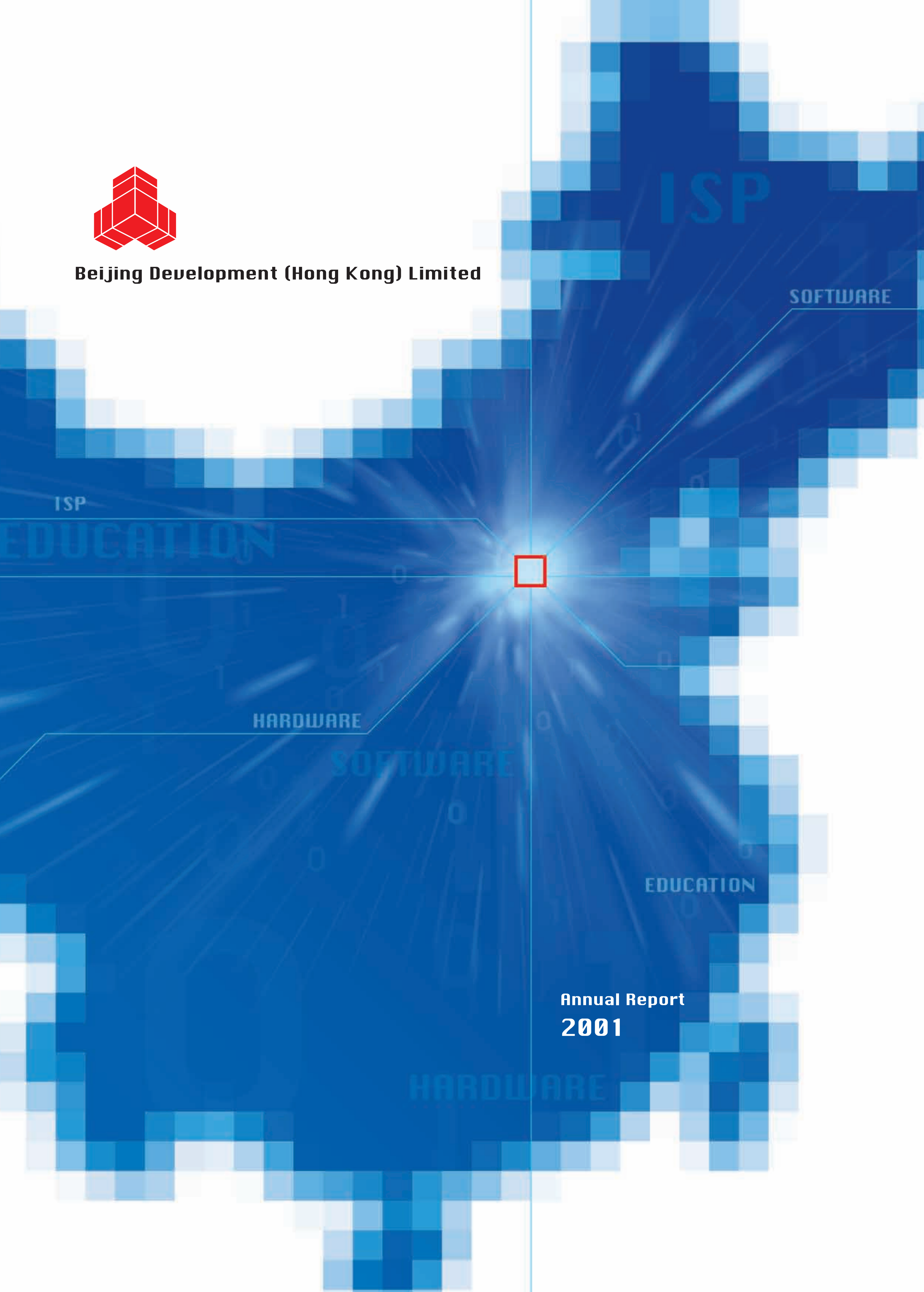
Beijing Development (Hong Kong) Limited



Annual Report 2001

Corporate Information

DIRECTORS

Executive directors

Mr. Xiong Da Xin	*Chairman*
Mr. Bai Jin Rong	*Managing Director*
Dr. Mao Xiang Dong, Peter	*Deputy Managing Director*
Mr. E Meng	*Deputy Managing Director*
Mr. Ng Kong Fat, Brian	*Deputy Managing Director*

Independent non-executive directors

Mr. Wu Shi Xiong	*(resigned on 4 February 2002)*
Mr. Cao Guixing	
Mr. Feng Ching Yeng, Frank	

COMPANY SECRETARY

Mr. Wong Kwok Wai, Robin

AUTHORISED REPRESENTATIVES

Mr. Bai Jin Rong
Mr. Ng Kong Fat, Brian

REGISTERED OFFICE

20th Floor, Hang Lung House, 184–192 Queen's Road Central,
Sheung Wan, Hong Kong

AUDITORS

Ernst & Young

LEGAL ADVISER

Baker & McKenzie

PRINCIPAL BANKER

Bank of China (Hong Kong)

SHARE REGISTRAR

Tengis Limited
4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong

WEBSITE

http://www.bdhk.com.hk

RESULTS

The Group's turnover for the financial year amounted to HK$231.4 million, representing a growth of 38% over the previous year. The operating profit for the whole year was HK$9.9 million, representing a major improvement when compared with the operating loss of HK$0.4 million for the first half of the year. Year to year comparison also shows a growth of 17% over the previous year. Net loss attributable to shareholders was HK$1.6 million, representing a massive reduction of the loss by 93% or HK$21.2 million from the corresponding figure last year. The comparative loss per share figures for 2001 and 2000 were 0.6 cent and 26.6 cents respectively. The turnaround was mainly due to the disposal of loss making woollen and worsted businesses, the acquisition of profitable information technology related businesses and the successful restructuring of the Company's capital which led to significant reduction in finance costs. In considering the turnaround of the results it should also be noted that the Group incurred one-off professional fees relating to the group restructuring and acquisition totalling HK$10.5 million.

BUSINESS REVIEW

Group Restructuring

On 18 January 2001, the Company entered into three subscription agreements and a placing agreement (collectively the "Subscription Agreements") to issue a total of 218,000,000 new shares of the Company at an issue price of HK$1 per share for an aggregate cash consideration of HK$218 million. Upon the completion of the Subscription Agreements on 29 March 2001, Beijing Enterprises Holdings Limited ("BEHL"), a company incorporated and listed in Hong Kong, became the controlling shareholder of the Company. BEHL has stated its intention to develop the Company as its major flagship for investment in the information technology and communications sectors.

During the year under review, the Company used HK$117 million of the proceeds from the Subscription Agreements for the repayment of interest-bearing bank and other loans and HK$69 million for business expansion, representing 54% and 32% respectively of the proceeds. The remaining proceeds are mainly placed on short term deposit.

As part of the restructuring plan, the Group disposed of its woollen and worsted businesses at the end of March 2001, resulting in an aggregate gain on disposal of HK$3.4 million.

Acquisition of Cyber Vantage Group

On 31 October 2001, the Company acquired 51% and 49% equity interests in Cyber Vantage Group Limited ("CVG") from BEHL and five individuals, respectively, at an aggregate consideration of HK$190 million which was satisfied as to HK$47.5 million in cash and HK$142.5 million by way of the allotment of 142,500,000 new shares of the Company. At the date of acquisition, CVG, via a wholly-owned subsidiary, Beijing Enterprises Teletron Information Technology Co. Ltd. ("BETIT"), was principally engaged in (i) the provision of system integration services; and (ii) the provision of internet and communications related services.

The consideration represented a price earnings multiple of 9.5 times of the guaranteed profit of HK$20 million. The audited consolidated net profit after tax and minority interests of CVG for the year ended 31 December 2001 amounted to HK$22.7 million. The goodwill arising on acquisition of HK$122.5 million is being amortised over 10 years. Since the acquisition, CVG contributed HK$74.6 million to the Group's turnover and HK$14.5 million to the consolidated profit after tax and minority interests for the year ended 31 December 2001.

On 1 August 2001, BETIT entered into several technical services agreements with Beijing Teletron Telecom Engineering Co. Ltd. ("BTTE"), a 91% owned subsidiary of BEHL, under which BETIT will provide services to BTTE for 20 years from 1 August 2001, in return for a monthly service fee from BTTE calculated at an aggregate of 25% of BTTE's total turnover during that period. The transactions constitute on-going connected transactions for the Company. The Stock Exchange has granted a waiver for a period of three financial years ending 31 December 2003 from the disclosure/shareholders' approval requirements. Since the acquisition, total service fees received from BTTE amounted to HK$5.7 million, representing 2.5% of the Group's total turnover for the year ended 31 December 2001.

To comply with the requirements of the Central Government's nationwide "School Intranet" project, Beijing Education Bureau is in the process of establishing a platform with the ability of internet access, on-line education and dissemination of education information, known as "Beijing Education Information Network", which will connect all primary and secondary schools, students, teachers and other related entities in Beijing. Starting with 200 schools in 2001 as a pilot project, it is proposed that by the end of 2005, all primary and secondary schools in Beijing (approximately 3,000 schools) should be equipped with the network infrastructure, software and connected to the platform.

In 2001, BETIT was chosen by the Beijing Education Bureau as an exclusive contractor to build the system and network facilities for the 200 schools with a contract value of RMB90 million.

Under a Strategic Cooperative Agreement signed by Beijing Education Bureau on 29 December 2001, BETIT was named as the party responsible for the construction of the remaining schools' network in Beijing.

