

software

isp

hardware

education



Beijing Development (Hong Kong) Limited

Interim Report 2002

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

Six months ended 30 June 2002

	Notes	Six months ended 30 June	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
TURNOVER			
Continuing operations		162,661	71,967
Discontinued operations	4	—	9,634
		<hr/>	<hr/>
Cost of sales	3	162,661 (84,098)	81,601 (40,963)
		<hr/>	<hr/>
Gross profit		78,563	40,638
Interest income		619	910
Other revenue and gains		245	1,833
Selling and distribution costs		(52,829)	(31,754)
Administrative expenses		(14,074)	(9,332)
Other operating expenses		(6,127)	(6,160)
Gain on disposal of discontinued operations	4	—	3,417
		<hr/>	<hr/>
PROFIT/(LOSS) FROM OPERATING			
ACTIVITIES			
Continuing operations		6,397	(4,087)
Discontinued operations		—	3,639
		<hr/>	<hr/>
	5	6,397	(448)
Finance costs	6	(2,514)	(5,344)
Share of profits and losses of:			
Associates		(405)	(816)
Jointly-controlled entities		—	(1,585)
		<hr/>	<hr/>

Condensed Consolidated Financial Statements

	Six months ended 30 June	
	2002	2001
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Notes	HK\$'000	HK\$'000
PROFIT/(LOSS) BEFORE TAX	3,478	(8,193)
Tax	7	(688)
<hr/>		
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	2,903	(8,881)
Minority interests	304	(945)
<hr/>		
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	3,207	(9,826)
<hr/>		
EARNINGS/(LOSS) PER SHARE (Cents)		
— BASIC	8	(5.05)
— DILUTED	8	N/A
<hr/>		
INTERIM DIVIDEND PER SHARE	NIL	NIL
<hr/>		

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2002

	30 June 2002 <i>(Unaudited)</i> <i>HK\$'000</i>	31 December 2001 <i>(Audited)</i> <i>HK\$'000</i>
<i>Notes</i>		
NON-CURRENT ASSETS		
Fixed assets	135,924	126,013
Goodwill	114,367	120,494
Intangible assets	17,610	18,553
Interests in associates	72,920	70,946
Interest in a jointly-controlled entity	471	471
	341,292	336,477
CURRENT ASSETS		
Inventories	31,605	35,778
Amount due from customers for contract work	5,088	999
Properties held for sale	12,788	12,788
Trade receivables	87,302	40,100
Other receivables, prepayments and deposits	43,835	27,936
Pledged deposits	365	5,085
Cash and bank balances	44,681	123,499
	225,664	246,185
CURRENT LIABILITIES		
Trade and bills payables	26,186	43,270
Amount due to customers for contract work	141	—
Tax payable	5,747	5,379
Other payables and accruals	49,949	36,138
Bank loans	68,869	85,404
	150,892	170,191

Condensed Consolidated Financial Statements

		30 June 2002 <i>(Unaudited)</i> <i>HK\$'000</i>	31 December 2001 <i>(Audited)</i> <i>HK\$'000</i>
	<i>Notes</i>		
NET CURRENT ASSETS		74,772	75,994
TOTAL ASSETS LESS CURRENT LIABILITIES		416,064	412,471
NON-CURRENT LIABILITIES			
Bank loans	11	8,298	10,014
Long term payables		3,999	5,999
		12,297	16,013
MINORITY INTERESTS		(17,476)	(13,407)
		386,291	383,051
CAPITAL AND RESERVES			
Issued capital	12	446,259	446,259
Reserves		(59,968)	(63,208)
		386,291	383,051

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2002

	Six months ended 30 June	
	2002	2001
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(51,002)	(35,129)
NET CASH INFLOW FROM INVESTING ACTIVITIES	12,837	21,437
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(23,105)	123,440
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(61,270)	109,748
Cash and cash equivalents at beginning of period	87,658	(12,335)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	26,388	97,413
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	44,681	116,349
Bank overdrafts	(18,293)	(18,936)
	26,388	97,413

