



Beijing Development (Hong Kong) Limited

Interim Report  
2003

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## Management Discussion and Analysis

The board of directors of the Company is pleased to present the unaudited consolidated interim results of the Group for the six months ended 30 June 2003.

### Results

The Group's results for the six months ended 30 June 2003 showed significant improvement over the same period last year. Turnover increased to HK\$202.7 million from HK\$162.7 million, operating profit rose to HK\$14.8 million from HK\$6.4 million and net profit attributable to shareholders jumped to HK\$8.1 million from HK\$3.2 million, representing increases of 25%, 131% and 153% respectively. All these improvements were entirely attributable to the strong growth of the Group's information technology business segment.

The board of directors has resolved not to declare any interim dividend for six months ended 30 June 2003.

### Business Review

#### Information Technology

The information technology business grew rapidly during the first half of 2003. Segment revenue and results were HK\$107.5 million and HK\$26.3 million respectively, representing increases of HK\$44.6 million or 71% and HK\$19.4 million or 281% over the corresponding period last year. The information technology business became the main source of revenue and profit for the Group.

The Group continued to do well in its two established business areas of (a) providing both hardware and software solutions to students, schools and other education entities in Beijing, and (b) providing internet and communications services to enterprises in Beijing.

## Management Discussion and Analysis

In line with its stated strategy, the Group made three strategic acquisitions during the first half of the year.

In January 2003 the Group acquired a 60% interest in Wisdom Elite Holdings Limited, a solution and service provider to the Labour and Social Security and Tax authorities in China.

In April 2003 the Group acquired a 51% interest in Astoria Innovations Limited, who is principally engaged in the development and sale of re-employment and e-government software systems to government authorities.

In May 2003 the Group acquired a 100% interest in Business Net Limited whose sole asset is its interest in 38% of the registered capital of Beijing Municipal Administration & Communications Card Co., Ltd. ("BMAC"). BMAC is a company authorised by the Beijing Municipal government authorities and is principally engaged in (a) the production and issuance of contactless multipurpose electronic payment cards, namely "Yikatong"; and (b) the investment, operation and management of the "Yikatong" automated collection system for the public transportation network in Beijing, including but not limited to buses, taxis, subway and light railway. This electronic payment and settlement system may be extended to cover other retail businesses.

### Other Businesses

The outbreak of SARS in China and Southeast Asia affected the performance of the restaurant business. The segment results showed a negative contribution of HK\$5.9 million compared with a positive contribution of HK\$2.3 million for the same period last year. The outlook for the second half of the year is brighter with business already recovering to the pre-SARS levels.

## Management Discussion and Analysis

The property investment business remained stable during the period.

### Future Plans and Prospects

The Group expects that it will do well in the education sector in the second half of the year. The Group has secured a further system integration contract, for both software and hardware, for approximately 400 schools (2002: 300 schools, 2001: 200 schools) in Beijing to be completed by the end of 2003. To date, most of the Group's education business has been carried out in Beijing. However, the Group plans to promote its products and services to other cities and provinces in China.

Since the acquisition of Wisdom Elite Holdings Limited, the Group has made significant progress in the social security sector, especially in the development and sale of management information systems for retirement, industrial accident and unemployment social insurances. The Group expects a significant contribution from this sector in the near future.

The acquisition of a 38% interest (the single largest interest) in the "Yikatong" automated collection system is of long term strategic importance to the Group. It is expected that a significant portion of the system construction and conversion work will be completed and ready for use by the end of 2004, particularly for buses and taxis, currently the main forms of public transport in Beijing. The use of contactless multipurpose electronic payment cards has been very successfully deployed and received in many Asian countries and cities including Hong Kong, South Korea, Shanghai, Taiwan and Singapore. The Group is confident that the same will be true for Beijing in future.

## Management Discussion and Analysis

### Liquidity and Financial Resources

During the six months ended 30 June 2003, the Group's net asset value increased by 14% to HK\$0.92 per share. The Group's total assets of HK\$751.2 million as at 30 June 2003 were financed by total liabilities of HK\$256.2 million, minority interests of HK\$41.4 million and shareholders' equity of HK\$453.6 million.

As at balance sheet date, the Group's cash and bank balances maintained at HK\$90 million, while total financial indebtedness was HK\$152.5 million. Out of this financial indebtedness, HK\$99.2 million will mature within one year. Certain Group's properties with an aggregate carrying value of HK\$69.6 million were pledged as securities for the banking facilities. The Group had limited exposure to exchange fluctuations and over 90% of its bank borrowings and bank balances were denominated in Renminbi and United States Dollars.

