



北京發展（香港）有限公司

BEIJING DEVELOPMENT (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability)

ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2002

HIGHLIGHTS	2002 HK\$'000	2001 HK\$'000	
Turnover	387,377	231,425	↑ 67%
Profit from operating activities	29,366	9,903	↑ 197%
Net profit/(loss) attributable to shareholders	15,416	(1,600)	
Earnings/(loss) per share — basic	3.5 cents	(0.6) cent	
Total assets	700,372	582,662	↑ 20%
Net tangible assets	274,047	244,004	↑ 12%

RESULTS
The Board of Directors of Beijing Development (Hong Kong) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2002 together with comparative figures for the previous year as follows:

	Notes	2002 HK\$'000	2001 HK\$'000
TURNOVER			
Continuing operations		387,377	221,791
Discontinued operations		—	9,634
	2	387,377	231,425
Cost of sales		(207,586)	(131,408)
Gross profit		179,791	100,017
Interest income		1,394	2,246
Other revenue and gains		4,536	2,865
Selling and distribution costs		(106,330)	(65,301)
Administrative expenses		(36,869)	(20,204)
Other operating expenses		(12,254)	(12,525)
Revaluation deficit of investment properties		(902)	(612)
Gain on disposal of discontinued operations		—	3,417
PROFIT FROM OPERATING ACTIVITIES	2 & 3	29,366	9,903
Finance costs	4	(5,355)	(6,599)
Share of profits and losses of: Associates		(591)	(1,651)
Jointly-controlled entities		223	(1,586)
Provision against an amount due from an associate		(5,592)	—
PROFIT/(LOSS) BEFORE TAX		18,051	(1,988)
Continuing operations		—	2,055
Discontinued operations		—	—
Tax		18,051	67
Continuing operations		2,844	(625)
Discontinued operations		—	—
	5	2,844	(625)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		20,895	(558)
Minority interests		(5,479)	(1,042)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		15,416	(1,600)
EARNINGS/(LOSS) PER SHARE — BASIC (cents)	6	3.5	(0.6)

Notes:

- Impact of new and revised Statements of Standard Accounting Practice (“SSAPs”)**
The following recently-issued and revised SSAPs are effective for the first time for the current year’s financial statements:
SSAP 1 (Revised) : “Presentation of financial statements”
SSAP 11 (Revised) : “Foreign currency translation”
SSAP 15 (Revised) : “Cash flow statements”
SSAP 34 : “Employee benefits”
The SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group’s accounting policies and on the amounts disclosed in these financial statements of those SSAPs which have had a significant effect on the financial statements are summarised in the Company’s annual report.
- Turnover and segment information**
Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; proceeds from the sale of properties held for sale; gross rental income; and receipts from restaurant operations.
The following tables present revenue, profit and expenditure information for the Group’s business segments.

	Information technology		Restaurants		Property investment		Woolen and worsted products		Corporate		Eliminations		Consolidated	
	2002	2001	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	HK\$'000	HK\$'000
Segment revenue:														
Sales to external customers	179,896	74,559	200,571	137,148	6,910	10,084	—	9,634	—	—	—	—	387,377	231,425
Intersegment sales	—	—	—	—	1,032	—	—	—	—	—	(1,032)	—	—	—
Total	179,896	74,559	200,571	137,148	7,942	10,084	—	9,634	—	—	(1,032)	—	387,377	231,425
Segment results	32,215	14,598	5,186	4,364	4,810	6,870	—	3,639	—	—	—	—	42,211	29,471
Interest income													1,394	2,246
Unallocated corporate expenses													(14,239)	(21,814)
Profit from operating activities													29,366	9,903
Finance costs													(5,355)	(6,599)
Share of profits and losses of: Associates													(591)	(1,651)
Jointly-controlled entities	223	(1)	—	—	(591)	(1,651)	—	(1,585)	—	—	—	—	223	(1,586)
Provision against an amount due from an associate	—	—	—	—	(5,592)	—	—	—	—	—	—	—	(5,592)	—
Profit before tax													18,051	67
Tax													2,844	(625)
Profit/(loss) before minority interests													20,895	(558)
Minority interests													(5,479)	(1,042)
Net profit/(loss) from ordinary activities attributable to shareholders													15,416	(1,600)
Other segment information:														
Depreciation	2,232	213	8,609	5,524	340	351	—	—	1,394*	1,344*	—	—	12,575	7,432
Amortisation	14,140	2,357	—	—	—	—	—	—	—	—	—	—	14,140	2,357
Capital expenditure	5,350	2,000	15,303	7,987	—	—	—	—	2	1,289	—	—	20,655	11,276

* These are included in “Unallocated corporate expenses”.

