



北京發展（香港）有限公司
BEIJING DEVELOPMENT (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 154)

ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2003

HIGHLIGHTS

	2003	2002	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Turnover	481,345	387,377	↑24%
Profit from operating activities	42,681	29,366	↑45%
Net profit attributable to shareholders	21,721	15,416	↑41%
Earnings per share – Basic	4.5 cents	3.5 cents	↑29%
Total assets	842,263	700,372	↑20%
Net assets	462,175	396,863	↑16%

RESULTS

The board of directors (the “Board”) 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 2003 together with comparative figures for the previous year as follows:

	<i>Notes</i>	2003	2002
		<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	3	481,345	387,377
Cost of sales		<u>(259,553)</u>	<u>(207,586)</u>
Gross profit		221,792	179,791
Interest income		1,102	1,394
Other revenue and gains		8,144	4,536
Selling and distribution costs		(117,493)	(106,330)
Administrative expenses		(45,811)	(36,869)
Other operating expenses		(25,253)	(12,254)
Revaluation surplus/(deficit) of investment properties		<u>200</u>	<u>(902)</u>
PROFIT FROM OPERATING ACTIVITIES	4	42,681	29,366
Finance costs	5	(6,651)	(5,355)

Share of profits and losses of:			
Associates		(2,213)	(591)
Jointly-controlled entities		(230)	223
Amortisation of goodwill on acquisition of a jointly-controlled entity		(1,429)	–
Provision against an amount due from an associate		–	(5,592)
		<hr/>	<hr/>
PROFIT BEFORE TAX		32,158	18,051
Tax	6	116	2,844
		<hr/>	<hr/>
PROFIT BEFORE MINORITY INTERESTS		32,274	20,895
Minority interests		(10,553)	(5,479)
		<hr/>	<hr/>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		21,721	15,416
		<hr/>	<hr/>
EARNINGS PER SHARE	7		
Basic (cents)		4.5	3.5
		<hr/>	<hr/>
Diluted (cents)		4.5	N/A
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Notes:

1. Impact of new and revised Statements of Standard Accounting Practice (“SSAPs”)

The following new and revised SSAPs are effective for the first time for the current year’s financial statements:

- SSAP 12 (Revised): “Income taxes”
- SSAP 35: “Accounting for government grants and disclosure of government assistance”

These 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 adopting these SSAPs are summarised below:

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax). The SSAP has had no significant impact for these financial statements on the amounts recorded for income taxes.

SSAP 35 prescribes the accounting for government grants and other forms of government assistance. The adoption of this SSAP has had no significant impact for these financial statements on the amounts recorded for government grants.

2. Segment information

(a) Business segments

The following tables present revenue, profit and certain expenditure information for the Group's business segments.

	Information technology HK\$'000	Restaurants HK\$'000	Property investment HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
2003						
Segment revenue:						
Sales to external customers	268,151	206,890	6,304	–	–	481,345
Intersegment sales	–	–	954	–	(954)	–
	<u>268,151</u>	<u>206,890</u>	<u>7,258</u>	<u>–</u>	<u>(954)</u>	<u>481,345</u>
Total	<u>268,151</u>	<u>206,890</u>	<u>7,258</u>	<u>–</u>	<u>(954)</u>	<u>481,345</u>
Segment results	<u>50,526</u>	<u>(710)</u>	<u>3,962</u>	<u>–</u>	<u>–</u>	<u>53,778</u>
Interest income						1,102
Unallocated corporate expenses						<u>(12,199)</u>
Profit from operating activities						42,681
Finance costs						(6,651)
Share of profits and losses of:						
Associates	(713)	–	(1,500)	–	–	(2,213)
Jointly-controlled entities	(230)	–	–	–	–	(230)
Amortisation of goodwill on acquisition of a jointly -controlled entity	(1,429)	–	–	–	–	<u>(1,429)</u>
Profit before tax						32,158
Tax						<u>116</u>
Profit before minority interests						32,274
Minority interests						<u>(10,553)</u>
Net profit from ordinary activities attributable to shareholders						<u>21,721</u>
Other segment information:						
Depreciation	3,168	11,897	355	1,496*	–	16,916
Amortisation	<u>16,421</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>16,421</u>