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2002

	Issued capital (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Reserve funds (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2002	446,259	35,487	(1,994)	5,224	(101,925)	383,051
Exchange realignment	—	—	33	—	—	33
Net profit for the period	—	—	—	—	3,207	3,207
Transfer to accumulated losses	—	(461)	—	—	461	—
At 30 June 2002	446,259	35,026	(1,961)	5,224	(98,257)	386,291
At 1 January 2001	85,759	36,409	(1,914)	—	(96,023)	24,231
Share allotments	218,000	—	—	—	—	218,000
Exchange realignment	—	—	(697)	—	—	(697)
Net loss for the period	—	—	—	—	(9,826)	(9,826)
Transfer to accumulated losses	—	(461)	—	—	461	—
At 30 June 2001	303,759	35,948	(2,611)	—	(105,388)	231,708

Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The principal accounting policies and basis of preparation adopted in preparing these condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2001, except that the Group has adopted the following SSAPs which are effective for accounting periods commencing on or after 1 January 2002:

- SSAP 1 (Revised): “Presentation of financial statements”
- SSAP 15 (Revised): “Cash flow statements”
- SSAP 25 (Revised): “Interim financial reporting”
- SSAP 34: “Employee benefits”

These SSAPs prescribe new accounting measurement and disclosure practices. The adoption of these SSAPs during the current financial period does not have any significant impact on the Group’s profit or shareholders’ equity, except that the presentation of certain items and balances in the condensed consolidated interim financial statements have been revised to comply with the new requirements.



Condensed Consolidated Financial Statements

2. Segment information

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:

- information technology segment
- restaurants segment
- property investment segment
- woollen and worsted segment (discontinued in 2001 — note 4)
- corporate segment

The following table presents revenue, results and expenditure information for the Group's business segments for the six months ended 30 June 2002:

(Unaudited)	Information technology		Restaurants		Property investment		Woollen and worsted		Corporate		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	62,898	—	96,235	66,137	3,528	5,830	—	9,634	—	—	162,661	81,601
Segment results	6,913	—	2,314	2,907	2,403	5,105	—	3,639	(5,852)	(13,009)	5,778	(1,358)
Interest income											619	910
Profit/(loss) from operating activities											6,397	(448)
Finance costs											(2,514)	(5,344)
Share of profits and losses of:												
Associates	—	—	—	—	(405)	(816)	—	—	—	—	(405)	(816)
Jointly-controlled entities	—	—	—	—	—	—	—	(1,585)	—	—	—	(1,585)
Profit/(loss) before tax											3,478	(8,193)
Tax											(575)	(688)
Profit/(loss) before minority interests											2,903	(8,881)
Minority interests											304	(945)
Net profit/(loss) from ordinary activities attributable to shareholders											3,207	(9,826)
Other segment information:												
Depreciation	984	—	2,993	2,422	170	182	—	—	697	592	4,844	3,196
Amortisation	7,070	—	—	—	—	—	—	—	—	—	7,070	—

Condensed Consolidated Financial Statements

3. Turnover

Revenue from the following activities has been included in the Group's turnover:

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Construction contracts	49,760	—
Rendering of information technology related services	9,057	—
Receipts from restaurant operations	94,623	64,301
Gross rental income	3,528	3,633
Sales of management information products	4,081	—
Sales of dried seafood	1,612	1,836
Sales of properties held for sale	—	2,197
Sales of woollen and worsted products (discontinued operations — note 4)	—	9,634
	162,661	81,601

4. Discontinued operations

On 29 March 2001:

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

Condensed Consolidated Financial Statements

- (b) the Company's entire 70% interest in a subsidiary, Sino Textile Enterprises Limited, and the Company's shareholder's loan of HK\$1,518,000 were disposed to an affiliated company for a cash consideration of HK\$1,518,000, resulting in a gain on disposal of HK\$911,000; and
- (c) the Company's entire 50% interest in a jointly-controlled entity, Beijing Jin Yang Worsted Co., Ltd., was disposed to an affiliated company for a cash consideration of HK\$19,619,000, resulting in a gain on disposal of HK\$2,506,000.