Restaurant Operation

The restaurant business did not perform so well in 2001 with operating profit falling by 54% to HK$4.4 million as compared with HK$9.5 million in 2000. This was mainly caused by the economic downturn in Singapore, although restaurants in other countries remained stable.

In line with the modest economic recovery across the South East Asia region, including Singapore, there is recently some evidence to suggest that the worse may now be over for the restaurant business which we believe will improve in the coming year. The Group will continue to keep a watchful eye on the markets our restaurants operate in so as to enable it to respond quickly to changes in consumer spending behaviour.

Property Investment and Holding

Both sales and leasing activities performed satisfactorily during the year with turnover and operating profit increasing by approximately 29% and 37%, respectively, over the previous year. The Group will continue to sell down its property holdings whenever appropriate market opportunities arise.

FUTURE PLANS AND PROSPECTS

The acquired information technology businesses have already made a significant impact on the Group's turnover and profit. The Group expects its information technology related businesses will grow rapidly in the coming year.

To implement the targets set by the Central Government's "School Intranet" project, Beijing Education Bureau plans to accelerate the construction of system and network facilities for more schools in Beijing. The Group expects its business in this area will increase substantially in the coming year.

To compliment the Group's established niche in the education sector, the Group set up an education software arm at the end of last year. The Group is actively seeking investment opportunities in this field which would enable the Group to substantially increase its development and marketing resources within a short period of time.

For "Beijing Education Information Network" to be economically viable, a settlement platform needs to be established. At the end of last year, the Group obtained an approval from Beijing Education Bureau to provide and operate IC cards to all primary and secondary students and teachers (approximately 1.8 million) in Beijing. Such IC cards will enable payments to be made both on-line and off-line, and at the same time, they can be used as electronic money. The Group is currently engaged in discussions with a major PRC national bank with a view to entering into a cooperative agreement regarding the provision and operation of the student IC cards. If all goes as planned, the Group intends to cover the whole student and teacher population of Beijing within the next two years.

Following the acquisition of the information technology businesses, the Group has been focusing on providing internet and communications services to enterprises in Beijing. The Group is currently one of the leading participants in this field. The Group plans to use its expertise to enter the education sector with a view to providing services to schools, students, teachers and other education related entities.

In view of the success of the Octopus Cards in Hong Kong, coupled with the successful bid by Beijing to host the Summer Olympic Games in 2008, the Group is actively seeking this type of investment opportunity in Beijing. With the support of BEHL, the Group believes that it has a good chance of being able to do so.

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.

XIONG DA XIN
Chairman

Hong Kong
8 April 2002

LIQUIDITY AND FINANCIAL RESOURCES

As a result of the restructuring plan, the financial position of the Group has improved significantly during the year under review.

The Group's cash and bank balances increased by HK$122.1 million to HK$128.6 million, of which 80% were denominated in RMB and 19% were denominated in HKD. The Group's interest bearing borrowings reduced by HK$70.3 million to HK$95.4 million, of which 49% were denominated in RMB, 25% were denominated in USD, 18% were denominated in HKD and 8% were denominated in SGD. The Group's exposure to exchange fluctuation is insignificant. Out of the Group's borrowings, HK$85.4 million were repayable on demand or within one year, HK$24.8 million were secured by mortgages over certain of the Group's properties and HK$47.2 million were secured by a guarantee given by a fellow subsidiary.

Based on the shareholders' equity of HK$383.1 million and HK$24.2 million as at 31 December 2001 and 2000 respectively, the Group's gearing ratio reduced significantly to 25% from 684%. The Group's liquidity ratio, calculated at current assets over total liabilities, increased from 22% to 132%. Management is comfortable that the Group's existing working capital position and financial resources will be sufficient for its funding requirements for the coming year. Should future investment opportunities arise requiring additional funds, management also believes that the Group is in a good position to raise such funds on favourable terms.

During the year ended 31 December 2001, the Group's capital expenditure totalling HK$11.3 million was funded from the Group's internal resources. The Group has no material capital commitments or contingent liabilities outstanding as at 31 December 2001.

HUMAN RESOURCES

As at 31 December 2001, the Company and its subsidiaries employed approximately 935 (31 December 2000: 445) full-time employees, of which 23 were employed in Hong Kong. For the year ended 31 December 2001, staff costs (including directors' remuneration) amounted to HK$34 million, representing an increase of 15% compared with the prior year of HK$29.7 million and 40% of the Group's total general operating expenses.

The Company operates a share option scheme ("Scheme") to give executives and key employees of the Company and its subsidiaries an interest in preserving and maximising shareholder value in the longer term, to enable the Company and the relevant subsidiaries to attract and retain individuals with experience and ability and to reward individuals for future performance.

On 19 June 2001, the board of directors of the Company granted a total of 15,200,000 share options at an exercise price of HK$1.13 per share to the executive directors of the Company and employees of the Group, representing 3.4% of the Company's shares in issue as at 31 December 2001. The options can be exercised in 2 or 3 equal portions. The first portion is exercisable on or after 1 January 2002, and each further portion becomes exercisable on 1 January in each of the following years. All of the options, if not otherwise exercised, will lapse on 26 June 2006.

Directors and Senior Management

EXECUTIVE DIRECTORS

XIONG Da Xin, aged 51, is the Chairman of the Company. He graduated from the Economics Faculty of Capital Trade and Economics University in 1982. He has also been awarded with the honour of Senior Economist. From May 1994 to February 2000, he served as the deputy secretary general of the Beijing Municipal Government, responsible for coordinating the financial and comprehensive economic affairs of Beijing. In addition, from 1994 to 1998, he served as the director of the Legal System Office of the Beijing Municipality, and from 1998 to February 2000, he also served as the director of the General Office of the Beijing Municipal Government. Mr. Xiong has over 20 years' experience in economics and management, and is currently the executive vice chairman and president of Beijing Enterprises Holdings Limited ("BEHL"), a listed company in Hong Kong. Mr. Xiong joined the Group in April 2001.

BAI Jin Rong, aged 51, is the Managing Director of the Company. He graduated from Beijing Normal University in 1985. From 1992 to 1997, he served as the deputy director of Beijing Economic Structure Reforms Committee. From 1983 to 1992, he held the posts of deputy director and director of the Policy Research Office of Beijing Chemical Industry Group. Mr. Bai has over 20 years' experience in economics, finance and enterprise management, and is currently an executive director and the executive vice president of BEHL. Mr. Bai joined the Group in May 1995.

MAO Xiang Dong, Peter, aged 34, is a Deputy Managing Director of the Company and responsible for formulating corporate development strategies and assessing investments in high-technology projects. He completed his postdoctoral program of computer science and technology in Qinghua University in the PRC after obtaining his doctoral degree in 1998. Dr. Mao has extensive experience in high-tech investments. He has been in charge of a top government R&D project, namely 863 National High-tech Research and Development Project and got involved in the research and development of digital information technology products. Dr. Mao is a fellow member of IEEE and is currently the chief technology officer of BEHL. Dr. Mao joined the Group in April 2001.

E Meng, aged 43, is a Deputy Managing Director of the Company and responsible for financial management. He graduated from China Science and Technology University with a master's degree in engineering, and is a PRC senior accountant with the qualifications of PRC certified accountant, asset appraiser, real estate appraiser and tax appraiser. From 1988 to 1998, Mr. E was the deputy director of Beijing New Technology Development Zone ("BNTDZ"), the director for BNTDZ Department of Finance Auditing and State Asset Management, the manager of BNTDZ Investment Operation Company, the director of Beijing Tianping Accounting Firm and the deputy director of the State Asset Management Office of Beijing Haidian District. Mr. E has over 15 years' experience in economics, finance and enterprise management. Mr. E joined the Group in April 2001.

NG Kong Fat, Brian, aged 46, is a Deputy Managing Director of the Company and responsible for day to day management. Mr. Ng graduated from the University of Stirling in Scotland in 1983 and is a member of the Institute of Chartered Accountants of Scotland. Mr. Ng has over 15 years' experience in corporate, investment and financial management. Mr. Ng joined the Group in July 1993.

NON-EXECUTIVE DIRECTORS

WU Shi Xiong, aged 50, is an Independent Non-Executive Director of the Company. Mr. Wu has worked for the Beijing Municipal Government for the past 27 years and is currently the director of the Beijing Finance Bureau. Mr. Wu joined the Group in April 1995 and tendered his resignation in February 2002.

CAO Guixing, aged 62, is an Independent Non-Executive Director of the Company. He graduated from South China University in 1962. Mr. Cao has worked for the Liaoning Provincial Municipal Government for over 25 years, and from 1995 to 2000, he served as the vice president and general manager of China Unicom Group. Mr. Cao joined the Group in June 2001.

FENG Ching Yeng, Frank, aged 49, is an Independent Non-Executive Director of the Company. Mr. Feng has been a professional architect since 1981 and is currently a director of Frank C Y Feng Architects & Associates (HK) Limited. Mr. Feng joined the Group in December 1994.

SENIOR MANAGEMENT

LI Kang Ying, aged 45, is the Chairman of Beijing Enterprises Teletron Information Technology Co., Ltd. ("BETIT"). He graduated from North China Institute of Electric Power majoring in telecommunications and is a qualified engineer. Mr. Li held the posts of university lecturer and member of the governmental research institute and has been responsible for the management and operational affairs in the technological field for the past decade. From 1997 to present, he serves as the assistant to the chairman of BEHL. Mr. Li joined the Group in October 2001.

CAO Wei, aged 37, is a Director and the CEO of BETIT. He graduated from Harbin Industrial University and is one of the founding members of the underlying business of BETIT group. Mr. Cao has over 15 years' experience in the telecommunications and information technology field. Mr. Cao joined the Group in October 2001.

