



Beijing Development (Hong Kong) Limited

BEIJING DEVELOPMENT

ISP

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Corporate Information

DIRECTORS

Executive directors

Mr. Xiong Da Xin *Chairman*

Mr. Bai Jin Rong *Managing Director*
(resigned on 31 December 2002)

Mr. Ng Kong Fat, Brian *Managing Director*

Dr. Mao Xiang Dong, Peter
Deputy Managing Director

Mr. E Meng *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) Limited

SHARE REGISTRAR

Tengis Limited

Ground Floor

BEA Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

WEBSITE

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

Chairman's Statement

BUSINESS REVIEW

Results

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

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

Information Technology Services

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

Chairman's Statement

Restaurants

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

Property investment

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

FUTURE PLANS AND PROSPECTS

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

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

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

Chairman's Statement

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
14 April 2003

Management Discussion and Analysis

FINANCIAL RESOURCES

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

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

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

HUMAN RESOURCES

The Group employed 986 full-time employees as at 31 December 2002. Total staff costs (including directors' remuneration) for the year ended 31 December 2002 amounted to HK\$60.6 million, representing 42% of the Group's total selling, distribution and administrative expenses, or an increase of 78% compared with the prior year of HK\$34 million.

During the year under review, 23.7 million share options were granted at an exercise price of HK\$1 per share to certain executive directors of the Company and employees of the Group. No share options were exercised during the year and the Company had 38.9 million share options outstanding at balance sheet date.

Directors and Senior Management

EXECUTIVE DIRECTORS

XIONG Da Xin, aged 52, 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 52, 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 has been an executive director and the executive vice president of BEHL. Mr. Bai joined the Group in May 1995 and tendered his resignation on 31 December 2002.

NG Kong Fat, Brian, aged 47, is the Managing Director of the Company. 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.

MAO Xiang Dong, Peter, aged 35, 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 at Tsinghua 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.

Directors and Senior Management

E Meng, aged 45, 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, certified 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.

NON-EXECUTIVE DIRECTORS

WU Shi Xiong, aged 51, is an Independent Non-Executive Director of the Company. Mr. Wu has worked for the Beijing Municipal Government for the past 28 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 63, 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 50, 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.

Directors and Senior Management

SENIOR MANAGEMENT

LI Kang Ying, aged 46, 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 38, 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 36, 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 over 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 2002.

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 16 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 19 to 76.

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 77. 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 13 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 notes 29 and 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 and in the consolidated statement of changes in equity, respectively.

Report of the Directors

DISTRIBUTABLE RESERVES

At 31 December 2002, 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

Mr. Bai Jin Rong *(resigned on 31 December 2002)*

Mr. Ng Kong Fat, Brian

Dr. Mao Xiang Dong, Peter

Mr. E Meng

Independent non-executive directors:

Mr. Wu Shi Xiong *(resigned on 4 February 2002)*

Mr. Cao Guixing

Mr. Feng Ching Yeng, Frank

In accordance with the Company's articles of association, Mr. E Meng, will retire and, being eligible, will offer himself 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 7 to 9 of the annual report.

Report of the Directors

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 36 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 2002, 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.

Report of the Directors

DIRECTORS' INTERESTS IN SHARES *(continued)*

The interests of the directors in the share options of the Company are separately disclosed in note 30 to the financial statements.

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 and in the share option scheme disclosures in note 30 to the financial statements, 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

Due to the adoption during the year of Statement of Standard Accounting Practice No. 34 "Employee benefits", most of the detailed disclosures relating to the Company's share option scheme have been moved to note 30 to the financial statements. Concerning the share options granted during the year to the directors and employees as detailed in note 30, the directors do not consider it appropriate to disclose a theoretical value of the share options granted because a number of factors crucial for the valuation are subjective and uncertain. Accordingly, any valuation of the options based on various speculative assumptions might not be meaningful.

Report of the Directors

SHARE OPTION SCHEME (continued)

In addition, at 31 December 2002, the interests of a director of the Company in options to subscribe for shares of Beijing Enterprises Holdings Limited ("BEHL"), the Company's holding company, under the share option scheme of BEHL were as follows:

Name of director	Number of options held	
	Note (a)	Note (b)
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 ten 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 nine 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 such options were exercised during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2002, 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 issued 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

Report of the Directors

SUBSTANTIAL SHAREHOLDERS *(continued)*

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

During the year, the Group recorded service fee income of HK\$10,188,000, HK\$9,057,000 and HK\$9,057,000 from Beijing Teletron Telecom Engineering Co. Ltd., a subsidiary of BEHL, in respect of technical support, management consultation and market development consultation services provided, respectively.

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 36 to the financial statements.

POST BALANCE SHEET EVENT

Details of the post balance sheet event of the Group are set out in note 37 to the financial statements.

Report of the Directors

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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

14 April 2003

Report of the Auditors



To the members

Beijing Development (Hong Kong) Limited

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 19 to 76 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.

Report of the Auditors

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 2002 and of the profit 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

14 April 2003

Consolidated Profit and Loss Account

Year ended 31 December 2002

	Notes	2002 HK\$'000	2001 HK\$'000
TURNOVER			
Continuing operations		387,377	221,791
Discontinued operations		—	9,634
	5	387,377	231,425
Cost of sales		(207,586)	(131,408)
Gross profit		179,791	100,017
Interest income		1,394	2,246
Other revenue and gains		4,536	2,865
Selling and distribution costs		(106,330)	(65,301)
Administrative expenses		(36,869)	(20,204)
Other operating expenses		(12,254)	(12,525)
Revaluation deficit of investment properties		(902)	(612)
Gain on disposal of discontinued operations	6	—	3,417
PROFIT FROM OPERATING ACTIVITIES	6	29,366	9,903
Finance costs	7	(5,355)	(6,599)
Share of profits and losses of:			
Associates		(591)	(1,651)
Jointly-controlled entities		223	(1,586)
Provision against an amount due from an associate		(5,592)	—
PROFIT/(LOSS) BEFORE TAX		18,051	(1,988)
Continuing operations		18,051	(1,988)
Discontinued operations		—	2,055
		18,051	67
Tax			
Continuing operations		2,844	(625)
Discontinued operations		—	—
	10	2,844	(625)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		20,895	(558)
Minority interests		(5,479)	(1,042)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	15,416	(1,600)
EARNINGS/(LOSS) PER SHARE — basic (cents)	12	3.5	(0.6)