The gains on disposal represent the differences between the net sales proceeds and the net carrying amounts of the Group's share of assets and liabilities disposed at the time of disposal.

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

5. Profit/(loss) from operating activities

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

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	4,844	3,196
Amortisation of goodwill	6,127	—
Amortisation of intangible assets	943	—
Net rental income	(2,567)	(2,619)
Gain on disposal of fixed assets	(245)	(1,777)

Condensed Consolidated Financial Statements

6. Finance costs

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expenses on bank loans, overdrafts, and other loans wholly repayable within five years	2,514	5,344

7. 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 six months ended 30 June 2002.

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

Condensed Consolidated Financial Statements

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.

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Hong Kong	51	69
Elsewhere	1,066	877
Prior year's overprovision	(447)	—
Share of tax attributable to associates	(95)	(258)
	<hr/>	<hr/>
Tax charge for the period	575	688

There was no unprovided deferred tax in respect of the six months ended 30 June 2002 (2001: Nil).

8. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the six months ended 30 June 2002 of HK\$3,207,000 (2001: loss of HK\$9,826,000) and the weighted average of 446,258,750 (2001: 194,758,750) ordinary shares in issue during the period.

The calculation of diluted earnings per share is also based on the net profit from ordinary activities attributable to shareholders for the six months ended 30 June 2002 of HK\$3,207,000 and the weighted average of 446,258,750 ordinary shares in issue and 1,215,511 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period.

Condensed Consolidated Financial Statements

A diluted loss per share amount for the six months ended 30 June 2001 has not been disclosed as the share options outstanding during the period had an anti-dilutive effect on the basic loss per share.

9. Trade receivables

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

An aged analysis of the Group's trade receivables as at 30 June 2002, based on the invoice date, and net of provisions, is as follows:

	30 June 2002 <i>(Unaudited)</i> HK\$'000	31 December 2001 <i>(Audited)</i> HK\$'000
Within 3 months	54,669	39,726
4 – 6 months	2,182	120
7 – 12 months	29,915	—
Over one year	536	254
	87,302	40,100

Condensed Consolidated Financial Statements

10. Trade and bills payables

An aged analysis of the Group's trade and bills payables as at 30 June 2002, based on the invoice date, is as follows:

	30 June 2002 <i>(Unaudited)</i> HK\$'000	31 December 2001 <i>(Audited)</i> HK\$'000
Within 3 months	13,063	42,316
4 – 6 months	3,428	954
7 – 12 months	9,584	—
Over one year	111	—
	26,186	43,270

Condensed Consolidated Financial Statements

11. Bank loans

	30 June 2002 <i>(Unaudited)</i> HK\$'000	31 December 2001 <i>(Audited)</i> HK\$'000
Bank overdrafts, secured	18,293	11,484
Bank loans:		
Secured	11,704	13,365
Unsecured	47,170	70,569
	58,874	83,934
	77,167	95,418
Bank overdrafts repayable within one year or on demand	18,293	11,484
Bank loans repayable:		
Within one year or on demand	50,576	73,920
In the second year	3,520	3,462
In the third to fifth years, inclusive	3,617	5,133
Beyond five years	1,161	1,419
	58,874	83,934
	77,167	95,418
Portion classified as current liabilities	(68,869)	(85,404)
Long term portion	8,298	10,014

Condensed Consolidated Financial Statements

The Group's bank facilities are secured by:

