN
Chairman

Hong Kong
8 September 2003