Consolidated Balance Sheet

31 December 2002

	Notes	2002 HK\$'000	2001 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	13	132,371	126,013
Goodwill:	14		
Goodwill		108,240	120,494
Negative goodwill		(2,091)	—
Intangible assets	15	16,667	18,553
Interests in associates	17	15,340	70,946
Interests in jointly-controlled entities	18	7,562	471
		278,089	336,477
CURRENT ASSETS			
Inventories	19	53,025	35,778
Amounts due from customers for contract work	20	4,516	999
Properties held for sale	21	12,728	12,788
Trade receivables	22	98,532	40,100
Other receivables, prepayments and deposits	23	128,991	27,936
Pledged deposits		10,374	5,085
Cash and bank balances		114,117	123,499
		422,283	246,185

Consolidated Balance Sheet

31 December 2002

	Notes	2002 HK\$'000	2001 HK\$'000
CURRENT LIABILITIES			
Trade and bills payables	24	60,428	43,270
Amounts due to customers for contract work	20	1,204	—
Tax payable		1,794	5,379
Other payables and accruals	25	52,931	36,138
Bank loans	26	93,288	85,404
		209,645	170,191
NET CURRENT ASSETS			
		212,638	75,994
TOTAL ASSETS LESS CURRENT LIABILITIES			
		490,727	412,471
NON-CURRENT LIABILITIES			
Bank loans	26	60,264	10,014
Long term payables	27	3,999	5,999
		64,263	16,013
MINORITY INTERESTS			
		29,601	13,407
		396,863	383,051
CAPITAL AND RESERVES			
Issued capital	29	446,259	446,259
Reserves	31	(49,396)	(63,208)
		396,863	383,051

XIONG DA XIN
Director

NG KONG FAT, BRIAN
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2002

	Issued share capital HK\$'000	Asset revaluation reserve HK\$'000	PRC reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2001	85,759	36,409	—	(1,914)	(96,023)	24,231
Exchange realignment	—	—	—	(80)	—	(80)
Net losses not recognised in the profit and loss account	—	—	—	(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	—
Share allotments	218,000	—	—	—	—	218,000
New issue of shares for the acquisition of subsidiaries	142,500	—	—	—	—	142,500
At 31 December 2001 and beginning of year	446,259	35,487	5,224	(1,994)	(101,925)	383,051
Exchange realignment	—	—	—	(1,604)	—	(1,604)
Net losses not recognised in the profit and loss account	—	—	—	(1,604)	—	(1,604)
Net profit for the year	—	—	—	—	15,416	15,416
Transfer to reserve funds	—	—	8,641	—	(8,641)	—
Transfer to accumulated losses	—	(922)	—	—	922	—
At 31 December 2002	446,259	34,565*	13,865*	(3,598)*	(94,228)*	396,863
Reserves retained by:						
Companies and subsidiaries	446,259	34,565	13,865	(3,974)	(94,717)	395,998
Associates	—	—	—	376	267	643
Jointly-controlled entities	—	—	—	—	222	222
At 31 December 2002	446,259	34,565	13,865	(3,598)	(94,228)	396,863
Companies and subsidiaries	446,259	35,487	5,224	(3,866)	(102,222)	380,882
Associates	—	—	—	1,872	298	2,170
Jointly-controlled entities	—	—	—	—	(1)	(1)
At 31 December 2001	446,259	35,487	5,224	(1,994)	(101,925)	383,051

* These reserve accounts comprise the consolidated negative reserves of HK\$49,396,000 (2001: HK\$63,208,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 December 2002

	Notes	2002 HK\$'000	2001 HK\$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		18,051	67
Adjustments for:			
Finance costs	7	5,355	6,599
Share of profits and losses of jointly-controlled entities and associates		368	3,237
Provision against an amount due from an associate		5,592	—
Interest income	6	(1,394)	(2,246)
Gain on disposal of fixed assets	6	(185)	(1,777)
Gain on disposal of investment properties	6	(1,164)	(1,060)
Gain on disposal of a subsidiary		—	(911)
Gain on disposal of a jointly-controlled entity		—	(2,506)
Depreciation	6	12,575	7,432
Amortisation of goodwill	6	12,254	2,042
Negative goodwill recognised as income	6	(3,354)	—
Amortisation of intangible assets	6	1,886	315
Revaluation deficit of investment properties		902	612
Share issue expenses		—	6,160
Expenses arising from acquisition of subsidiaries		—	4,323
Operating profit before working capital changes		50,886	22,287
Increase in inventories		(14,750)	(1,566)
Increase in amounts due from customers for contract work		(3,517)	(999)
Decrease in properties held for sale		60	1,068
Increase in trade receivables		(58,408)	(30,618)
Increase in other receivables, prepayments and deposits		(55,487)	(2,161)
Increase in trade and bills payables		17,137	23,687
Increase in amounts due to customers for contract work		1,204	—
Increase/(decrease) in other payables and accruals		13,581	(2,343)
Cash generated from operations		(49,294)	9,355
Interest received		1,394	2,246
Interest paid		(5,355)	(22,649)
Hong Kong profits tax paid		(179)	(131)
Overseas taxes paid		(1,122)	(1,901)
Dividends paid to minority shareholders		(69)	(78)
Net cash outflow from operating activities			
Continuing operations		(54,625)	(10,612)
Discontinued operations		—	(2,546)
Total		(54,625)	(13,158)