- (a) mortgages over certain of the Group's investment properties which had an aggregate carrying value at 30 June 2002 of HK\$8,720,000 (31 December 2001: HK\$8,720,000);
- (b) mortgages over the Group's land and buildings which had an aggregate net book value at 30 June 2002 of HK\$51,882,000 (31 December 2001: HK\$52,564,000);
- (c) mortgages over certain of the Group's properties held for sale which had an aggregate carrying value at 30 June 2002 of HK\$11,587,000 (31 December 2001: HK\$11,587,000);
- (d) pledged bank deposits at 30 June 2002 of HK\$365,000 (31 December 2001: HK\$5,085,000); and
- (e) a guarantee amounting to HK\$47,170,000 (31 December 2001: HK\$47,170,000) given by a fellow subsidiary of the Company.

12. Share capital

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) 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

Condensed Consolidated Financial Statements

Share options

The Company operates a share option scheme, further details of which are set out under the heading "Share option scheme" on pages 25 to 27.

At 30 June 2002, the Company had outstanding share options entitling the holders to subscribe for 38,900,000 shares (31 December 2001: 15,200,000 shares) in the Company. No options were exercised during the six months ended 30 June 2002.

13. Related party transactions

In addition to the transactions and balances detailed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the six months ended 30 June 2002:

		Six months ended 30 June	
		2002	2001
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Technical service income from a fellow subsidiary	(i)	9,057	—
Sales of materials to a company in which a director of the Company has beneficial interests	(ii)	1,612	1,836
Purchases of finished goods from a jointly-controlled entity	(ii)	—	867
Interest expenses on loans from an affiliated company of the Company's ultimate shareholder	(iii)	—	2,396

Condensed Consolidated Financial Statements

Notes:

- (i) The technical service fees were calculated at 8% to 9% of the turnover of the fellow subsidiary for the previous month.
- (ii) 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.
- (iii) The interest expenses on loans from the related party were charged at the Hong Kong prime rate per annum.

14. Capital commitment

The Group has no material capital commitment outstanding at 30 June 2002 and 31 December 2001.

15. Contingent liabilities

The Group has no material contingent liabilities outstanding at 30 June 2002 and 31 December 2001.

16. Approval of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 12 September 2002.

Business Review and Prospects

RESULTS

The Group's turnover for the half year was HK\$162.7 million, increased by HK\$81.1 million or 99% compared with the previous corresponding period. The surge in turnover was mainly caused by revenue generated from information technology related businesses acquired in the second half of 2001 and an expansion of the restaurant operations.

The Group reported a profit attributable to shareholders of HK\$3.2 million for the six months ended 30 June 2002, representing a significant turnaround from a loss of HK\$9.8 million for the same period in 2001. Earnings per share amounted to 0.7 cent compared to loss per share of 5 cents in the same period last year.

As in the past 18 months, the restaurant and property investment operations continued to produce stable but modest profits during the period. What made the turnaround happened was new source of profit generated from the newly acquired IT services businesses.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2002.

INFORMATION TECHNOLOGY SERVICES

The Group changed its overall business strategy since the second half of last year. The Group has been allocating most of its resources into the rapidly growing IT services sector in the PRC. This strategy has already produced satisfactory result as evidenced by the turnaround in profitability for the period under review.

The turnover of the IT services division was HK\$62.9 million (2001: Nil) which generated EBITDA of HK\$15 million or operating profit of HK\$6.9 million. The Group performance can be attributed to constructive and strong relationships it has with its customers, which enable the Group to provide suitable application solutions based on customers' needs.

Business Review and Prospects

Working closely with Beijing Education Bureau, the Group is investing and developing a full range of application solutions for the whole of primary and secondary education sector in Beijing. The Group is also actively seeking investment opportunity in smart card and software businesses.

RESTAURANT

The performance of the restaurant business was in line with the previous year's comparable period. It is expected that the restaurant business will remain steady in the second half of the year.

PROPERTY

Leasing activities performed steadily during the period. The Group will continue its strategy of reducing its property holding whenever market opportunities arise.

