



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

ANNOUNCEMENT OF RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2001

HIGHLIGHTS

	2001 HK\$'000	2000 HK\$'000	
Turnover	231,425	167,561	+38%
Profit from operating activities	9,903	8,443	+17%
Net loss attributable to shareholders	(1,600)	(22,784)	-93%
Loss per share (cents)	(0.6)	(26.6)	-98%
Total assets	582,662	260,722	+123%
Net assets	383,051	24,231	+1,481%
Net assets per share (dollar)	0.86	0.28	+207%

The Board of Directors of Beijing Development (Hong Kong) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2001 together with comparative figures for the previous year as follows:

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

Notes:

1. **TURNOVER AND SEGMENT INFORMATION**

An analysis of the Group's turnover and contribution to profit from operating activities by business and geographical segments for the year ended 31 December 2001 is as follows:

	2001		2000	
	Turnover HK\$'000	Contribution to profit from operating activities HK\$'000	Turnover HK\$'000	Contribution to profit from operating activities HK\$'000
<b>Business segments</b>				
Continuing operations				
Information technology	74,559	14,598	—	—
Restaurant operations	137,148	4,364	131,405	9,494
Property investments	10,084	6,870	7,787	5,025
	<u>221,791</u>	<u>25,832</u>	<u>139,192</u>	<u>14,519</u>
Discontinued operations				
Woolen and worsted	9,634	3,639	28,369	849
	<u>231,425</u>	<u>29,471</u>	<u>167,561</u>	<u>15,368</u>
Interest income		2,246		3,317
Unallocated corporate expenses		(21,814)		(10,242)
		<u>9,903</u>		<u>8,443</u>
<b>Geographical segments</b>				
The People's Republic of China				
Hong Kong	21,249	11,524	35,766	2,895
Elsewhere	116,425	18,003	48,016	6,789
Singapore	56,858	(1,505)	75,878	5,556
Indonesia	19,080	378	7,901	128
Malaysia	17,813	1,071	—	—
	<u>231,425</u>	<u>29,471</u>	<u>167,561</u>	<u>15,368</u>
Interest income		2,246		3,317
Unallocated corporate expenses		(21,814)		(10,242)
		<u>9,903</u>		<u>8,443</u>

2. **PROFIT FROM OPERATING ACTIVITIES**

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

	2001 HK\$'000	2000 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	6,789
Depreciation	7,432	6,278
Operating lease rentals for land and buildings	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)	33,989	29,660
Net rental income	(5,483)	(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)

3. **TAX**

	2001 HK\$'000	2000 HK\$'000
Group:		
Hong Kong	134	118
Elsewhere	985	2,026
Share of tax attributable to associates	(494)	(854)
	<u>625</u>	<u>1,290</u>
Tax charge for the year		
	<u>625</u>	<u>1,290</u>

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. 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.

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

4. **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.

5. **DIVIDEND**

The directors do not recommend the payment of any dividends in respect of the year (2000: Nil).

**BUSINESS REVIEW**

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 woolen 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.

**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 woolen 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 school's 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.

**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.

**PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

**CORPORATE GOVERNANCE**

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

**PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE WEBSITE**

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

**APPROCIATION**

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.

By Order of the Board  
**Xiong Da Xin**  
Chairman

Hong Kong, 8 April 2002

**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:

- 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;
- To re-elect the retiring directors and to authorise the board of directors to fix directors' remuneration;
- To re-appoint the retiring auditors and to authorise the board of directors to fix their remuneration.
- To consider as special business and, if thought fit, pass with or without amendments the following resolution as an ordinary resolution:

**"THAT:**

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

shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution; and

- for the purpose of this resolution: "Relevant Period" means the period from the passing of this resolution up to:
  - the conclusion of the next annual general meeting of the Company;
  - the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; or
  - the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting, whichever is the earliest; and
- "Rights Issue" means an offer of shares open for a period fixed by the Directors to holders of shares on the register of an 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);"

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

**"THAT:**

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

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

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

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

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

Hong Kong, 8 April 2002

**Notes:**

- 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.
- 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.
- An explanatory statement containing further details regarding the ordinary resolution number 5 will be sent to shareholders together with the 2001 Annual Report.