(continued)

Consolidated Cash Flow Statement

Year ended 31 December 2002

	Notes	2002 HK\$'000	2001 HK\$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		(20,655)	(11,276)
Proceeds from disposal of fixed assets		439	2,839
Proceeds from disposal of investment properties		1,842	1,778
Proceeds from disposal of a jointly-controlled entity		—	19,619
Acquisition of subsidiaries	32(a)	(781)	38,162
Disposal of a subsidiary	32(b)	—	1,490
Expenses arising from acquisition of subsidiaries		—	(4,323)
Balance payment for the acquisition of a subsidiary		(1,660)	(2,418)
Decrease/(increase) in amounts due from associates		4,969	(2,976)
Decrease/(increase) in pledged deposits and time deposits with original maturity of more than three months when acquired		19,004	(29,378)
Net cash inflow/(outflow) from investing activities		3,158	(7,592)
Continuing operations		3,158	(7,592)
Discontinued operations		—	21,109
Total		3,158	13,517
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	29	—	218,000
Share issue expenses		—	(6,160)
New bank loans		101,826	23,400
Repayment of bank loans		(32,208)	(57,675)
Repayment of other loans		—	(75,500)
Capital contributed by minority shareholders		11,082	—
Repayment to minority shareholders		(2,400)	(2,400)
Net cash inflow from financing activities		78,300	99,665
Continuing operations		78,300	99,665
Discontinued operations		—	—
Total		78,300	99,665

Consolidated Cash Flow Statement

Year ended 31 December 2002

	Note	2002 HK\$'000	2001 HK\$'000 (Restated)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		26,833	100,024
Cash and cash equivalents at beginning of year		87,722	(12,316)
Effect of foreign exchange rate changes, net		(438)	14
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		114,117	87,722
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		114,117	123,499
Time deposits with original maturity of more than three months when acquired		—	(24,293)
Bank overdrafts	26	—	(11,484)
		114,117	87,722

Balance Sheet

31 December 2002

	Notes	2002 HK\$'000	2001 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	13	37,126	38,535
Interests in subsidiaries	16	303,779	259,571
Interests in associates	17	—	55,827
		340,905	353,933
CURRENT ASSETS			
Other receivables, prepayments and deposits	23	43,664	172
Cash and bank balances		17,469	24,008
		61,133	24,180
CURRENT LIABILITIES			
Other payables and accruals	25	2,290	1,739
Bank loans	26	7,907	33,687
		10,197	35,426
NET CURRENT ASSETS/(LIABILITIES)		50,936	(11,246)
TOTAL ASSETS LESS CURRENT LIABILITIES		391,841	342,687
NON-CURRENT LIABILITIES			
Bank loans	26	(55,149)	(6,531)
		336,692	336,156
CAPITAL AND RESERVES			
Issued capital	29	446,259	446,259
Reserves	31	(109,567)	(110,103)
		336,692	336,156

XIONG DA XIN
Director

NG KONG FAT, BRIAN
Director

1. CORPORATE INFORMATION

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

- provision of information technology services
- property investment
- restaurant operations

In the opinion of the directors, the ultimate holding company is Beijing Holdings Limited, which is incorporated in Hong Kong.

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

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

- SSAP 1 (Revised) : “Presentation of financial statements”
- SSAP 11 (Revised) : “Foreign currency translation”
- SSAP 15 (Revised) : “Cash flow statements”
- SSAP 34 : “Employee benefits”

The SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group’s accounting policies and on the amounts disclosed in these financial statements of those SSAPs which have had a significant effect on the financial statements are summarised as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented on page 22 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group reserves note.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates are now translated to Hong Kong dollars at the weighted average exchange rates, whereas previously they were translated at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

Notes to Financial Statements

31 December 2002

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) (continued)

SSAP 15 (Revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits. In addition, disclosures are now required in respect of the Company’s share option scheme, as detailed in note 30 to the financial statements. These share option scheme disclosures previously included in the Report of the Directors, are now required to be included in the notes to the financial statements as a consequence of the SSAP.

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 2002. 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.

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.

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

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, directly or indirectly, over the joint venture company;
- (b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, 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, directly or indirectly, 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.

Notes to Financial Statements

31 December 2002

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

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.

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 ten 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.

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.

Negative goodwill

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

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

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

Negative goodwill *(continued)*

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets of nine years. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

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 negative goodwill which has not been recognised in the consolidated profit and loss account.

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.

Notes to Financial Statements

31 December 2002

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% – 20%
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 ten years.

Operating leases

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 includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs necessary to make the sale.

Notes to Financial Statements

31 December 2002

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 and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

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

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.

Employee benefits

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Pension schemes

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

Notes to Financial Statements

31 December 2002

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

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme 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 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, or which lapse, are deleted from the register of outstanding options.

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 exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates 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 to Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

4. SEGMENT INFORMATION

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 information networks; (iv) the provision of IT technical support and consultation services; and (v) the development and installation of software;
- (b) the restaurants segment engages in the operation of restaurants and the trading of dried seafood;

Notes to Financial Statements

31 December 2002

4. SEGMENT INFORMATION

- (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 in the prior year); and
- (e) the corporate segment comprises corporate income and expense items.

In determining the Group's geographical segments, revenues 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.