(a) *Business segments (continued)*

	Information technology HK\$'000	Restaurants HK\$'000	Property investment HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
2002						
Segment revenue:						
Sales to external customers	179,896	200,571	6,910	–	–	387,377
Intersegment sales	–	–	1,032	–	(1,032)	–
Total	<u>179,896</u>	<u>200,571</u>	<u>7,942</u>	<u>–</u>	<u>(1,032)</u>	<u>387,377</u>
Segment results	<u>32,215</u>	<u>5,186</u>	<u>4,810</u>	<u>–</u>	<u>–</u>	<u>42,211</u>
Interest income						1,394
Unallocated corporate expenses						(14,239)
Profit from operating activities						29,366
Finance costs						(5,355)
Share of profits and losses of:						
Associates	–	–	(591)	–	–	(591)
Jointly-controlled entities	223	–	–	–	–	223
Provision against an amount due from an associate	–	–	(5,592)	–	–	(5,592)
Profit before tax						18,051
Tax						2,844
Profit before minority interests						20,895
Minority interests						(5,479)
Net profit from ordinary activities attributable to shareholders						<u>15,416</u>
Other segment information:						
Depreciation	2,232	8,609	340	1,394*	–	12,575
Amortisation	<u>14,140</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>14,140</u>

* These are included in “Unallocated corporate expenses”.

(b) *Geographical segments*

The following tables present revenue for the Group’s geographical segments.

	Hong Kong HK\$'000	Mainland China HK\$'000	Singapore HK\$'000	Indonesia HK\$'000	Malaysia HK\$'000	Thailand HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
2003								
Segment revenue:								
Sales to external customers	4,634	316,575	61,433	50,604	37,917	10,182	–	481,345
Intersegment sales	<u>12,918</u>	<u>–</u>	<u>27,575</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(40,493)</u>	<u>–</u>
Total	<u>17,552</u>	<u>316,575</u>	<u>89,008</u>	<u>50,604</u>	<u>37,917</u>	<u>10,182</u>	<u>(40,493)</u>	<u>481,345</u>

2002

Segment revenue:

Sales to external customers	6,695	223,311	86,160	27,259	43,952	-	-	387,377
Intersegment sales	16,050	1,372	-	-	-	-	(17,422)	-
	<u>22,745</u>	<u>224,683</u>	<u>86,160</u>	<u>27,259</u>	<u>43,952</u>	<u>-</u>	<u>(17,422)</u>	<u>387,377</u>
Total	<u>22,745</u>	<u>224,683</u>	<u>86,160</u>	<u>27,259</u>	<u>43,952</u>	<u>-</u>	<u>(17,422)</u>	<u>387,377</u>

3. Turnover

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.

Revenue from the following activities has been included in turnover:

	2003 HK\$'000	2002 HK\$'000
Receipts from restaurant operations	206,141	198,360
Sales of dried seafood	749	2,211
Construction contracts	167,535	122,174
Rendering of services	100,616	57,722
Gross rental income	6,304	6,585
Sales of properties held for sale	-	325
	<u>481,345</u>	<u>387,377</u>

4. Profit from operating activities

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

	2003 HK\$'000	2002 HK\$'000
Cost of inventories sold	93,650	106,722
Cost of sales of properties held for sale	-	60
Cost of services provided	38,899	26,982
Depreciation	16,916	12,575
Operating lease rentals for land and buildings:		
Minimum lease payments	19,466	16,351
Contingent rents	1,169	1,216
	<u>20,635</u>	<u>17,567</u>
Amortisation of goodwill*	14,503	12,254
Release of goodwill upon disposal of partial interests in subsidiaries*	10,750	-
Negative goodwill recognised as income during the year#	(1,939)	(3,354)
Amortisation of intangible assets@	1,918	1,886
Research and development costs:		
Current year expenditure	5,089	2,541
Less: Government grants released+	(1,340)	-
	<u>3,749</u>	<u>2,541</u>
Foreign exchange losses, net	638	513