WONG Kwok Wai, Robin, aged 35, is the Financial Controller and the Company Secretary of the Company. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Society of Accountants. He previously worked for a major international accounting firm and has 15 years' experience in administration, auditing, accounting and business finance. Mr. Wong joined the Group in July 1993.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 17 to the financial statements. Other than the disposal and discontinuance of the Group's woollen and worsted products business as set out in notes 4, 5, 6 and 32(d) to the financial statements and the acquisition of the information technology business as further detailed in notes 17 and 32(c) to the financial statements, there were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 December 2001 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 75.

The directors do not recommend the payment of any dividends in respect of the year.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 76. This summary does not form part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Company and the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 30 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2001, the Company had no reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year, and purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Xiong Da Xin	*(appointed on 19 April 2001)*
Mr. Bai Jin Rong	
Dr. Mao Xiang Dong, Peter	*(appointed on 19 April 2001)*
Mr. E Meng	*(appointed on 19 April 2001)*
Mr. Ng Kong Fat, Brian	
Mr. Ng Kwong Fung	*(resigned on 19 April 2001)*

Independent non-executive directors:

Mr. Wu Shi Xiong	*(resigned on 4 February 2002)*
Mr. Cao Guixing	*(appointed on 15 June 2001)*
Mr. Feng Ching Yeng, Frank	

In accordance with the Company's articles of association, Messrs. Cao Guixing and Feng Ching Yeng, Frank will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 and 9 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 35 to the financial statements, no director had a material interest in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries, holding companies and fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2001, the interests of the directors in the share capital of the Company's subsidiaries, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

(a) Sunbird Holdings Limited ("Sunbird") beneficially owns 2,400 ordinary shares of HK$1 each in the share capital of H.K. Forewell Investments Limited, representing 24% of its issued share capital;

(b) Sunbird beneficially owns 2,400 ordinary shares of HK$1 each in the share capital of Hong Kong Fortune International Limited, representing 24% of its issued share capital; and

(c) Sunbird beneficially owns 6,000 ordinary shares of S$1 each in the share capital of Ah Yat Abalone Forum Restaurant Holdings Pte Ltd, representing 24% of its issued share capital.

Mr. Ng Kong Fat, Brian, a director of the Company, has beneficial equity interests in Sunbird.

In addition to the above, a director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

The interests of the directors in the share options of the Company are separately disclosed in the section "Share option scheme" below.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries, holding companies and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") to give executives and key employees of the Company and its subsidiaries an interest in preserving and maximising shareholder value in the longer term, to enable the Company and the relevant subsidiaries to attract and retain individuals with experience and ability and to reward individuals for future performance. Eligible participants of the Scheme include the executive directors and employees of the Company or any of its subsidiaries. The Scheme became effective on 18 June 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. At 31 December 2001, the number of shares issuable under share options granted under the Scheme was 15,200,000, which represented approximately 3.4% of the Company's shares then in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Scheme is limited to 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date on which the offer of the share options is accepted or on the expiry date of the Scheme, whichever is earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) 80% of the average of the closing prices of the Company's shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of the offer; and (ii) the nominal value of the Company's shares.

SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the Scheme during the year:

	Number of share options		
	At 1 January 2001	Granted during the year	At 31 December 2001
Directors			
Mr. Xiong Da Xin	—	2,800,000	2,800,000
Mr. Bai Jin Rong	—	2,600,000	2,600,000
Dr. Mao Xiang Dong, Peter	—	1,600,000	1,600,000
Mr. E Meng	—	1,600,000	1,600,000
Mr. Ng Kong Fat, Brian	—	2,300,000	2,300,000
	—	10,900,000	10,900,000
Other employees	—	4,300,000	4,300,000
	—	15,200,000	15,200,000

These options were granted on 19 June 2001 at an exercise price of HK$1.13 per share. The closing price of the Company's shares on the Stock Exchange on the trading day immediately prior to the date of the grant of the share options was HK$1.47. The options can be exercised in 2 or 3 equal portions. The first portion is exercisable at any time commencing on 1 January 2002, and each further portion becomes exercisable on 1 January in each of the following years. All of the options, if not otherwise exercised, will lapse on 26 June 2006.

Summary details of the Company's share option scheme are also set out in note 30 to the financial statements.

SHARE OPTION SCHEME *(continued)*

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

The directors do not consider it appropriate to disclose a theoretical value of the share options granted during the year to the directors and employees because a number of factors crucial for the valuation are subjective and uncertain. Accordingly, any valuation of the options based on various speculative assumptions would not be meaningful, and would be misleading.

In addition to the above, at 31 December 2001, the interests of the directors of the Company in options to subscribe for shares of Beijing Enterprises Holdings Limited ("BEHL"), the Company's holding company, under the share options scheme of BEHL were as follows:

Name of director	**Number of options held**	
	Note (a)	Note (b)
Mr. Bai Jin Rong	240,000	2,160,000
Mr. E Meng	50,000	450,000

Notes:

(a) These options were granted on 3 March 1998 at an exercise price per share of HK$17.03. The options can be exercised at any time in the next 10 years commencing on 1 September 1998. No such options were exercised during the year.

(b) These options were granted on 23 June 1998 at an exercise price per share of HK$17.03. The options can be exercised in 9 equal portions. The first portion is exercisable at any time commencing on 1 January 1999 and one additional portion becomes exercisable on 1 January in each of the following years. All of the options (to the extent not exercised) will become exercisable on 1 January 2007 and, if not otherwise exercised, will lapse on 1 January 2009. No part of these share options was exercised during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2001, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of the Company's share capital
Idata Finance Trading Limited ("IFTL")	240,675,000	53.93%
BEHL	240,675,000	53.93%
Beijing Holdings Limited ("BHL")	240,675,000	53.93%
Illumination Holdings Limited	58,618,368	13.14%

IFTL is a direct wholly-owned subsidiary of BEHL. BEHL is held indirectly as to 62.9% by BHL. Accordingly, BEHL and BHL are deemed to be interested in the shares owned by IFTL.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

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.

CONNECTED TRANSACTIONS

(a) On 29 March 2001, the Company disposed of its entire 70% interest in Sino Textile Enterprises Limited ("Sino Textile"), the shareholder's loan of approximately HK$1.5 million which is due from Sino Textile to the Company and all of the woollen and worsted products owned by the Company to Guang Ming Group (Hong Kong) Limited ("GMG"), a wholly-owned subsidiary of the then controlling shareholder of the Company, for an aggregate cash consideration of approximately HK$6 million.

(b) On 29 March 2001, the Company disposed of its entire 50% interest in Beijing Jin Yang Worsted Co., Ltd. to GMG for a cash consideration of approximately HK$19 million.

CONNECTED TRANSACTIONS *(continued)*

(c) On 31 October 2001, the Company acquired the entire issued share capital of E-Tron Limited ("E-Tron") and Prime Technology Group Limited ("PTG") from five individuals and BEHL, respectively, at an aggregate consideration of HK$190 million, satisfied as to (i) HK$47.5 million in cash; and (ii) HK$142.5 million by way of the allotment of 142,500,000 new shares of the Company. The sole assets owned by E-Tron and PTG are their respective 49% and 51% equity interests in Cyber Vantage Group Limited ("Cyber Vantage").

(d) On 1 August 2001, Beijing Enterprises Teletron Information Technology Co. Ltd. ("BETIT"), a wholly-owned subsidiary of Cyber Vantage, and Beijing Teletron Telecom Engineering Co. Ltd. ("BTTE"), a 91% owned subsidiary of BEHL, entered into a technical support agreement, a management consultation agreement and a market development consultation agreement (collectively as the "Technical Services Agreements"), under which BTTE will pay a monthly service fee to BETIT calculated at 9%, 8% and 8%, respectively, of BTTE's total turnover for the previous month in return for services provided by BETIT from 1 August 2001 to 31 July 2021.

The Stock Exchange has granted a waiver for a period of three financial years ending 31 December 2003 from the disclosure/shareholders' approval requirement in connection with the Technical Services Agreements. During the year ended 31 December 2001, total service fees payable by BTTE to BETIT amounted to HK$14,151,000. The independent non-executive directors of the Company have reviewed and confirmed that such transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on terms no less favourable to the Group than terms available from independent third parties; (iii) in accordance with the relevant agreements governing the transactions; and (iv) on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

Further details of the transactions are included in note 35 to the financial statements.