Notes to Financial Statements

31 December 2002

4. SEGMENT INFORMATION (continued)

(a) Business segments

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

Group

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

Notes to Financial Statements

31 December 2002

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Information technology		Restaurants		Property investment		Corporate		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment assets	427,279	314,846	74,243	54,059	121,207	75,589	54,741	55,267	677,470	499,761
Interests in associates	—	—	—	—	15,340	70,946	—	—	15,340	70,946
Interests in jointly-controlled entities	7,562	471	—	—	—	—	—	—	7,562	471
Bank overdrafts included in segment assets	—	—	—	—	—	4,031	—	7,453	—	11,484
Total assets	434,841	315,317	74,243	54,059	136,547	150,566	54,741	62,720	700,372	582,662
Segment liabilities	73,634	43,741	34,059	30,684	9,873	14,631	2,790	1,730	120,356	90,786
Bank overdrafts included in segment assets	—	—	—	—	—	4,031	—	7,453	—	11,484
Unallocated liabilities	—	—	—	—	—	—	—	—	153,552	83,934
Total liabilities									273,908	186,204
Other segment information:										
Depreciation	2,232	213	8,609	5,524	340	351	1,394*	1,344*	12,575	7,432
Amortisation	14,140	2,357	—	—	—	—	—	—	14,140	2,357
Capital expenditure	5,350	2,000	15,303	7,987	—	—	2	1,289	20,655	11,276

* These are included in "Unallocated corporate expenses".

Notes to Financial Statements

31 December 2002

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland PRC		Singapore		Indonesia		Malaysia		Corporate		Eliminations		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment revenue:																
Sales to external customers	6,695	21,249	223,311	116,425	86,160	56,858	27,259	19,080	43,952	17,813	—	—	—	—	387,377	231,425
Intersegment sales	16,050	—	1,372	—	—	—	—	—	—	—	—	—	(17,422)	—	—	—
Total	22,745	21,249	224,683	116,425	86,160	56,858	27,259	19,080	43,952	17,813	—	—	(17,422)	—	387,377	231,425
Other segment information:																
Segment assets	101,839	106,915	481,582	371,978	41,883	18,241	9,954	7,432	10,373	11,345	54,741	55,267	—	—	700,372	571,178
Bank overdrafts included in segment assets	—	—	—	—	—	4,031	—	—	—	—	—	7,453	—	—	—	11,484
Total assets	101,839	106,915	481,582	371,978	41,883	22,272	9,954	7,432	10,373	11,345	54,741	62,720	—	—	700,372	582,662
Capital expenditure	—	3	5,397	2,029	14,666	303	58	1,594	532	6,058	2	1,289	—	—	20,655	11,276

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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	
	2002 HK\$'000	2001 HK\$'000
Sales of woollen and worsted products	—	9,634
Sales of properties held for sale	325	2,619
Sales of dried seafood	2,211	4,189
Receipts from restaurant operations	198,360	132,959
Gross rental income	6,585	7,465
Construction contracts	122,174	68,899
Rendering of services	57,722	5,660
	387,377	231,425

6. PROFIT FROM OPERATING ACTIVITIES

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Cost of inventories sold	106,722	76,230
Cost of sales of properties held for sale	60	1,068
Cost of services provided	26,982	2,731
Depreciation	12,575	7,432
Operating lease rentals for land and buildings:		
Minimum lease payments	16,351	10,201
Contingent rents	1,216	1,262
	17,567	11,463

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6. PROFIT FROM OPERATING ACTIVITIES (continued)

	Note	Group	
		2002 HK\$'000	2001 HK\$'000
Amortisation of goodwill*		12,254	2,042
Negative goodwill recognised as income during the year [#]		(3,354)	—
Amortisation of intangible assets [@]		1,886	315
Foreign exchange losses, net		513	1,235
Auditors' remuneration:			
Current year provision		1,493	985
Prior year's underprovision		185	—
		1,678	985
Staff costs (including directors' remuneration — note 8):			
Wages and salaries		58,080	32,328
Pension scheme contributions		3,209	1,661
		61,289	33,989
Gross rental income from investment properties		(3,365)	(3,908)
Gross rental income from properties held for sale		(3,220)	(3,557)
Less: Outgoings		2,015	2,012
Net rental income		(4,570)	(5,453)
Interest income		(1,394)	(2,246)
Gain on disposal of investment properties		(1,164)	(1,060)
Gain on disposal of fixed assets		(185)	(1,777)
Gain on disposal of discontinued operations	(i)	—	(3,417)

Note:

(i) On 29 March 2001:

- (a) the Company's inventories of woollen and worsted products of HK\$4,662,000 were disposed at their net book values;
- (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 for a cash consideration of HK\$1,518,000, resulting in a gain on disposal of HK\$911,000; and

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6. PROFIT FROM OPERATING ACTIVITIES (continued)

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

The Group discontinued the woollen and worsted business upon the completion of the above disposals.

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

The negative goodwill recognised in the profit and loss account for the year is included in "Other revenue and gains" on the face of the consolidated profit and loss account.

@ The amortisation of intangible assets is included in "Cost of sales" on the face of the consolidated profit and loss account.

7. FINANCE COSTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Interest on bank loans, overdrafts, and other loans wholly repayable within five years	5,355	6,599

8. DIRECTORS' REMUNERATION

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Fees	40	—
Salaries, allowances and benefits in kind	1,623	1,791
Performance related bonuses	314	207
Pension scheme contributions	24	27
	2,001	2,025

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8. DIRECTORS' REMUNERATION (continued)

Fees include HK\$40,000 (2001: Nil) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive director during the year (2001: Nil).

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

	Number of directors	
	2002	2001
Nil to HK\$1,000,000	8	9

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

During the year, 6,000,000 (2001: 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 in note 30 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above directors' remuneration disclosures.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2001: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2001: three) non-director, highest paid employees are as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Salaries, allowances and benefits in kind	2,467	2,208
Performance related bonuses	173	304
Compensation for loss of office	—	480
Pension scheme contributions	86	12
	2,726	3,004

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9. FIVE HIGHEST PAID EMPLOYEES (continued)

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

	Number of employees	
	2002	2001
Nil to HK\$1,000,000	2	1
HK\$1,000,001 to HK\$1,500,000	1	2
	3	3

During the year, 2,200,000 (2001: 1,400,000) share options were granted to two (2001: one) non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 30 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above five highest paid employees' remuneration disclosures.