Profit from operating activities		
The Group’s profit from operating activities is arrived at after charging/(crediting):		
	2002 HK\$'000	2001 HK\$'000
Cost of inventories sold	106,722	76,230
Cost of sales of properties held for sale	60	1,068
Cost of services provided	26,982	2,731
Depreciation	12,575	7,432
Amortisation of goodwill*	12,254	2,042
Amortisation of intangible assets*	(3,354)	1,886
Net rental income	(4,570)	(5,453)
Interest income	(1,394)	(2,246)
Gain on disposal of investment properties	(1,164)	(1,060)
Gain on disposal of fixed assets	(185)	(1,777)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of Beijing Development (Hong Kong) Limited (the “Company”) will be held at Taishan Room, Level 5, The Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong on Tuesday, 27 May 2003 at 10:15 a.m. for the following purposes:

- To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and of the Auditors for the year ended 31 December 2002;
- To re-elect the retiring director and to authorise the board of directors to fix directors’ remuneration;
- To re-appoint the retiring auditors and to authorise the board of directors to fix their remuneration.
- To consider as special business and, if thought fit, pass with or without amendments the following resolution as an ordinary resolution:

“THAT:

- subject to paragraphs (b) and (c) of this resolution, the Directors be and are hereby granted an unconditional general mandate to allot, issue and deal with additional shares of the Company and to allot, issue or grant securities convertible into such shares, or options, warrants or similar rights to subscribe for any shares of the Company or such convertible securities and to make or grant offers, agreements and options in respect thereof;
- such mandate shall not extend beyond the Relevant Period save that the Directors may during the Relevant Period make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to paragraph (a) above, otherwise than pursuant to
 - a rights issue;
 - the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company;
 - the exercise of the subscription rights under options granted under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares of the Company or rights to acquire shares of the Company; or
 - any scrip dividend or similar arrangement providing for the allotment of shares of the Company in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company,shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution; and
- for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution up to:

- the conclusion of the next annual general meeting of the Company;
- the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; or
- the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting, whichever is the earliest; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares on the register of on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlement or having regard to any restrictions and obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

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

- Finance costs**
Interest on bank loans, overdrafts, and other loans wholly repayable within five years
2002
HK\$'000
5,355
2001
HK\$'000
6,599
- 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 year.
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.
Group:
Hong Kong
Elsewhere
Overprovision in prior years
Share of tax attributable to associates
2002
HK\$'000
(298)
(1,661)
4,243
560
2001
HK\$'000
(134)
(985)
494
(625)
- Earnings/(loss) per share**
The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders for the year of HK\$15,416,000 (2001: net loss of HK\$1,600,000) and the 446,258,750 (2001: the weighted average of 273,008,750) ordinary shares in issue during the year.
Diluted earnings/(loss) per share amounts for the years ended 31 December 2002 and 2001 have not been disclosed as the share options outstanding during those years had an anti-dilutive effect on the basic earnings/(loss) per share.
- Dividend**
The Directors do not recommend the payment of any dividends in respect of the year (2001: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Results

The Group’s turnover for 2002 amounted to HK\$387.4 million, representing an increase of HK\$156 million or 67% over the previous year. The significant increase in turnover was mainly caused by a substantial increase of 141%, from HK\$74.6 million to HK\$179.9 million, of the revenue generated by the information technology business segment. The operating profit for the year was HK\$29.4 million, representing approximately a threefold increase from HK\$9.9 million in 2001. The huge growth was also mainly generated by the information technology business segment, whose segment results increased by HK\$17.6 million from HK\$14.6 million to HK\$32.2 million.

The Group reported a net profit attributable to shareholders of HK\$15.4 million. This represents a fundamental turnaround in the Group’s results after incurring continuous losses for the last few years: HK\$1.6 million, HK\$22.8 million and HK\$50.2 million in 2001, 2000 and 1999, respectively. Earnings per share amounted to 3.5 cents while 2001 showed a loss per share of 0.6 cents.

Information Technology Services

The information technology segment grew rapidly in 2002. Segment revenue, EBITDA and segment results were HK\$179.9 million, HK\$46.5 million and HK\$32.2 million compared with HK\$74.6 million, HK\$17.5 million and HK\$14.6 million in 2001. During 2002, the Group continued to focus on two main areas: (a) providing information technology solutions, for both hardware and software, to primary and secondary schools in Beijing and (b) providing internet and communications services to enterprises in Beijing. The knowledge, experience and business connections it gained by focusing on these two fields enabled the Group to substantially enlarge its customer base. The Group became one of the leading participants in these fields in Beijing.

Restaurants

The restaurant business produced a modest improvement in 2002, generating segment results of HK\$5.2 million. The performance of the restaurant operations is likely to be volatile in the coming year, depending on the length of time the outbreak of SARS in China and Southeast Asia effects it.

Property investment

Leasing activities for the Group’s property portfolio remained flat during the year. The Group will continue to adjust its property holdings whenever market opportunities arise.