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 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.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

XIONG DA XIN
Chairman

Hong Kong
8 April 2002

Report of the Auditors

ERNST & YOUNG
安永會計師事務所

To the members
Beijing Development (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 20 to 75 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2001 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

ERNST & YOUNG
Certified Public Accountants

Hong Kong
8 April 2002

Consolidated Profit and Loss Account

Year ended 31 December 2001

	Notes	2001 HK$'000	2000 HK$'000
TURNOVER			
Continuing operations		**221,791**	139,192
Discontinued operations	6	**9,634**	28,369
	5	**231,425**	167,561
Cost of sales		**(131,408)**	(92,721)
Gross profit		**100,017**	74,840
Interest income		**2,246**	3,317
Other revenue and gains		**2,865**	1,020
Selling and distribution costs		**(65,301)**	(57,316)
Administrative expenses		**(20,204)**	(14,799)
Other operating expenses		**(12,525)**	—
Revaluation surplus/(deficit) of investment properties		**(612)**	1,381
Gain on disposal of discontinued operations	6	**3,417**	—
PROFIT FROM OPERATING ACTIVITIES			
Continuing operations		**6,264**	7,593
Discontinued operations		**3,639**	850
	7	**9,903**	8,443
Finance costs	8	**(6,599)**	(16,135)
Share of profits and losses of:			
Associates		**(1,651)**	(3,768)
Jointly-controlled entities		**(1,586)**	(6,914)
PROFIT/(LOSS) BEFORE TAX		**67**	(18,374)
Tax	11	**(625)**	(1,290)
LOSS BEFORE MINORITY INTERESTS		**(558)**	(19,664)
Minority interests		**(1,042)**	(3,120)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	12	**(1,600)**	(22,784)
LOSS PER SHARE (Cents) — Basic	13	**(0.6)**	(26.6)

Consolidated Statement of Recognised Gains and Losses

Year ended 31 December 2001

	Note	**2001** **HK$'000**	2000 HK$'000
Exchange differences on translation of the financial statements of foreign entities	31	**(80)**	(785)
Net losses not recognised in the profit and loss account		**(80)**	(785)
Net loss for the year attributable to shareholders		**(1,600)**	(22,784)
Total recognised gains and losses		**(1,680)**	(23,569)

Consolidated Balance Sheet

31 December 2001

	Notes	2001 HK$'000	2000 HK$'000
NON-CURRENT ASSETS			
Fixed assets	14	**126,013**	119,396
Goodwill	15	**120,494**	—
Intangible assets	16	**18,553**	—
Interests in associates	18	**70,946**	68,826
Interests in jointly-controlled entities	19	**471**	18,698
		336,477	206,920
CURRENT ASSETS			
Inventories	20	**35,778**	24,527
Construction contracts	21	**999**	—
Properties held for sale	22	**12,788**	13,856
Trade receivables	23	**40,100**	2,795
Other receivables, prepayments and deposits	24	**27,936**	6,152
Pledged deposits		**5,085**	—
Cash and bank balances		**123,499**	6,472
		246,185	53,802
CURRENT LIABILITIES			
Trade and bills payables	25	**43,270**	15,074
Tax payable		**5,379**	6,292
Other payables and accruals	26	**36,138**	46,347
Bank and other loans	27	**85,404**	69,700
		170,191	137,413
NET CURRENT ASSETS/(LIABILITIES)		**75,994**	(83,611)

(continued)

Consolidated Balance Sheet

31 December 2001

	Notes	2001 HK$'000	2000 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**412,471**	123,309
NON-CURRENT LIABILITIES			
Bank and other loans	27	**10,014**	95,985
Long term payables	28	**5,999**	7,998
		16,013	103,983
MINORITY INTERESTS		**(13,407)**	4,905
		383,051	24,231
CAPITAL AND RESERVES			
Issued capital	30	**446,259**	85,759
Reserves	31	**(63,208)**	(61,528)
		383,051	24,231

XIONG DA XIN
Director

NG KONG FAT, BRIAN
Director

Consolidated Cash Flow Statement

Year ended 31 December 2001

	Notes	2001 HK$'000	2000 HK$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	32(a)	**9,355**	18,038
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		**2,246**	102
Interest paid		**(22,649)**	(9,231)
Dividends paid to minority shareholders		**(78)**	(70)
Net cash outflow from returns on investments and servicing of finance		**(20,481)**	(9,199)
TAX			
Hong Kong profits tax refunded/(paid)		**(131)**	41
Overseas taxes paid		**(1,901)**	(1,023)
Taxes paid		**(2,032)**	(982)
INVESTING ACTIVITIES			
Purchases of fixed assets		**(11,276)**	(5,187)
Proceeds from disposal of fixed assets		**2,839**	—
Proceeds from disposal of investment properties		**1,778**	1,734
Proceeds from disposal of a jointly-controlled entity		**19,619**	—
Acquisition of subsidiaries	32(c)	**38,162**	—
Disposal of a subsidiary	32(d)	**1,490**	—
Expenses arising from acquisition of subsidiaries		**(4,323)**	—
Balance payment for the acquisition of a subsidiary		**(2,418)**	(1,268)
Increase in amounts due from associates		**(2,976)**	(11,179)
Increase in pledged deposits and time deposits with original maturity of more than three months when acquired		**(29,378)**	—
Net cash inflow/(outflow) from investing activities		**13,517**	(15,900)

(continued)

Consolidated Cash Flow Statement

Year ended 31 December 2001

	Note	2001 HK$'000	2000 HK$'000
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		**359**	(8,043)
FINANCING ACTIVITIES	32(b)		
Proceeds from issue of share capital		**218,000**	—
Share issue expenses		**(6,160)**	—
New bank loans		**23,400**	12,991
Repayment of bank loans		**(57,675)**	(6,011)
New other loans		**—**	5,500
Repayment of other loans		**(75,500)**	—
Repayment to minority interests		**(2,400)**	(1,780)
Net cash inflow from financing activities		**99,665**	10,700
INCREASE IN CASH AND CASH EQUIVALENTS		**100,024**	2,657
Cash and cash equivalents at beginning of year		**(12,316)**	(14,082)
Effect of foreign exchange rate changes, net		**14**	(891)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**87,722**	(12,316)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**123,499**	6,472
Time deposits with original maturity of more than three months when acquired		**(24,293)**	—
Bank overdrafts		**(11,484)**	(18,788)
		87,722	(12,316)

Balance Sheet

31 December 2001

	Notes	2001 HK$'000	2000 HK$'000
NON-CURRENT ASSETS			
Fixed assets	14	**38,535**	38,606
Interests in subsidiaries	17	**259,571**	33,300
Interests in associates	18	**55,827**	54,560
Interests in jointly-controlled entities	19	**—**	18,700
		353,933	145,166
CURRENT ASSETS			
Inventories	20	**—**	4,509
Trade receivables		**—**	498
Other receivables, prepayments and deposits	24	**172**	391
Cash and bank balances		**24,008**	165
		24,180	5,563
CURRENT LIABILITIES			
Trade payables	25	**—**	8,113
Other payables and accruals	26	**1,739**	23,049
Bank and other loans	27	**33,687**	18,210
		35,426	49,372
NET CURRENT LIABILITIES		**(11,246)**	(43,809)
TOTAL ASSETS LESS CURRENT LIABILITIES		**342,687**	101,357
NON-CURRENT LIABILITIES			
Bank and other loans	27	**(6,531)**	(91,670)
		336,156	9,687

(continued)

Balance Sheet

31 December 2001

	Notes	2001 HK$'000	2000 HK$'000
CAPITAL AND RESERVES			
Issued capital	30	**446,259**	85,759
Reserves	31	**(110,103)**	(76,072)
		336,156	9,687

XIONG DA XIN
Director

NG KONG FAT, BRIAN
Director

Notes to Financial Statements

31 December 2001

1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- provision of information technology services (business acquired during the year)
- property investment
- restaurant operations
- woollen and worsted business (discontinued during the year — note 6)

On 29 March 2001, the ultimate holding company changed from Beijing International Trust and Investment Corporation, which is registered in the People's Republic of China, to Beijing Holdings Limited, which is incorporated in Hong Kong (note 30(b)).

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations — subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill — continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(continued)*

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 those SSAPs which have had a significant effect on the financial statements are summarised as follows:

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 34 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and certain fixed assets as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Joint venture companies *(continued)*

(c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and neither has joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses.

The results of jointly-controlled entities are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as long term assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 10 years. On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

The transitional provisions set out in paragraph 80 of SSAP 17 "Property, plant and equipment" have been adopted for assets stated at valuation. As a result, those assets stated at revalued amounts, based on revaluations which were reflected in financial statements for periods ended before 30 September 1995, have not been subsequently revalued to fair value by class. It is the directors' intention not to revalue these assets in the future. The asset revaluation reserve is transferred directly to retained earnings when the reserve is realised completely on the disposal or retirement of the asset, or partially as the asset is used by the Group.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	4%
Leasehold improvements	Over the lease terms or 10 years, whichever is shorter
Furniture, fixtures and equipment	10%–18%
Motor vehicles	18%–20%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Intangible assets

Intangible assets represent management information systems and are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of five years.

Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, all development expenditure and other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash and bank balances represent assets which are not restricted as to use.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefits scheme

Certain companies within the Group have participated in the compulsory retirement benefits schemes operated by the respective governments of the places in which they operate for their employees. These companies are required to contribute a certain percentage of their covered payroll to the schemes to fund the benefits. The only obligation of the Group with respect to the schemes is to pay the ongoing required contributions under the schemes. The Group's employer contributions vest fully with the employees when contributed into the schemes. Contributions under the schemes are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) receipts from restaurant operations, upon the delivery of food and beverages to customers;

(d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;

(e) from the sale of properties, when the legally binding unconditional sales contracts are signed and exchanged;

(f) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above; and

(g) from the rendering of services, when the services are rendered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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:

(a) the information technology segment engages in: (i) the provision of last-mile networking services and telecommunications, data communications and management services; (ii) systems integration for intelligent building; (iii) the construction of educational information networks; and (iv) the provision of IT technical support and consultation services.

(b) the restaurants segment engages in the operation of Chinese restaurants and the trading of dried seafood;

(c) the property investment segment invests in office and factory space for its rental income potential;

(d) the woollen and worsted segment engaged in the manufacture and sale of woollen and worsted products (discontinued during the year — note 6); and

(e) the corporate segment comprises corporate income and expense items.