10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year.

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

10. TAX (continued)

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	
	2002 HK\$'000	2001 HK\$'000
Group:		
Hong Kong	(298)	(134)
Elsewhere	(1,661)	(985)
Overprovision in prior years	4,243	—
Share of tax attributable to associates	560	494
Tax credit/(charge) for the year	2,844	(625)

There was no unprovided deferred tax in respect of the year (2001: Nil).

11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2002 dealt with in the financial statements of the Company is HK\$536,000 (2001: net loss of HK\$34,031,000).

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders for the year of HK\$15,416,000 (2001: net loss of HK\$1,600,000) and the 446,258,750 (2001: the weighted average of 273,008,750) ordinary shares in issue during the year.

Diluted earnings/(loss) per share amounts for the years ended 31 December 2002 and 2001 have not been disclosed as the share options outstanding during those years had an anti-dilutive effect on the basic earnings/(loss) per share.

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13. 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	46,920	61,091	40,460	22,176	3,542	174,189
Additions	—	—	6,789	11,250	2,616	20,655
Acquisition of subsidiaries	—	—	—	191	—	191
Disposals	(678)	—	(1,124)	(1,488)	(722)	(4,012)
Revaluation deficit	(902)	—	—	—	—	(902)
At 31 December 2002	45,340	61,091	46,125	32,129	5,436	190,121
At cost	—	17,591	46,125	32,129	5,436	101,281
At valuation	45,340	43,500	—	—	—	88,840
	45,340	61,091	46,125	32,129	5,436	190,121
Accumulated depreciation:						
At beginning of year	—	8,527	29,296	8,733	1,620	48,176
Provided during the year	—	1,365	5,414	4,857	939	12,575
Acquisition of subsidiaries	—	—	—	79	—	79
Disposals	—	—	(1,124)	(1,354)	(602)	(3,080)
At 31 December 2002	—	9,892	33,586	12,315	1,957	57,750
Net book value:						
At 31 December 2002	45,340	51,199	12,539	19,814	3,479	132,371
At 31 December 2001	46,920	52,564	11,164	13,443	1,922	126,013

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13. 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	371	1,315	45,713
Additions	—	—	2	—	2
Disposals	—	—	(19)	—	(19)
At 31 December 2002	43,500	527	354	1,315	45,696
At cost	—	527	354	1,315	2,196
At valuation	43,500	—	—	—	43,500
	43,500	527	354	1,315	45,696
Accumulated depreciation:					
At beginning of year	6,497	216	180	285	7,178
Provided during the year	1,027	93	37	238	1,395
Disposals	—	—	(3)	—	(3)
At 31 December 2002	7,524	309	214	523	8,570
Net book value:					
At 31 December 2002	35,976	218	140	792	37,126
At 31 December 2001	37,003	311	191	1,030	38,535

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31 December 2002

13. 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	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Situated in Hong Kong:				
At 1994 valuation	43,500	43,500	43,500	43,500
Situated in Singapore:				
At cost	17,591	17,591	—	—
	61,091	61,091	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. These land and buildings are stated at a carrying amount of HK\$35,976,000 at the balance sheet date (2001: HK\$37,003,000). Had the land and buildings not been revalued, their net book value would have been as follows:

	Group and Company	
	2002 HK\$'000	2001 HK\$'000
Cost	4,339	4,339
Accumulated depreciation	(1,068)	(964)
Net book value at 31 December	3,271	3,375

13. FIXED ASSETS (continued)

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

	2002 HK\$'000	2001 HK\$'000
Situated in Hong Kong	6,840	8,720
Situated in Mainland PRC	38,500	38,200
	45,340	46,920

The Group's investment properties were revalued on 31 December 2002 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, PRC	Office building
Units 1103, 1701, 1704 and 1903, Hong Kong Worsted Mills Industrial Building, 31-39 Wo Tong Tsui Street, Kwai Chung, New Territories, Hong Kong	Industrial

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14. GOODWILL

The amounts of the goodwill and negative goodwill capitalised as an asset or recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

Group	Goodwill HK\$'000	Negative goodwill HK\$'000
Cost:		
At beginning of year	122,536	—
Acquisition of subsidiaries	—	(5,445)
At 31 December 2002	122,536	(5,445)
Accumulated amortisation/(recognition as income):		
At beginning of year	2,042	—
Provided/(recognised) during the year	12,254	(3,354)
At 31 December 2002	14,296	(3,354)
Net book value:		
At 31 December 2002	108,240	(2,091)
At 31 December 2001	120,494	—

Notes to Financial Statements

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15. INTANGIBLE ASSETS

Group	Management information systems HK\$'000
<hr/>	
Cost:	
At beginning of year and at 31 December 2002	18,868
<hr/>	
Accumulated amortisation:	
At beginning of year	315
Provided during the year	1,886
<hr/>	
At 31 December 2002	2,201
<hr/>	
Net book value:	
At 31 December 2002	16,667
<hr/>	
At 31 December 2001	18,553
<hr/>	

16. INTERESTS IN SUBSIDIARIES

	Company	
	2002 HK\$'000	2001 HK\$'000
<hr/>		
Unlisted shares, at cost	193,947	193,947
Due from subsidiaries	194,668	153,460
<hr/>		
	388,615	347,407
Provision for impairment	(3,836)	(3,836)
Provision against amounts due from subsidiaries	(81,000)	(84,000)
<hr/>		
	303,779	259,571
<hr/>		

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for an amount of HK\$6,000,000 (2001 : Nil) which bears interest at 4.5% per annum and is repayable in 2004.