Future Plans and Prospects

The Group has built a strong market position in the educational information technology sector in Beijing. The Group plans to substantially increase its market penetration in the coming years, both in terms of customer base and types of services to be provided. The Group believes that there is still a huge growth prospect in this sector.

Based on the Company’s announcement dated 20 December 2002, the Group completed the acquisition of a 60% equity interest in Wisdom Elite Holdings Limited (“Wisdom Elite”) in January 2003. Wisdom Elite is principally engaged in the development and sale of social security information management systems and tax information management systems in China. The Group considers that the acquisition will enable it to further strengthen its software development capabilities. The Group plans to work closely with the Municipal Labour and Social Security Bureau in Beijing with a view to providing modern, suitable information technology solutions for the social security sector in Beijing.

In line with its strategy of becoming Beijing Enterprises Holdings Limited’s information technology flagship, the Group will continue to seek investment opportunities in information technology businesses.

Financial Resources

As at the balance sheet date, the Group had total assets of HK\$700 million, which were financed by total liabilities of HK\$274 million, minority interests of HK\$29 million and shareholders’ funds of HK\$397 million. The Group’s net asset value increased by 3.6% to HK\$0.89 per share.

As at the balance sheet date, the Group maintained a healthy cash and bank balance of HK\$114 million. The Group’s borrowings, principally on a floating rate basis, totalled HK\$154 million, of which HK\$93 million were due within one year. The Group’s exposure to exchange fluctuations is insignificant as over 93% of the Group’s borrowings were denominated in either Renminbi or United States Dollars. Certain properties of the Group with an aggregate carrying value of HK\$70 million were pledged as securities for the Group’s banking facilities.

As at 31 December 2002, the Group had a current ratio (current assets over current liabilities) of 2.01 compared to that of 1.45 as at 31 December 2001. As at 31 December 2002, the gearing ratio, calculated on the basis of the Group’s aggregate interest bearing borrowings over shareholders’ funds, increased to 0.39 as compared to 0.25 as at 31 December 2001. The earnings before interest expenses, taxation, depreciation and amortisation for the year under review of HK\$46.8 million covered gross interest expenses of HK\$5.4 million by 8.7 times, compared to that of 2.5 times for the prior year.

Human Resources

The Group employed 986 full-time employees as at 31 December 2002. Total staff costs (including directors’ remuneration) for the year ended 31 December 2002 amounted to HK\$60.6 million, representing 42% of the Group’s total selling, distribution and administrative expenses, or an increase of 78% compared with the prior year of HK\$34 million. During the year under review, 23.7 million share options were granted at an exercise price of HK\$1 per share to certain executive directors of the Company and employees of the Group. No share options were exercised during the year and the Company had 38.9 million share options outstanding at balance sheet date.

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 year.

CORPORATE GOVERNANCE

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 annual 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 ANNUAL RESULTS ON THE STOCK EXCHANGE WEBSITE

The Company’s annual report containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

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.

On behalf of the Board
XIONG DA XIN
Chairman

Hong Kong, 14 April 2003

Website: <http://www.bdhk.com.hk>

- To consider as special business and, if thought fit, pass with or without amendments the following resolution as an ordinary resolution:

“THAT:

- subject to paragraph (b) of this resolution, the Directors be and are hereby granted an unconditional general mandate to repurchase on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, shares of the Company and that the exercise by the Directors of all powers of the Company to repurchase shares of the Company, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- the aggregate nominal amount of shares of the Company which may be repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution; and
- for the purpose of this resolution:
“Relevant Period” means the period from the passing of this resolution up to:
 - the conclusion of the next annual general meeting of the Company;
 - the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; or
 - the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting, whichever is the earliest.”

- To consider as special business and, if thought fit, pass with or without amendments the following resolution as an ordinary resolution:

“THAT subject to the passing of ordinary resolutions number 4 and 5 set out in the Notice, of which this resolution forms part, the aggregate nominal amount of share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to and in accordance with the mandate granted under ordinary resolution number 4 set out in the Notice, of which this resolution forms part, be and is hereby increased and extended by the addition thereto of the aggregate nominal amount of the shares of the Company which may be repurchased by the Company pursuant to and in accordance with the mandate granted under ordinary resolution number 5 set out in the Notice, of which this resolution forms part, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution.”

Hong Kong, 14 April 2003
Notes:
(i) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his stead. A proxy need not be a member of the Company. If more than one proxies is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
(ii) In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed, or notarially certified copy of such power of attorney or authority, must be deposited at the Company’s share registrar, Tengis Limited, at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong at least 48 hours before the time appointed for holding the meeting or any adjourned meeting, or poll. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting, or poll.
(iii) An explanatory statement containing further details regarding the ordinary resolution number 5 will be sent to shareholders together with the 2002 Annual Report.

By Order of the Board
WONG KWOK WAI, ROBIN
Company Secretary