4. SEGMENT INFORMATION *(continued)*

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

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.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group

	Information technology		Restaurants		Property investment		Woollen and worsted products		Corporate		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	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	**74,559**	—	**137,148**	131,405	**10,084**	7,787	**9,634**	28,369	**—**	—	**231,425**	167,561
Segment results	**14,598**	—	**4,364**	9,494	**6,870**	5,025	**3,639**	849	**—**	—	**29,471**	15,368
Interest income											**2,246**	3,317
Unallocated corporate expenses											**(21,814)**	(10,242)
Profit from operating activities											**9,903**	8,443
Finance costs											**(6,599)**	(16,135)
Share of profits and losses of:												
Associates	**—**	—	**—**	—	**(1,651)**	(3,768)	**—**	—	**—**	—	**(1,651)**	(3,768)
Jointly-controlled entities	**(1)**	—	**—**	—	**—**	—	**(1,585)**	(6,914)	**—**	—	**(1,586)**	(6,914)
Profit/(loss) before tax											**67**	(18,374)
Tax											**(625)**	(1,290)
Loss before minority interests											**(558)**	(19,664)
Minority interests											**(1,042)**	(3,120)
Net loss from ordinary activities attributable to shareholders											**(1,600)**	(22,784)

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Group

	Information technology		Restaurants		Property investment		Woollen and worsted products		Corporate		Consolidated	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000	**2001 HK$'000**	2000 HK$'000	**2001 HK$'000**	2000 HK$'000	**2001 HK$'000**	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
Segment assets	**314,846**	—	**54,059**	44,220	**75,589**	79,753	**—**	5,510	**55,267**	24,927	**499,761**	154,410
Interests in associates	**—**	—	**—**	—	**70,946**	68,826	**—**	—	**—**	—	**70,946**	68,826
Interests in jointly-controlled entities	**471**	—	**—**	—	**—**	—	**—**	18,698	**—**	—	**471**	18,698
Bank overdrafts included in segment assets	**—**	—	**—**	—	**4,031**	4,553	**—**	—	**7,453**	14,235	**11,484**	18,788
Total assets	**315,317**	—	**54,059**	44,220	**150,566**	153,132	**—**	24,208	**62,720**	39,162	**582,662**	260,722
Segment liabilities	**43,741**	—	**30,684**	29,427	**14,631**	14,976	**—**	8,259	**1,730**	23,049	**90,786**	75,711
Bank overdrafts included in segment assets	**—**	—	**—**	—	**4,031**	4,553	**—**	—	**7,453**	14,235	**11,484**	18,788
Unallocated liabilities											**83,934**	146,897
Total liabilities											**186,204**	241,396
Other segment information:												
Depreciation	**213**	—	**5,524**	4,721	**351**	429	**—**	—	**1,344**	1,128	**7,432**	6,278
Amortisation	**2,357**	—	**—**	—	**—**	—	**—**	—	**—**	—	**2,357**	—
Capital expenditure	**2,000**	—	**7,987**	4,681	**—**	—	**—**	—	**1,289**	506	**11,276**	5,187

(b) Geographical segments

The following tables present revenue, profit/(loss) and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Elsewhere in the PRC		Singapore		Indonesia		Malaysia		Corporate		Consolidated	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000	**2001 HK$'000**	2000 HK$'000	**2001 HK$'000**	2000 HK$'000	**2001 HK$'000**	2000 HK$'000	**2001 HK$'000**	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
Segment revenue:														
Sales to external customers	**21,249**	35,766	**116,425**	48,016	**56,858**	75,878	**19,080**	7,901	**17,813**	—	**—**	—	**231,425**	167,561
Segment results	**11,524**	2,895	**18,003**	6,789	**(1,505)**	5,556	**378**	128	**1,071**	—	**—**	—	**29,471**	15,368
Other segment information:														
Segment assets	**106,915**	111,196	**371,978**	77,297	**18,241**	22,410	**7,432**	6,104	**11,345**	—	**55,267**	24,927	**571,178**	241,934
Bank overdrafts included in segment assets	**—**	—	**—**	—	**4,031**	4,553	**—**	—	**—**	—	**7,453**	14,235	**11,484**	18,788
Total assets	**106,915**	111,196	**371,978**	77,297	**22,272**	26,963	**7,432**	6,104	**11,345**	—	**62,720**	39,162	**582,662**	260,722
Capital expenditure	**1,292**	514	**2,029**	7	**303**	947	**1,594**	3,719	**6,058**	—	**—**	—	**11,276**	5,187

5. 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:

	Group	
	2001	2000
	HK$'000	HK$'000
Sales of woollen and worsted products (discontinued operations — note 6)	**9,634**	28,369
Sales of properties held for sale	**2,619**	400
Sales of dried seafood	**4,189**	2,267
Receipts from restaurant operations	**132,959**	129,138
Gross rental income	**7,465**	7,387
Construction contracts	**68,899**	—
Rendering of services	**5,660**	—
	231,425	167,561

6. DISCONTINUED OPERATIONS

On 29 March 2001:

(a) the Company's inventories of woollen and worsted products of HK$4,662,000 were disposed to an affiliated company at their net book value;

(b) the Company's entire 70% interest in a subsidiary, Sino Textile Enterprises Limited, and the Company's shareholder's loan to this subsidiary 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

(c) the Company's entire 50% interest in a jointly-controlled entity, Beijing Jin Yang Worsted Co., Ltd., was disposed of to an affiliated company for a cash consideration of HK$19,619,000, resulting in a gain on disposal of HK$2,506,000.

6. DISCONTINUED OPERATIONS *(continued)*

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.

7. PROFIT FROM OPERATING ACTIVITIES

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

	Group	
	2001	2000
	HK$'000	HK$'000
Cost of inventories sold	**76,230**	88,822
Cost of sales of properties held for sale	**1,068**	60
Cost of services provided	**2,731**	—
Depreciation	**7,432**	6,278
Operating lease rentals for land and buildings:		
Minimum lease payments	**10,201**	9,149
Contingent rents	**1,262**	—
	11,463	9,149
Amortisation of goodwill*	**2,042**	—
Amortisation of intangible assets@	**315**	—
Foreign exchange losses, net	**1,235**	1,053
Loss on disposal of fixed assets	**—**	129
Auditors' remuneration	**985**	770
Staff costs (including directors' remuneration — note 9):		
Wages and salaries	**32,328**	28,663
Pension scheme contributions	**1,661**	997
	33,989	29,660
Net rental income	**(5,453)**	(4,870)
Interest income	**(2,246)**	(3,317)
Gain on disposal of investment properties	**(1,060)**	(1,015)
Gain on disposal of fixed assets	**(1,777)**	—
Reversal of write down of inventories included in the cost of inventories sold	**—**	(469)

* *The amortisation of goodwill is included in "Other operating expenses" 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.*

8. FINANCE COSTS

	Group	
	2001	2000
	HK$'000	HK$'000
Interest on bank loans, overdrafts, and other loans wholly repayable within five years	**6,599**	16,135

9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Companies Ordinance is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Fees	**—**	—
Salaries, allowances and benefits in kind	**1,791**	2,184
Performance related bonuses	**207**	273
Pension scheme contributions	**27**	—
	2,025	2,457

There were no emoluments payable to the independent non-executive directors during the year (2000: Nil).

The number of directors whose remuneration fell within the following band is as follows:

	Number of directors	
	2001	2000
Nil to HK$1,000,000	**9**	5

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. DIRECTORS' REMUNERATION *(continued)*

During the year, 10,900,000 share options were granted to the directors in respect of their services to the Group, further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 13 to 15. No value in respect of the share options granted during the year has been charged to the profit and loss account.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2000: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2000: three) non-director, highest paid employees are as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,208**	2,080
Performance related bonuses	**304**	472
Compensation for loss of office	**480**	—
Pension scheme contributions	**12**	—
	3,004	2,552

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2001	2000
Nil to HK$1,000,000	**1**	3
HK$1,000,001 to HK$1,500,000	**2**	—
	3	3

During the year, 1,400,000 share options were granted to one non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures set out under the heading "Share option scheme" in the Report of the Directors on pages 13 to 15. No value in respect of the share options granted during the year has been charged to the profit and loss account.

11. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 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 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	
	2001	2000
	HK$'000	HK$'000
Group:		
Hong Kong	**134**	118
Elsewhere	**985**	2,026
Share of tax attributable to associates	**(494)**	(854)
Tax charge for the year	**625**	1,290

These was no unprovided deferred tax in respect of the year (2000: Nil).

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2001 dealt with in the financial statements of the Company is HK$34,031,000 (2000: HK$39,908,000).

13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$1,600,000 (2000: HK$22,784,000) and the weighted average of 273,008,750 (2000: 85,758,750) ordinary shares in issue during the year.

A diluted loss per share amount for the year ended 31 December 2001 has not been disclosed as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share.

A diluted loss per share amount for the year ended 31 December 2000 has not been disclosed as no diluting events existed during that year.