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16. INTERESTS IN SUBSIDIARIES (continued)

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		Principal activities
			2002	2001	
Ah Yat Abalone Forum Restaurant Holdings Pte Ltd	Singapore	S\$250,000	45.9 [@]	45.9 [@]	Restaurant operations
Ah Yat Seafood Market Pte. Ltd.^	Singapore	S\$200,000	20.7 [@]	—	Restaurant operations
Becom Software Co., Ltd.	PRC	RMB50,000,000	71.2	60	Provision of management information system services
Beijing Ah Yat Abalone Restaurant Co., Ltd.	PRC	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.	PRC	US\$4,000,000	85.5	85.5	Property investment
Beijing Enterprises Jetric Holdings Limited^	# British Virgin Islands	US\$100	51	—	Investment holding
Beijing Enterprises Jetric Information Technology Co. Ltd.+	PRC	RMB600,000	51	—	Provision of total education solution
Beijing Enterprises Jetric Limited^	# British Virgin Islands	US\$1	51	—	Investment holding

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16. 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		Principal activities
			2002	2001	
Beijing Enterprises Teletron Information Technology Co. Ltd.	PRC	RMB65,000,000	100	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.	PRC	RMB1,100,000	80	80	Provision of system integration services
Beijing Teletron System Integration Co. Ltd.	PRC	RMB1,000,000	51	51	Provision of networking services
Cyber Vantage Group Limited	# British Virgin Islands	US\$100	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
Hunan Education Information Service Co. Ltd.^	PRC	RMB10,000,000	42.7 [@]	—	Construction of information networks; and the provision of IT technical support services
Lord King Investment Limited	# Hong Kong	HK\$1,000,000	51	51	Restaurant operations
北京捷通瑞奇信息 技術有限公司*	PRC	RMB500,000	44.6 [@]	—	Software developer

Notes to Financial Statements

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16. INTERESTS IN SUBSIDIARIES (continued)

@ These entities are accounted for as subsidiaries by virtue of control over the entities.

These subsidiaries operate in the PRC.

* Directly held by the Company.

+ The Group acquired these companies in October 2002. Further details of this acquisition are included in note 32(a) to the financial statements.

^ Set-up during the year.

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.

17. INTERESTS IN ASSOCIATES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	—	—	—*	—*
Share of net assets	650	2,177	—	—
Amounts due from associates	14,690	33,984	—	21,042
Loan to an associate	—	34,785	—	34,785
	15,340	70,946	—	55,827

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 2002 and 2001 amounted to HK\$50.

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17. 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		Principal activities
			2002	2001	
Linkcross Investments Limited*	Corporate	Hong Kong	50	50	Investment holding
Overseas Union Investments Limited	Corporate	Hong Kong	50	50	Investment holding

* Directly held by the Company.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	7,562	471

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

Name	Business structure	Place of registration and operations	Percentage of			Principal activity
			Ownership interest	Voting power	Profit sharing	
Beijing Shixun Hutong Communication Technology Co. Ltd.	Corporate	PRC	50	50	50	Dormant
Beijing Education Information Network Service Centre Co. Ltd.*	Corporate	PRC	25.5	50	25.5	Provision of information network services

* The Group acquired this company during the year. Further details are included in note 32(a) to the financial statements.

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19. INVENTORIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Materials	53,025	35,778

There were no inventories carried at net realisable value as at the balance sheet date (2001: Nil).

20. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	Group	
	2002 HK\$'000	2001 HK\$'000
Amounts due from customers for contract work	4,516	999
Amounts due to customers for contract work	(1,204)	—
	3,312	999
Contract costs incurred plus recognised profits less recognised losses to date	6,629	2,096
Less: Progress billings received and receivable	(3,317)	(1,097)
	3,312	999

21. 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 carpark nos. 4, 6, 8, 10–13, 16 and 19–21 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)

22. TRADE RECEIVABLES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Due from third parties	94,003	40,100
Due from a fellow subsidiary	4,529	—
	98,532	40,100

The various Group companies have different credit policies, dependent on the requirements of their markets and the business which they operate. An aged analysis of trade receivables is regularly prepared and closely monitored in order to minimise any related credit risk.

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22. TRADE RECEIVABLES (continued)

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Current and within 3 months	85,589	39,726
4–6 months	7,989	120
7–12 months	3,019	—
Over 1 year	1,935	254
	98,532	40,100

23. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Prepayments	2,821	3,187	—	22
Deposits and other receivables	60,475	7,901	146	150
Due from fellow subsidiaries	16,963	9,195	—	—
Due from related companies	5,021	7,653	—	—
Due from a jointly-controlled entity	193	—	—	—
Due from an associate	43,518	—	43,518	—
	128,991	27,936	43,664	172

The balances with fellow subsidiaries, related companies, jointly-controlled entity and associate are unsecured, interest-free and have no fixed terms of repayment.

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24. TRADE AND BILLS PAYABLES

	Group	
	2002 HK\$'000	2001 HK\$'000
Trade payables	44,800	38,553
Bills payable	15,628	4,717
	60,428	43,270

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	
	2002 HK\$'000	2001 HK\$'000
Within 3 months	49,543	42,316
4–6 months	2,106	954
7–12 months	1,221	—
Over 1 year	7,558	—
	60,428	43,270

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25. OTHER PAYABLES AND ACCRUALS

	Note	Group		Company	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Other payables		15,780	17,660	985	985
Accruals		32,494	13,211	1,305	754
Current portion of long term payables	27	3,931	3,591	—	—
Amounts due to the holding companies		—	889	—	—
Amount due to a fellow subsidiary		255	—	—	—
Amounts due to related companies		471	787	—	—
		52,931	36,138	2,290	1,739