4. Profit from operating activities (continued)

	2003 HK\$'000	2002 HK\$'000
Auditors' remuneration:		
Current year provision	1,885	1,493
Prior year's underprovision	221	185
	<u>2,106</u>	<u>1,678</u>
Staff costs (including directors' remuneration):		
Wages and salaries	65,149	58,080
Pension scheme contributions	3,391	3,209
	<u>68,540</u>	<u>61,289</u>
Gross rental income from investment properties	(3,236)	(3,365)
Gross rental income from properties held for sale	(3,068)	(3,220)
Less: Outgoings	2,210	2,015
	<u>(4,094)</u>	<u>(4,570)</u>
Interest income	(1,102)	(1,394)
Gain on disposal of investment properties	–	(1,164)
Loss/(gain) on disposal of fixed assets	864	(185)

* The amortisation of goodwill and release of goodwill are included in "Other operating expenses" on the face of the consolidated profit and loss account.

The negative goodwill recognised in the consolidated 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.

+ Various government grants have been received for the research and development of management information systems for the education sector in Beijing, Mainland China. The government grants released have been deducted from the research and development costs to which they relate. There are no unfulfilled conditions or contingencies relating to these grants.

5. Finance costs

	2003 HK\$'000	2002 HK\$'000
Interest on bank loans and overdrafts	<u>6,651</u>	<u>5,355</u>

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 year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 December 2003. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

	2003 HK\$'000	2002 HK\$'000
Group:		
Current – Hong Kong		
Charge for the year	(226)	(298)
Overprovision in prior years	581	4,243
Current – Elsewhere		
Charge for the year	(1,028)	(1,661)
Overprovision in prior years	151	–
	<u>(522)</u>	<u>2,284</u>
Share of tax attributable to:		
Jointly-controlled entities	182	–
Associates	456	560
	<u>638</u>	<u>560</u>
Total tax credit for the year	<u>116</u>	<u>2,844</u>

7. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$21,721,000 (2002: HK\$15,416,000) and the weighted average of 479,519,199 (2002: 446,258,750) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of HK\$21,721,000. The weighted average number of ordinary shares used in the calculation is the 479,519,199 ordinary shares in issue during the year, as used in the basic earnings per share calculation; and the weighted average of 29,299 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

Diluted earnings per share amount for the year ended 31 December 2002 has not been disclosed as the share options outstanding during that year had an anti-dilutive effect on the basic earnings per share for that year.

DIVIDEND

The Board do not recommend the payment of any dividends in respect of the year (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Results

The Group's results for the year ended 31 December 2003 showed significant improvement over the previous year. Turnover increased to HK\$481.3 million from HK\$387.4 million, operating profit jumped to HK\$42.7 million from HK\$29.4 million and net profit attributable to shareholders rose to HK\$21.7 million from HK\$15.4 million, representing increases of 24%, 45% and 41%, respectively. Earnings per share amounted to 4.5 cents, representing an increase of 29% over the 2002 figure of 3.5 cents. The information technology business segment was the sole powerhouse behind the strong performance in 2003.

Information Technology

The information technology business continued to grow rapidly in 2003. Segment revenue, EBITDA and results increased to HK\$268.2 million, HK\$78.9 million and HK\$50.5 million, respectively from the corresponding figures of HK\$179.9 million, HK\$45.2 million and HK\$32.2 million in 2002, representing increases of 49%, 75% and 57%, respectively. The information technology business segment became the main contributor to both revenue and profit in 2003.

The Group continued to make progress in the education sector in 2003, carrying out hardware and software integration works for approximately 400 schools in Beijing (2002: 300 schools, 2001: 200 schools). In addition, the Group started to market the use of contactless multipurpose electronic student cards in selected schools in Beijing. Such cards can be used for personal identification, settlement, storage of personal and academic data, computer access, library access and other access controls. The Group believes that there should be huge commercial potential for such student cards.