Financial Review and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to follow the practice of prudent financial strategy during the period under review. As at 30 June 2002, the Group had total assets of HK\$567 million, which were financed by total liabilities of HK\$163.2 million, minority interests of HK\$17.5 million and shareholders' funds of HK\$386.3 million (31 December 2001: HK\$383.1 million). The Group's net asset value amounted to HK\$0.87 per share (31 December 2001: HK\$0.86 per share).

As at 30 June 2002, the Group had a current ratio (current assets over current liabilities) of 1.5 compared to that of 1.45 as at 31 December 2001. The gearing ratio, calculated on the basis of the Group's aggregate interest bearing borrowings over shareholders' funds, decreased from 0.25 as at 31 December 2001 to 0.2 as at 30 June 2002. The earnings before interest expense, taxation, depreciation and amortization of HK\$18.3 million covered gross interest expenses of HK\$2.5 million for the period under review 7.28 times, compared to that of 3 times for the year ended 31 December 2001.

The management is comfortable that the Group's existing healthy capital position can provide sufficient financial resources for its funding requirements. Should investment opportunities arise requiring additional funds, the management also believes that the Group is in a good position to obtain additional funds on favourable terms.

As at 30 June 2002, the Group's cash and bank balances amounted to HK\$44.7 million (31 December 2001: HK\$123.5 million). The Group's borrowings, principally on a floating rate basis, totalled HK\$77.2 million (31 December 2001: HK\$95.4 million), of which 29% were denominated in Hong Kong dollar, 61% in Renminbi and 10% in other currencies. The non-Hong Kong dollar denominated loans are either directly related to the Group's businesses in the countries of the currencies concerned, or the loans are balanced by assets in the same currencies.

Financial Review and Analysis

As at 30 June 2002, certain properties of the Group with an aggregate carrying value of HK\$72.2 million, with no significant change from last year end date, were pledged as securities for the Group's banking facilities.

The management aims at deploying the Group's resources effectively and practically to achieve the best use of funds. The Group's capital expenditures for the period under review totalled HK\$14.9 million were funded primarily from cash generated from operations and internal resources. The Group has no material capital commitments or contingent liabilities outstanding as at the period end date.

HUMAN RESOURCES

Following the expansion of the Group's business operation, the number of full-time employees employed by the Company and its subsidiaries increased from 400 as at 30 June 2001 to 1,040 as at 30 June 2002. The Group's total employees' cost (including directors' remuneration) for the six months ended 30 June 2002 and 2001 amounted to approximately HK\$27 million and HK\$16.3 million, respectively, both representing 40% of the Group's total operating expenses for those periods.

The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group has established a share option scheme to reward its eligible employees (including executive directors of the Company) for their individual performances, to attract and retain a high caliber of capable and motivated workforce.

During the period under review, 23,700,000 share options were granted at an exercise price of HK\$1 per share and no share options were exercised. As at the period end date, a total of 38,900,000 share options were still outstanding.

Other Information

REVIEW OF THE INTERIM FINANCIAL REPORT

The Group's interim financial report for the six months ended 30 June 2002 have been reviewed by the Company's auditors', Ernst & Young.

DIRECTORS' INTERESTS IN SHARES

At 30 June 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.
- (c) Sunbird beneficially owns 6,000 ordinary shares of S\$1 each in the share capital of Ah Yat Abalone Forum Restaurant Holdings Pte Ltd, representing 24% of its issued share capital.