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

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26. BANK LOANS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank overdrafts, secured	—	11,484	—	7,453
Bank loans:				
Secured	10,146	13,365	4,556	9,365
Unsecured	143,406	70,569	58,500	23,400
	153,552	83,934	63,056	32,765
	153,552	95,418	63,056	40,218
Bank overdrafts repayable within one year or on demand	—	11,484	—	7,453
Bank loans repayable:				
Within one year	93,288	73,920	7,907	26,234
In the second year	17,247	3,462	16,760	2,946
In the third to fifth years, inclusive	39,905	5,133	38,389	3,585
After five years	3,112	1,419	—	—
	153,552	83,934	63,056	32,765
	153,552	95,418	63,056	40,218
Portion classified as current liabilities	(93,288)	(85,404)	(7,907)	(33,687)
Long term portion	60,264	10,014	55,149	6,531

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26. BANK LOANS (continued)

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

- (a) the Group's investment properties which had an aggregate carrying value at the balance sheet date of HK\$6,840,000 (2001: HK\$8,720,000);
- (b) the Group's leasehold land and buildings which had an aggregate net book value at the balance sheet date of HK\$51,199,000 (2001: HK\$52,564,000);
- (c) the Group's properties held for sale which had an aggregate carrying value at the balance sheet date of HK\$11,527,000 (2001: HK\$11,587,000);
- (d) the Group's bank deposits at the balance sheet date of HK\$9,408,000 (2001: HK\$5,085,000); and
- (e) a guarantee amounting to HK\$47,170,000 (2001: HK\$47,170,000) given by a fellow subsidiary of the Company.

27. LONG TERM PAYABLES

	Note	Group	
		2002 HK\$'000	2001 HK\$'000
Amounts payable:			
Within one year		3,931	3,591
In the second year		2,000	2,000
In the third to fifth years, inclusive		1,999	3,999
		7,930	9,590
Portion classified as current liabilities	25	(3,931)	(3,591)
Long term portion		3,999	5,999

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.

Notes to Financial Statements

31 December 2002

28. DEFERRED TAX

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

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Tax losses	15,581	14,748	14,972	14,094

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.

29. SHARE CAPITAL

Shares	Company	
	2002 HK\$'000	2001 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$1 each	1,000,000	1,000,000
Issued and fully paid:		
446,258,750 ordinary shares of HK\$1 each	446,259	446,259

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

Notes to Financial Statements

31 December 2002

29. SHARE CAPITAL (continued)

A summary of the movements in the Company's ordinary share capital during the prior year 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 and 2002	446,258,750	446,259

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 30 to the financial statements.

30. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, these detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

The Company operates a share option scheme (the "Scheme") to give executives and key employees of the Group 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.

30. SHARE OPTION SCHEME *(continued)*

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 2002, the number of shares issuable under share options granted under the Scheme was 38,900,000, which represented approximately 8.7% 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) the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the offer of the share options; (ii) the average of the closing prices of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholder meetings.

Notes to Financial Statements

31 December 2002

30. SHARE OPTION SCHEME (continued)

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

Name or category of participant		Number of share options		
		At 1 January 2002	Granted during the year	At 31 December 2002
Directors				
Mr. Xiong Da Xin	(a)	2,800,000	—	2,800,000
	(b)	—	1,200,000	1,200,000
		2,800,000	1,200,000	4,000,000
Mr. Bai Jin Rong*	(a)	2,600,000	—	2,600,000
	(b)	—	1,200,000	1,200,000
		2,600,000	1,200,000	3,800,000
Mr. Ng Kong Fat, Brian	(a)	2,300,000	—	2,300,000
	(b)	—	1,200,000	1,200,000
		2,300,000	1,200,000	3,500,000
Dr. Mao Xiang Dong, Peter	(a)	1,600,000	—	1,600,000
	(b)	—	1,200,000	1,200,000
		1,600,000	1,200,000	2,800,000
Mr. E Meng	(a)	1,600,000	—	1,600,000
	(b)	—	1,200,000	1,200,000
		1,600,000	1,200,000	2,800,000
Other employees	(a)	4,300,000	—	4,300,000
	(b)	—	17,700,000	17,700,000
		4,300,000	17,700,000	22,000,000
		15,200,000	23,700,000	38,900,000

* Mr. Bai Jin Rong resigned as a director on 31 December 2002.

30. SHARE OPTION SCHEME *(continued)*

Notes:

- (a) *These options were granted on 19 June 2001 at an exercise price of HK\$1.13 per share. The options can be exercised in two or three 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.*
- (b) *These options were granted on 18 January 2002 at an exercise price of HK\$1.00 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\$0.98. The options can be exercised in three equal portions. The first portion is exercisable at any time commencing on 18 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 17 January 2007.*

No share options were exercised during the year. At the balance sheet date, the Company had 38,900,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 38,900,000 additional ordinary shares of the Company and additional share capital of HK\$38,900,000 and share premium of HK\$1,976,000 (before issue expenses).

31. RESERVES**(a) Group**

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 22 of the financial statements.

Pursuant to the relevant laws and regulations in the PRC, a portion of the profits of the Group's subsidiaries in the PRC has been transferred to PRC reserve funds which are restricted as to use.

Notes to Financial Statements

31 December 2002

31. RESERVES (continued)

(b) Company

	Asset revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 January 2001	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 and beginning of year	35,487	(145,590)	(110,103)
Net profit for the year	—	536	536
Transfer to accumulated losses	(922)	922	—
At 31 December 2002	34,565	(144,132)	(109,567)

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net assets acquired:		
Interest in a jointly-controlled entity (<i>note 18</i>)	6,868	472
Fixed assets	112	6,486
Cash and bank balances	5,020	85,662
Trade receivables	24	6,689
Inventories	2,497	9,969
Other receivables, prepayments and deposits	2,050	19,623
Trade and bills payables	(21)	(4,573)
Other payables and accruals	(2,872)	(8,636)
Bank loans	—	(47,170)
Minority interests	(2,432)	(1,058)
	11,246	67,464
Goodwill/(negative goodwill) on acquisition (<i>note 14</i>)	(5,445)	122,536
	5,801	190,000
Satisfied by:		
Cash	5,801	47,500
Issue of shares	—	142,500
	5,801	190,000

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

	2002 HK\$'000	2001 HK\$'000
Cash consideration	(5,801)	(47,500)
Cash and bank balances acquired	5,020	85,662
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	(781)	38,162

Notes to Financial Statements

31 December 2002

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

(a) Acquisition of subsidiaries *(continued)*

The subsidiaries acquired during the year contributed HK\$37,906,000 to the Group's turnover and HK\$9,242,000 to the consolidated profit after tax and before minority interests for the year ended 31 December 2002. The subsidiaries acquired in the prior year 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.