14. FIXED ASSETS

Group

	Investment properties HK$'000	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:						
At beginning of year	48,250	63,871	36,370	10,109	3,872	162,472
Additions	—	—	4,104	5,639	1,533	11,276
Acquisition of subsidiaries	—	—	348	6,664	135	7,147
Disposals	(718)	(1,389)	—	(52)	(1,932)	(4,091)
Revaluation deficit	(612)	—	—	—	—	(612)
Exchange realignment	—	(1,391)	(362)	(184)	(66)	(2,003)
At 31 December 2001	**46,920**	**61,091**	**40,460**	**22,176**	**3,542**	**174,189**
At cost	—	17,591	40,460	22,176	3,542	83,769
At valuation	46,920	43,500	—	—	—	90,420
	46,920	**61,091**	**40,460**	**22,176**	**3,542**	**174,189**
Accumulated depreciation:						
At beginning of year	—	7,665	25,637	6,982	2,792	43,076
Provided during the year	—	1,376	3,989	1,335	732	7,432
Acquisition of subsidiaries	—	—	48	595	18	661
Disposals	—	(380)	—	(35)	(1,896)	(2,311)
Exchange realignment	—	(134)	(378)	(144)	(26)	(682)
At 31 December 2001	**—**	**8,527**	**29,296**	**8,733**	**1,620**	**48,176**
Net book value:						
At 31 December 2001	**46,920**	**52,564**	**11,164**	**13,443**	**1,922**	**126,013**
At 31 December 2000	48,250	56,206	10,733	3,127	1,080	119,396

14. FIXED ASSETS *(continued)*

Company

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:					
At beginning of year	43,500	527	322	1,709	46,058
Additions	—	—	101	1,188	1,289
Disposals	—	—	(52)	(1,582)	(1,634)
At 31 December 2001	**43,500**	**527**	**371**	**1,315**	**45,713**
At cost	—	527	371	1,315	2,213
At valuation	43,500	—	—	—	43,500
	43,500	**527**	**371**	**1,315**	**45,713**
Accumulated depreciation:					
At beginning of year	5,471	92	180	1,709	7,452
Provided during the year	1,026	124	35	158	1,343
Disposals	—	—	(35)	(1,582)	(1,617)
At 31 December 2001	**6,497**	**216**	**180**	**285**	**7,178**
Net book value:					
At 31 December 2001	**37,003**	**311**	**191**	**1,030**	**38,535**
At 31 December 2000	38,029	435	142	—	38,606

14. FIXED ASSETS *(continued)*

An analysis of the leasehold land and buildings, which are held under medium term leases, at the balance sheet date is as follows:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Situated in Hong Kong:				
At 1994 valuation	**43,500**	43,500	**43,500**	43,500
At cost	**—**	1,389	**—**	—
Situated in Singapore:				
At cost	**17,591**	18,982	**—**	—
	61,091	63,871	**43,500**	43,500

A revaluation of certain of the leasehold land and buildings situated in Hong Kong was carried out by CB Richard Ellis Limited, an independent professionally qualified valuer, on an open market value, existing use basis as at 31 December 1994. Had the land and buildings not been revalued, their net book value would have been as follows:

	Group and Company	
	2001	2000
	HK$'000	HK$'000
Cost	**4,339**	4,339
Accumulated depreciation	**(964)**	(860)
Net book value at 31 December	**3,375**	3,479

14. FIXED ASSETS *(continued)*

An analysis of the investment properties at the balance sheet date is as follows:

	2001 **HK$'000**	2000 HK$'000
Situated in the People's Republic of China:		
Hong Kong	**8,720**	11,050
Elsewhere	**38,200**	37,200
	46,920	48,250

The Group's investment properties were revalued on 31 December 2001 by CB Richard Ellis Limited, an independent professionally qualified valuer, on an open market value, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 34(a) to the financial statements.

Details of the investment properties, which are held under medium term leases, are as follows:

Location	**Use**
Part of the second floor and the whole of the third floor, A No. 1 Jian Guo Men Wai Avenue, Chao Yang District, Beijing, People's Republic of China	Office building
Units 1103, 1701, 1704, 1803 and 1903, Hong Kong Worsted Mills Industrial Building, 31-39 Wo Tong Tsui Street, Kwai Chung, New Territories, Hong Kong	Industrial

15. GOODWILL

The amount of the goodwill capitalised as an asset, arising from the acquisition of subsidiaries during the year, is as follows:

Group

	HK$'000
Cost:	
At beginning of year	—
Acquisition of subsidiaries	122,536
At 31 December 2001	122,536
Accumulated amortisation:	
At beginning of year	—
Provided during the year	2,042
At 31 December 2001	2,042
Net book value:	
At 31 December 2001	120,494

16. INTANGIBLE ASSETS

Group

	Management information systems HK$'000
Cost:	
At beginning of year	—
Additions	18,868
At 31 December 2001	18,868
Accumulated amortisation:	
At beginning of year	—
Provided during the year	315
At 31 December 2001	315
Net book value:	
At 31 December 2001	18,553

17. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK$'000	HK$'000
Unlisted shares, at cost	**193,947**	3,947
Due from subsidiaries	**153,460**	103,284
	347,407	107,231
Provision for impairment	**(3,836)**	(3,836)
Provision against amounts due from subsidiaries	**(84,000)**	(70,095)
	259,571	33,300

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayments.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Ah Yat Abalone Forum Restaurant Holdings Pte Ltd*	Singapore	S$250,000	**45.9@**	45.9@	Restaurant operations
Beijing Ah Yat Abalone Restaurant Co., Ltd.*	People's Republic of China	US$1,400,000	**48.5@**	48.5@	Restaurant operations
Beijing Development Properties (Hong Kong) Limited	Hong Kong	HK$100,000	**100**	100	Property investment
Beijing Development Property Investment and Management Co., Ltd.*	People's Republic of China	US$4,000,000	**85.5**	85.5	Property investment

17. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Becom Software Co., Ltd.*	People's Republic of China	RMB50,000,000	**60**	—	Provision of management information system services
Beijing Enterprises Teletron Information Technology Co. Ltd.*	People's Republic of China	RMB65,000,000	**100****	—	Construction of information networks; and the provision of IT technical support and consultation services
Beijing Singapore Investments Pte Ltd	Singapore	S$800,000	**90**	90	Property and investment holding
Beijing Teletron Intelligent System Co. Ltd.*	People's Republic of China	RMB1,100,000	**80****	—	Provision of system integration services
Beijing Teletron System Integration Co. Ltd.*	People's Republic of China	RMB1,000,000	**51****	—	Provision of networking services
Cyber Vantage Group Limited*	#British Virgin Islands	US$100	**100****	—	Investment holding
H.K. Forewell Investments Limited	Hong Kong	HK$10,000	**51**	51	Investment holding and trading of dried seafood
Hong Kong Fortune International Limited	#Hong Kong	HK$10,000	**51**	51	Restaurant operations
Lord King Investment Limited*	#Hong Kong	HK$1,000,000	**51**	51	Restaurant operations

17. INTERESTS IN SUBSIDIARIES *(continued)*

@ *These entities are subsidiaries of non wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of control over the entities.*

These subsidiaries operate in the People's Republic of China.

* *Indirectly held by the Company.*

** *The Group acquired these companies on 31 October 2001. Further details of this acquisition are included in notes 32(c) and 35(d) to the financial statements.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. INTERESTS IN ASSOCIATES

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**—**	—	**—***	—*
Share of net assets	**2,177**	3,033	**—**	—
Amounts due from associates	**33,984**	31,008	**21,042**	19,775
Loan to an associate	**34,785**	34,785	**34,785**	34,785
	70,946	68,826	**55,827**	54,560

The balances with the associates are unsecured, interest-free and have no fixed terms of repayment.

* *The costs of unlisted shares held by the Company at 31 December 2001 and 2000 amounted to HK$50.*

18. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group 2001	2000	Principal activities
Linkcross Investments Limited	Corporate	Hong Kong	**50**	50	Investment holding
Overseas Union Investments Limited*	Corporate	Hong Kong	**50**	50	Investment holding

* *Indirectly held by the Company.*

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
Unlisted shares, at cost	**—**	—	**—**	45,449
Share of net assets	**471**	18,698	**—**	—
Provision for impairment	**—**	—	**—**	(26,749)
	471	18,698	**—**	18,700

Details of the indirectly held jointly-controlled entity are as follows:

Name	Business structure	Place of registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
Beijing Shixun Hutong Communication Technology Co. Ltd.	Corporate	People's Republic of China	50	50	50	Dormant

During the year, the Company disposed of its entire 50% interest in Beijing Jin Yang Worsted Co., Ltd. (note 35(c)).

20. INVENTORIES

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Materials	**35,778**	19,789	**—**	—
Finished goods	**—**	4,738	**—**	4,509
	35,778	24,527	**—**	4,509

There were no inventories carried at net realisable value as at the balance sheet date (2000: HK$4,509,000).

21. CONSTRUCTION CONTRACTS

	Group
	HK$'000
Gross amount due from contract customers	**999**
Contract costs incurred plus recognised profits less recognised losses to date	**2,096**
Less: Progress billings	**(1,097)**
	999

22. PROPERTIES HELD FOR SALE

The details of the Group's properties held for sale are as follows:

Location	Group interest	Existing use	Gross floor area
Units 101–103, 107, 1501, 1503, 2001, 2101 and 2103–2104; private carparks nos. 4, 6, 8, 10–13, 16, 19–21 and 28 on the upper ground floor; lorry carpark nos. 2–8, 12–14, 16–25, 27, 29 and container space no. 30 on the ground floor, roof and external wall, Hong Kong Worsted Mills Industrial Building, 31–39 Wo Tong Tsui Street, Kwai Chung, New Territories, Hong Kong	100%	Factory and carpark rental	44,551 sq.ft. (excluding roof and carparks)

23. TRADE RECEIVABLES

The various Group companies have different credit policies, dependent on the requirements of their markets and the business which they operate. Aged analysis of trade receivables are prepared and closely monitored in order to minimise any credit risk associated with receivables.

An aged analysis of the Group's trade receivables as at balance sheet date, based on the invoice date, and net of provisions, is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Within 3 months	**39,726**	2,613
4–6 months	**120**	12
Over one year	**254**	170
	40,100	2,795

24. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**3,187**	346	**22**	66
Deposits and other receivables	**7,901**	5,806	**150**	325
Due from fellow subsidiaries	**9,195**	—	**—**	—
Due from related companies	**7,653**	—	**—**	—
	27,936	6,152	**172**	391

The amounts due from fellow subsidiaries and related companies are unsecured, interest-free and have no fixed terms of repayment.