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

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

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

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest 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 section "Share option scheme" below, at no time during the six months ended 30 June 2002 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

Pursuant to a share option scheme (the "Scheme") approved by the shareholders of the Company on 18 June 2001, the following share options were outstanding during the six months ended 30 June 2002:

	Number of share options					
	At 1 January 2002	<i>Note (a)</i> Granted during the period	At 30 June 2002	At 1 January 2002	<i>Note (b)</i> Granted during the period	At 30 June 2002
Directors						
Mr. Xiong Da Xin	2,800,000	—	2,800,000	—	1,200,000	1,200,000
Mr. Bai Jin Rong	2,600,000	—	2,600,000	—	1,200,000	1,200,000
Dr. Mao Xiang						
Dong, Peter	1,600,000	—	1,600,000	—	1,200,000	1,200,000
Mr. E Meng	1,600,000	—	1,600,000	—	1,200,000	1,200,000
Mr. Ng Kong Fat, Brian	2,300,000	—	2,300,000	—	1,200,000	1,200,000
	10,900,000	—	10,900,000	—	6,000,000	6,000,000
Other employees	4,300,000	—	4,300,000	—	17,700,000	17,700,000
	15,200,000	—	15,200,000	—	23,700,000	23,700,000

Other Information

Notes:

- (a) These options were granted on 19 June 2001 at an exercise price of HK\$1.13 per share. The closing price of the Company's shares on the Stock Exchange on the trading day immediately prior to the date of the grant of the share options was HK\$1.47. The options can be exercised in 2 or 3 equal portions. The first portion is exercisable at any time commencing on 1 January 2002, and each further portion becomes exercisable on 1 January in each of the following years. All of the options, if not otherwise exercised, will lapse on 26 June 2006. No such options were exercised during the six months ended 30 June 2002.
- (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 3 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 such options were exercised during the six months ended 30 June 2002.

In addition to the above, at 30 June 2002, the interests of the directors of the Company in options to subscribe for shares of Beijing Enterprises Holdings Limited ("BEHL"), the Company's holding company, under the share option scheme of BEHL were as follows:

Name of directors	Number of options held	
	Note (c)	Note (d)
Mr. Bai Jin Rong	240,000	2,160,000
Mr. E Meng	50,000	450,000

Notes:

- (c) These options were granted on 3 March 1998 at an exercise price of HK\$17.03 per share. The options can be exercised at any time in the next 10 years commencing on 1 September 1998. No such options were exercised during the six months ended 30 June 2002.

Other Information

- (d) These options were granted on 23 June 1998 at an exercise price of HK\$17.03 per share. The options can be exercised in 9 equal portions. The first portion is exercisable at any time commencing on 1 January 1999 and one additional portion becomes exercisable on 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 six months ended 30 June 2002.

SUBSTANTIAL SHAREHOLDERS

At 30 June 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	Percentage of the Company's	
	Number of shares held	share capital
Idata Finance Trading Limited ("IFTL")	240,675,000	53.93%
Beijing Enterprises Holdings Limited ("BEHL")	240,675,000	53.93%
Beijing Holdings Limited ("BHL")	240,675,000	53.93%
Illumination Holdings Limited	58,618,368	13.14%

IFTL is a direct wholly-owned subsidiary of BEHL. BEHL is held indirectly as to 62.9% by BHL. Accordingly, BEHL and BHL are deemed to be interested in 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 six months ended 30 June 2002.

Other Information

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 interim financial 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.

By Order of the Board

XIONG DA XIN

Chairman

Hong Kong

12 September 2002

Independent Auditors' Review Report

To the Board of Directors of
Beijing Development (Hong Kong) Limited

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 2 to 19.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No.25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standard No.700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of Group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2002.

ERNST & YOUNG

Certified Public Accountants

Hong Kong
12 September 2002

Corporate Information

DIRECTORS

Executive directors

Mr. Xiong Da Xin (*Chairman*)

Mr. Bai Jin Rong (*Managing Director*)

Dr. Mao Xiang Dong, Peter (*Deputy
Managing Director*)

Mr. E Meng (*Deputy Managing
Director*)

Mr. Ng Kong Fat, Brian (*Deputy
Managing Director*)

Independent non-executive directors

Mr. 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 ADVISERS

Baker & McKenzie

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

SHARE REGISTRARS

Tengis Limited

4th Floor

Hutchison House

10 Harcourt Road

Central

Hong Kong

WEBSITE

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