(b) 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	—

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)***(b) Disposal of a subsidiary** *(continued)*

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

	2001 HK\$'000
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 results of the subsidiary disposed of in the year ended 31 December 2001 had no significant impact on the Group's consolidated turnover or profit after tax for that year.

(c) Major non-cash transaction

In the prior 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	
	2002	2001
	HK\$'000	HK\$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	52,760	8,299

At 31 December 2002, the guarantees given to the banks in connection with bank facilities granted to the subsidiaries by the Company were utilised to the extent of approximately HK\$43,326,000 (2001: HK\$8,030,000).

Notes to Financial Statements

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34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 13) and certain properties held for sale (note 21) under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits.

At 31 December 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	4,123	3,803
In the second to fifth years, inclusive	1,899	1,663
	6,022	5,466

(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 one to twelve 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 2002, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	16,133	13,069	60	576
In the second to fifth years, inclusive	31,024	24,216	—	150
After five years	13,912	1,981	—	—
	61,069	39,266	60	726

Notes to Financial Statements

31 December 2002

35. PLEDGE OF ASSETS

Details of the Group's borrowings secured by the assets of the Group are set out in note 26 to the financial statements.

Bank deposits of HK\$966,000 (2001: Nil) were pledged as guarantees for tenders and contracts.

36. RELATED PARTY TRANSACTIONS

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

	Notes	Group	
		2002 HK\$'000	2001 HK\$'000
Sales of materials to a company in which a director of the Company has beneficial interests	(i)	2,211	4,189
Purchases of finished goods from a jointly-controlled entity	(i)	—	867
Interest expenses on loans from an affiliated company of the Company's ultimate shareholder	(ii)	—	2,058
Service income from a fellow subsidiary	(iii)	28,302	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.
- (iii) The service fees were charged at the higher of (i) 8–9% of the turnover of the fellow subsidiary; or (ii) certain minimum guaranteed amounts.

Notes to Financial Statements

31 December 2002

37. POST BALANCE SHEET EVENT

- (a) On 20 December 2002, the Company entered into an agreement to acquire from independent third parties a 60% equity interest in Wisdom Elite Holdings Limited and its wholly-owned subsidiary, Beijing Enterprises VST Software Engineering Technology Co. Ltd., (collectively "Wisdom Elite Group") for a consideration of HK\$21,204,000, satisfied as to HK\$8,481,600 in cash and HK\$12,722,400 by way of the allotment of 12,722,400 new shares of the Company at an issue price of HK\$1.00 per share. The acquisition was completed in January 2003. Wisdom Elite Group principally engages in the development and sale of social security information management systems and tax information management systems in the PRC. Goodwill arising from this acquisition is estimated to be approximately HK\$16 million and will be amortised over ten years.
- (b) On 14 April 2003, the Company entered into a conditional agreement to acquire from Beijing Enterprises Holdings Limited ("BEHL"), the Company's holding company, the entire share capital of Business Net Limited together with all the benefits and interest of and in the shareholder's loan amounting to RMB19 million (approximately HK\$17.92 million) owing by Business Net Limited to BEHL for the consideration of HK\$40 million, satisfied as to HK\$5 million in cash and HK\$35 million by way of the allotment of 35,000,000 new shares of the Company at an issue price of HK\$1.00 per share. The sole asset of Business Net Limited is a 38% interest in Beijing Municipal Administration & Communications Card Co., Ltd., which is principally engaged in (1) the production and issuance of contactless multipurpose electronic payment cards, namely "Yikatong"; and (2) the investment, operation and management of the "Yikatong" automated fee collection system and related facilities in Beijing. The transaction is subject to the approval of the Company's shareholders at the extraordinary general meeting of the Company.

38. 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 accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 14 April 2003.

Five Year Financial Summary

31 December 2002

A summary of the published results and of the assets, liabilities and minority interests 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.

	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
RESULTS					
Turnover:					
Continuing operations	387,377	221,791	139,192	104,763	81,939
Discontinued operations	—	9,634	28,369	23,022	35,777
	387,377	231,425	167,561	127,785	117,716
Profit/(loss) before tax	18,051	67	(18,374)	(54,064)	(36,423)
Tax	2,844	(625)	(1,290)	(291)	(1,659)
Profit/(loss) before minority interests	20,895	(558)	(19,664)	(54,355)	(38,082)
Minority interests	(5,479)	(1,042)	(3,120)	4,165	3,632
Net profit/(loss) from ordinary activities attributable to shareholders	15,416	(1,600)	(22,784)	(50,190)	(34,450)
ASSETS, LIABILITIES AND MINORITY INTERESTS					
Total assets	700,372	582,662	260,722	258,039	308,813
Total liabilities	(273,908)	(186,204)	(241,396)	(216,330)	(212,895)
Minority interests	(29,601)	(13,407)	4,905	6,091	1,823
	396,863	383,051	24,231	47,800	97,741

Notice of Annual General Meeting

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

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 2002;
2. To re-elect the retiring director 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;

Notice of Annual General Meeting

(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

Notice of Annual General Meeting

“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 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;
- (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

Notice of Annual General Meeting

(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
14 April 2003

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