25. TRADE AND BILLS PAYABLES

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due to third parties:				
Trade payables	**38,553**	7,997	**—**	1,036
Bills payable	**4,717**	—	**—**	—
	43,270	7,997	**—**	1,036
Due to a jointly-controlled entity	**—**	7,077	**—**	7,077
	43,270	15,074	**—**	8,113

25. TRADE AND BILLS PAYABLES *(continued)*

An aged analysis of the Group's trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Within 3 months	**42,316**	7,340
4–6 months	**954**	2,324
7–12 months	**—**	4,940
Over one year	**—**	470
	43,270	15,074

26. OTHER PAYABLES AND ACCRUALS

		Group		Company	
		2001	2000	**2001**	2000
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other payables		**17,660**	12,799	**985**	985
Accruals		**13,211**	9,783	**754**	2,410
Current portion of long term payables	28	**3,591**	4,010	**—**	—
Amounts due to the holding companies		**889**	3,705	**—**	3,604
Amount due to a related company		**787**	16,050	**—**	16,050
		36,138	46,347	**1,739**	23,049

The balances with the holding companies and the related company are unsecured, interest-free and have no fixed terms of repayment.

27. BANK AND OTHER LOANS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank overdrafts, secured	**11,484**	18,788	**7,453**	14,235
Bank loans:				
Secured	**13,365**	48,207	**9,365**	20,145
Unsecured	**70,569**	23,190	**23,400**	—
	83,934	71,397	**32,765**	20,145
Other loans, unsecured	**—**	75,500	**—**	75,500
	95,418	165,685	**40,218**	109,880
Bank overdrafts repayable within one year or on demand	**11,484**	18,788	**7,453**	14,235
Bank loans repayable:				
Within one year or on demand	**73,920**	50,912	**26,234**	3,975
In the second year	**3,462**	4,962	**2,946**	4,405
In the third to fifth years, inclusive	**5,133**	13,435	**3,585**	11,765
Beyond five years	**1,419**	2,088	**—**	—
	83,934	71,397	**32,765**	20,145
Other loans repayable in the second year	**—**	75,500	**—**	75,500
	—	75,500	**—**	75,500
	95,418	165,685	**40,218**	109,880
Portion classified as current liabilities	**(85,404)**	(69,700)	**(33,687)**	(18,210)
Long term portion	**10,014**	95,985	**6,531**	91,670

27. BANK AND OTHER LOANS *(continued)*

(a) Certain of the Group's bank facilities are secured by:

(i) mortgages over certain of the Group's investment properties which had an aggregate carrying value at the balance sheet date of HK$8,720,000 (2000: HK$48,250,000);

(ii) mortgages over the Group's land and buildings which had an aggregate net book value at the balance sheet date of HK$52,564,000 (2000: HK$56,206,000);

(iii) mortgages over certain of the Group's properties held for sale which had an aggregate carrying value at the balance sheet date of HK$11,587,000 (2000: HK$12,655,000);

(iv) pledged bank deposits at the balance sheet date of HK$5,085,000 (2000: Nil); and

(v) a guarantee amounting to HK$47,170,000 given by a fellow subsidiary of the Company.

(b) The other loans outstanding in the prior year were due to an affiliated company of the Company's ultimate shareholder and bore interest at the Hong Kong prime rate per annum.

28. LONG TERM PAYABLES

		Group	
		2001	2000
	Note	**HK$'000**	HK$'000
Amounts payable:			
Within one year		**3,591**	4,010
In the second year		**2,000**	2,000
In the third to fifth years, inclusive		**3,999**	5,998
		9,590	12,008
Portion classified as current liabilities	26	**(3,591)**	(4,010)
Long term portion		**5,999**	7,998

The long term payables represent the amounts payable for the acquisition of a subsidiary in 1995. The amounts are interest-free and are repayable by annual instalments up to the year 2005.

29. DEFERRED TAX

The amount of the deferred tax asset not recognised in the financial statements is set out below:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax losses	**14,748**	11,757	**14,094**	10,583

The revaluation of the Group's leasehold land and buildings in Hong Kong does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

The Group and the Company have no significant potential deferred tax liabilities for which provision has not been made.

30. SHARE CAPITAL

Shares

	Company	
	2001	2000
	HK$'000	HK$'000
Authorised:		
1,000,000,000 (2000: 160,000,000) ordinary shares of HK$1 each	**1,000,000**	160,000
Issued and fully paid:		
446,258,750 (2000: 85,758,750) ordinary shares of HK$1 each	**446,259**	85,759

During the year, there were the following movements in share capital:

(a) On 16 March 2001, the authorised share capital of the Company was increased from HK$160,000,000 to HK$1,000,000,000 by the creation of an additional 840,000,000 ordinary share of HK$1 each.

30. SHARE CAPITAL *(continued)*

Shares *(continued)*

(b) On 18 January 2001, the Company entered into three subscription agreements and a placing agreement (collectively the "Subscription Agreements") to issue a total of 218,000,000 new shares of the Company at an issue price of HK$1 per share for an aggregate cash consideration of HK$218 million. Out of the total 218,000,000 new shares, 168,000,000, 10,000,000, 10,000,000 and 30,000,000 shares were issued to Idata Finance Trading Limited, Gateway Direct Limited, International Network Capital LDC and not less than six institutional or professional investors, respectively. The issue price per share of HK$1 represented a discount of approximately 33.33% to the closing price of HK$1.50 per share as quoted on The Stock Exchange of Hong Kong Limited on 16 January 2001. After the completion of the Subscription Agreements on 29 March 2001, Beijing Enterprises Holdings Limited became the controlling shareholder of the Company.

(c) On 31 October 2001, the Company issued 142,500,000 ordinary shares of HK$1 each at par as part of the consideration for the acquisition of Cyber Vantage Group Limited and its subsidiaries (note 32(c)).

A summary of the transactions during the year with reference to the above movements in the Company's ordinary share capital is as follows:

	Number of shares in issue	Share capital HK$'000
At 1 January 2001	85,758,750	85,759
Share allotments	218,000,000	218,000
New issue of shares for the acquisition of subsidiaries	142,500,000	142,500
At 31 December 2001	446,258,750	446,259

There were no changes to the carrying amount or the number of ordinary shares in issue during the prior year.

30. SHARE CAPITAL *(continued)*

Share options

Pursuant to a share option scheme approved by the shareholders of the Company on 18 June 2001, the board of directors of the Company granted a total of 15,200,000 share options at an exercise price of HK$1.13 per share to the executive directors of the Company and employees of the Group on 19 June 2001. The options may be exercised in 2 or 3 equal portions. The first portion is exercisable on or after 1 January 2002, and each further portion becomes exercisable on 1 January in each of the following year. All of the options, if not otherwise exercised, will lapse on 26 June 2006.

Further details of the share option scheme are set out under the heading "Share option scheme" in the Report of the Directors on pages 13 to 15.

31. RESERVES

Group

	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds* HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2000	37,331	(1,129)	—	(74,161)	(37,959)
Exchange realignment	—	(785)	—	—	(785)
Net loss for the year	—	—	—	(22,784)	(22,784)
Transfer to accumulated losses	(922)	—	—	922	—
At 31 December 2000 and beginning of year	36,409	(1,914)	—	(96,023)	(61,528)
Exchange realignment	—	(80)	—	—	(80)
Net loss for the year	—	—	—	(1,600)	(1,600)
Transfer to reserve funds	—	—	5,224	(5,224)	—
Transfer to accumulated losses	(922)	—	—	922	—
At 31 December 2001	**35,487**	**(1,994)**	**5,224**	**(101,925)**	**(63,208)**
Reserves retained by:					
Companies and subsidiaries	35,487	(3,866)	5,224	(102,222)	(65,377)
Associates	—	1,872	—	298	2,170
Jointly-controlled entities	—	—	—	(1)	(1)
At 31 December 2001	**35,487**	**(1,994)**	**5,224**	**(101,925)**	**(63,208)**
Companies and subsidiaries	36,409	(3,485)	—	(77,624)	(44,700)
Associates	—	1,571	—	1,455	3,026
Jointly-controlled entities	—	—	—	(19,854)	(19,854)
At 31 December 2000	36,409	(1,914)	—	(96,023)	(61,528)

* *Pursuant to the relevant laws and regulations for Sole Foreign Investment Enterprises, a portion of the profits of the Company's subsidiaries in the PRC has been transferred to reserve funds which are restricted as to use.*

31. RESERVES *(continued)*

Company

	Asset revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2000	37,331	(73,495)	(36,164)
Net loss for the year	—	(39,908)	(39,908)
Transfer to accumulated losses	(922)	922	—
At 31 December 2000 and beginning of year	36,409	(112,481)	(76,072)
Net loss for the year	—	(34,031)	(34,031)
Transfer to accumulated losses	(922)	922	—
At 31 December 2001	**35,487**	**(145,590)**	**(110,103)**

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2001 HK$'000	2000 HK$'000
Profit from operating activities	**9,903**	8,443
Interest income	**(2,246)**	(3,317)
Depreciation	**7,432**	6,278
Amortisation of goodwill	**2,042**	—
Amortisation of intangible assets	**315**	—
Revaluation deficit/(surplus) of investment properties	**612**	(1,381)
Loss/(gain) on disposal of fixed assets	**(1,777)**	129
Gain on disposal of investment properties	**(1,060)**	(1,015)
Gain on disposal of a subsidiary	**(911)**	—
Gain on disposal of a jointly-controlled entity	**(2,506)**	—
Share issue expenses	**6,160**	—
Expenses arising from acquisition of subsidiaries	**4,323**	—
Decrease/(increase) in trade receivables	**(30,618)**	1,329
Increase in inventories	**(1,566)**	(2,388)
Increase in construction contracts	**(999)**	—
Increase in other receivables, prepayments and deposits	**(2,161)**	(412)
Decrease in properties held for sale	**1,068**	60
Increase in trade and bills payables	**23,687**	4,822
Increase/(decrease) in other payables and accruals	**(2,343)**	5,490
Net cash inflow from operating activities	**9,355**	18,038