Since the acquisition of Wisdom Elite Holdings Limited and Astoria Innovations Limited in early 2003, the Group has made significant progress in other government sectors, especially in the development and sale of management information systems for retirement, industrial accident and unemployment social insurances and in the development and sale of e-government solutions for community level government authorities.

In May 2003 the Group acquired a 100% interest in Business Net Limited whose sole asset is its 38% interest in 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, mass transit railway and light railway. This electronic payment and settlement system may be extended to cover other retail businesses, just like the Octopus Cards in Hong Kong.

Other Businesses

The outbreak of SARS in China and Southeast Asia in 2003 adversely affected the performance of the Group’s restaurant business. The segment results showed a negative contribution of HK\$0.7 million compared with a positive contribution of HK\$5.2 million in 2002. The outlook for the coming year is brighter in line with general economic improvement in the regions.

The Group’s property investment business remained flat and insignificant during the year.

Future Plans and Prospects

The “Yikatong” cards were rolled out at the end of 2003. A very extensive mass transit railway network is being constructed in Beijing and will be completed in the next few years prior to the 2008 Olympic Games. It is expected that the “Yikatong” cards will grow exponentially over the next few years. The acquisition of a 38% interest (the single largest shareholder) in the “Yikatong” automated collection system is of long term strategic importance to the Group. The Group will be actively seeking further investment opportunities in this field.

The Group plans to continue to increase its market share in the education sector. In addition, the Group is planning to make every effort to try to secure other large systems integration contracts that may be put out to tender in the coming year in Beijing, especially in areas where the Group has gained an in-depth industry knowledge, such as social insurance, employment and mass transit railway automatic fare collection systems.

Financial Resources

As at the balance sheet date, the Group had total assets of HK\$842.3 million, which were financed by total liabilities of HK\$316.5 million, minority interests of HK\$63.6 million and shareholders' funds of HK\$462.2 million. The Group's net asset value increased by 16% to HK\$0.94 per share.

As at the balance sheet date, the Group maintained a healthy cash and bank balance of HK\$90.3 million. The Group's borrowings, principally on a floating rate basis, totalled HK\$155.9 million, of which HK\$112.7 million were due within one year. The Group's exposure to exchange fluctuations is insignificant as over 94% 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\$68.5 million were pledged as securities for the Group's banking facilities.

As at 31 December 2003, the Group had a current ratio (current assets over current liabilities) of 1.64 compared to that of 1.96 as at 31 December 2002. As at 31 December 2003, the gearing ratio, calculated on the basis of the Group's aggregate interest bearing borrowings over shareholders' funds, decreased to 0.34 as compared to 0.39 as at 31 December 2002.

Human Resources

The Group employed 1,452 full-time employees as at 31 December 2003. Total staff costs (including directors' remuneration) for the year ended 31 December 2003 amounted to HK\$68.5 million, representing 42% of the Group's total selling, distribution and administrative expenses, or an increase of 12% compared with the prior year of HK\$61.3 million.

During the year under review, 2.8 million share options were granted at an exercise price of HK\$1.05 per share to a director of the Company. No share options were exercised during the year and the Company had 33.9 million share options outstanding at the 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.

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 this announcement, 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.

PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

The Company proposes to make certain amendments to its Articles of Association in accordance with the relevant requirements under the revised Listing Rules as announced on 30 January 2004. The proposed amendments to the Articles of Association are subject to approval of the shareholders of the Company by way of a special resolution at the forthcoming annual general meeting of the Company. Details of the proposed amendments are to be set out in the notice for the annual general meeting to be published on the same day when the 2003 annual report of the Company and a circular containing more details of this proposal are to be dispatched, which is expected to be on or around 29 April 2004.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Zhang Honghai, Mr. Ng Kong Fat, Brian, Mr. E Meng and Mr. Zhao Jifeng as executive directors and Mr. Cai Guixing and Mr. Feng Ching Ying, Frank as independent non-executive directors.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S 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 Board 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
Zhang Honghai
Chairman

Hong Kong, 15 April 2004

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