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the year

	Issued capital HK$'000	Bank and other loans HK$'000	Minority interests HK$'000
Balance at 1 January 2000	85,759	134,417	(6,091)
Cash inflow/(outflow) from financing activities, net	—	12,480	(1,780)
Dividends	—	—	(70)
Share of profits	—	—	3,120
Share of exchange fluctuation reserve	—	—	(84)
Balance at 31 December 2000 and beginning of year	85,759	146,897	(4,905)
Cash inflow/(outflow) from financing activities, net	218,000	(109,775)	(2,400)
Non-cash capital contribution	—	—	18,868
Acquisition of subsidiaries	142,500	47,170	1,058
Disposal of a subsidiary	—	—	390
Dividends	—	—	(78)
Share of profits	—	—	1,042
Share of exchange fluctuation reserve	—	(358)	(568)
Balance at 31 December 2001	**446,259**	**83,934**	**13,407**

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Acquisition of subsidiaries

	2001 HK$'000
Net assets acquired:	
Interest in a jointly-controlled entity	472
Fixed assets	6,486
Cash and bank balances	85,662
Trade receivables	6,689
Inventories	9,969
Other receivables, prepayments and deposits	19,623
Trade and bills payables	(4,573)
Other payables and accruals	(8,636)
Bank loans	(47,170)
Minority interests	(1,058)
	67,464
Goodwill on acquisition	122,536
	190,000
Satisfied by:	
Cash	47,500
Issue of shares	142,500
	190,000

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Acquisition of subsidiaries *(continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2001 HK$'000
Cash consideration	**(47,500)**
Cash and bank balances acquired	**85,662**
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**38,162**

Since its acquisition, the subsidiaries contributed HK$74,559,000 to the Group's turnover and HK$14,485,000 to the consolidated profit after tax and before minority interests for the year ended 31 December 2001. The acquired subsidiaries contributed HK$13,647,000 to the Group's net operating cash flows, paid HK$1,999,000 in respect of the cash flows for investing activities, but had no significant impact in respect of the Group's cash flows for returns on investments and servicing of finance, financing activities or the payment of tax during the year.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(d) Disposal of a subsidiary

	2001 HK$'000
Net liabilities disposed of:	
Inventories	284
Trade receivables	2
Cash and bank balances	28
Trade payable	(64)
Other payables and accruals	(33)
Amount due to the Group	(1,518)
Minority interests	390
	(911)
Gain on disposal	911
	—
Satisfied by:	
Cash consideration	—

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

Cash consideration	—
Cash and bank balances disposed of	(28)
Amount due to the Group disposed of	1,518
Net inflow of cash and cash equivalents	1,490

The subsidiary disposed of had no significant impact on the Group's consolidated turnover, profit after tax or cashflows during the year.

(e) Major non-cash transaction

During the year, 142,500,000 shares of HK$1 each were issued at a price of HK$1 per share as part of the consideration for the acquisition of Cyber Vantage Group Limited and its subsidiaries.

33. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2001	2000
	HK$'000	HK$'000
Guarantees given to banks in connection with facilities granted to a subsidiary	**8,299**	55,892

At 31 December 2001, the guarantees given to the banks in connection with bank facilities granted to a subsidiary by the Company were utilised to the extent of approximately HK$8,030,000 (2000: HK$55,805,000).

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 10 years. The terms of the leases generally also require the tenants to pay security deposits.

At 31 December 2001, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Within one year	**3,803**	4,848
In the second to fifth years, inclusive	**1,663**	2,790
	5,466	7,638

34. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group leases certain of its office properties, restaurant premises and staff quarters under operating lease arrangements. Leases are negotiated for terms ranging from 1 to 12 years. Under certain lease agreements for the restaurant premises, contingent rentals in excess of the minimum lease payments are payable if the turnover of such restaurants reaches a pre-determined level.

At 31 December 2001, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
Within one year	**13,069**	7,354	**576**	254
In the second to fifth years, inclusive	**24,216**	14,154	**150**	—
After five years	**1,981**	—	**—**	—
	39,266	21,508	**726**	254

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above have been restated to accord with the current year's presentation.

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

		Group		Company	
		2001	2000	**2001**	2000
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Sales of materials to a company in which certain directors of the Company have beneficial interests	(i)	**4,189**	2,223	**—**	—
Purchases of finished goods from a jointly-controlled entity	(i)	**867**	14,710	**867**	14,710
Interest expenses on loans from an affiliated company of the Company's ultimate shareholder	(ii)	**2,058**	6,904	**—**	6,904
Interest income from an associate	(iii)	**—**	3,215	**—**	3,215
Technical service income from a fellow subsidiary	(iv)	**5,660**	—	**—**	—

Notes:

(i) The sales of materials to, and the purchases of finished goods from related parties were priced at the estimated market value and manufactured costs of goods sold, respectively.

(ii) The interest expenses on loans from the related party were charged at the Hong Kong prime rate per annum. Further details of the loans are disclosed in note 27.

(iii) The interest income on a loan to an associate was charged at the Hong Kong prime rate per annum.

(iv) The service fees were calculated at 8% to 9% of the turnover of the fellow subsidiary for the previous month.

35. RELATED PARTY TRANSACTIONS *(continued)*

(b) On 29 March 2001, the Company disposed of its entire 70% interest in Sino Textile Enterprises Limited ("Sino Textile"), the shareholder's loan of HK$1,518,000 which is due from Sino Textile to the Company and all of the woollen and worsted products owned by the Company amounting to HK$4,662,000 to Guang Ming Group (Hong Kong) Limited ("GMG"), a wholly-owned subsidiary of the then controlling shareholder of the Company, for an aggregate cash consideration of HK$6,180,000. The consideration was determined by reference to the par value of the 70 shares of Sino Textile of HK$70, and the carrying values of the shareholder's loan and woollen and worsted products.

(c) On 29 March 2001, the Company disposed of its entire 50% interest in Beijing Jin Yang Worsted Co., Ltd. ("Beijing Jin Yang") to GMG for a cash consideration of HK$19,619,000, which was determined by reference to the Group's 50% share of the net asset value of Beijing Jin Yang as shown in its unaudited management accounts as at 31 October 2000.

(d) On 31 October 2001, the Company acquired the entire issued share capital of E-Tron Limited ("E-Tron") and Prime Technology Group Limited ("PTG") from 5 individuals and Beijing Enterprises Holdings Limited, the Company's holding company, respectively, at an aggregate consideration of HK$190 million, satisfied as to: (i) HK$47.5 million in cash; and (ii) HK$142.5 million by way of the allotment of 142,500,000 new shares of the Company. The sole assets owned by E-Tron and PTG are their respective 49% and 51% equity interests in Cyber Vantage Group Limited. The consideration represented a price earnings multiple of 9.5 times of the profit guaranteed by the vendors.

36. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. In addition, the presentation of certain balances in the financial statements have been revised in order to follow the presentation of the financial statements of the Company's new holding company. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 8 April 2002.

Five Years Financial Summary

31 December 2001

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below:

	2001	2000	1999	1998	1997
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover:					
Continuing operations	**221,791**	139,192	104,763	81,939	79,559
Discontinued operations	**9,634**	28,369	23,022	35,777	34,021
	231,425	167,561	127,785	117,716	113,580
Profit/(loss) before tax	**67**	(18,374)	(54,064)	(36,423)	(15,372)
Tax	**(625)**	(1,290)	(291)	(1,659)	(2,318)
Loss before minority interests	**(558)**	(19,664)	(54,355)	(38,082)	(17,690)
Minority interests	**(1,042)**	(3,120)	4,165	3,632	3,723
Net loss from ordinary activities attributable to shareholders	**(1,600)**	(22,784)	(50,190)	(34,450)	(13,967)
ASSETS, LIABILITIES AND MINORITY INTERESTS					
TOTAL ASSETS	**582,662**	260,722	258,039	308,813	338,057
TOTAL LIABILITIES	**(186,204)**	(241,396)	(216,330)	(212,895)	(198,275)
MINORITY INTERESTS	**(13,407)**	4,905	6,091	1,823	(175)
	383,051	24,231	47,800	97,741	139,607

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 Tianshan Room, Level 5, The Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong on Tuesday, 11 June 2002 at 10:30 a.m. for the following purposes:

1. 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 2001;

2. To re-elect the retiring directors and to authorise the board of directors to fix directors' remuneration;

3. To re-appoint the retiring auditors and to authorise the board of directors to fix their remuneration.

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

   "**THAT**:

   (a) 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;

   (b) 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;

   (c) 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

      (i) a rights issue;

      (ii) 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;

      (iii) 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

(iv) 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

(d) for the purpose of this resolution:

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

(i) the conclusion of the next annual general meeting of the Company;

(ii) 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

(iii) 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)."

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

"**THAT**:

(a) 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 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;

(b) 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

(c) for the purpose of this resolution:

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

(i) the conclusion of the next annual general meeting of the Company;

(ii) 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

(iii) 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."

6. 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."

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

Hong Kong
8 April 2002

Notice of Annual General Meeting

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 4th Floor, Hutchison House, 10 Harcourt Road, Central, 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 2001 Annual Report.*