As at 30 June 2003, the current ratio (current assets over current liabilities) of the Group was 201% and the gearing ratio, calculated by dividing the financial indebtedness net of cash and bank balances over shareholders' equity, was 14%.

During the period under review, the Group had operating profit before working capital changes of HK\$33.1 million and cash generated from operations of HK\$11.5 million. In view of the cash generated from the Group's operations and the available banking facilities, the directors believe that the Group has adequate cash resources for working capital requirements and its capital expenditure commitments.

## Management Discussion and Analysis

### Capital Structure

During the six months ended 30 June 2003, the Company totalling issued 47,722,400 new shares of HK\$1 each at par as part of the consideration for the acquisition of certain subsidiaries.

### Employees

As at 30 June 2003, the Group employed approximately 1,100 full time employees, of which 14 employees are employed in Hong Kong. On top of regular remuneration, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance and as well as individuals' performance. As at 30 June 2003, the Company had 35,100,000 share options outstanding under the share option scheme.

### Appreciation

The board of 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 period.

By Order of the Board

**XIONG DA XIN**

*Chairman*

Hong Kong

8 September 2003

Condensed Consolidated Profit and Loss Account  
Six months ended 30 June 2003

	Notes	Six months ended 30 June	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
<b>TURNOVER</b>	3	<b>202,691</b>	162,661
Cost of sales		<b>(101,801)</b>	(84,098)
Gross profit		<b>100,890</b>	78,563
Interest income		<b>453</b>	619
Other revenue and gains		<b>471</b>	245
Selling and distribution costs		<b>(57,544)</b>	(52,829)
Administrative expenses		<b>(20,194)</b>	(14,074)
Other operating expenses		<b>(9,323)</b>	(6,127)
<b>PROFIT FROM OPERATING ACTIVITIES</b>	4	<b>14,753</b>	6,397
Finance costs	5	<b>(3,284)</b>	(2,514)
Share of profits and losses of:			
Associates		<b>(333)</b>	(405)
Jointly-controlled entities		<b>343</b>	—
Amortisation of goodwill on acquisition of a jointly-controlled entity		<b>(225)</b>	—
<b>PROFIT BEFORE TAX</b>		<b>11,254</b>	3,478
Tax	6	<b>(157)</b>	(575)
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>11,097</b>	2,903
Minority interests		<b>(2,972)</b>	304
<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>8,125</b>	3,207
<b>EARNINGS PER SHARE</b>			
— Basic (HK cents)	7	<b>1.75</b>	0.72
— Diluted (HK cents)	7	<b>N/A</b>	0.72



Condensed Consolidated Balance Sheet  
30 June 2003

	Notes	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		<b>140,770</b>	132,371
Goodwill:			
Goodwill		<b>127,086</b>	108,240
Negative goodwill		<b>(1,987)</b>	(2,091)
Intangible assets		<b>15,723</b>	16,667
Interests in associates		<b>17,431</b>	15,340
Interests in jointly-controlled entities		<b>47,695</b>	7,562
		<b>346,718</b>	278,089
<b>CURRENT ASSETS</b>			
Inventories		<b>37,306</b>	53,025
Amounts due from customers for contract work		<b>4,239</b>	4,516
Properties held for sale		<b>12,728</b>	12,728
Trade receivables	8	<b>156,392</b>	98,532
Other receivables, prepayments and deposits		<b>92,245</b>	128,991
Pledged deposits		<b>11,546</b>	10,374
Cash and bank balances		<b>89,979</b>	114,117
		<b>404,435</b>	422,283
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	<b>32,980</b>	60,428
Amounts due to customers for contract work		<b>6,374</b>	1,204
Tax payable		<b>1,184</b>	1,794
Other payables and accruals		<b>61,107</b>	52,931
Bank loans		<b>99,205</b>	93,288
		<b>200,850</b>	209,645
<b>NET CURRENT ASSETS</b>		<b>203,585</b>	212,638

Condensed Consolidated Balance Sheet  
30 June 2003

	Notes	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>550,303</b>	490,727
<b>NON-CURRENT LIABILITIES</b>			
Bank loans		<b>53,342</b>	60,264
Long term payables		<b>1,999</b>	3,999
		<b>55,341</b>	64,263
<b>MINORITY INTERESTS</b>		<b>41,382</b>	29,601
		<b>453,580</b>	396,863
<b>CAPITAL AND RESERVES</b>			
Issued capital	10	<b>493,981</b>	446,259
Reserves		<b>(40,401)</b>	(49,396)
		<b>453,580</b>	396,863

## Condensed Consolidated Statement of Changes in Equity

### Six months ended 30 June 2003

	Issued share capital (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2003	446,259	34,565	13,865	(3,598)	(94,228)	396,863
Exchange realignment	—	—	—	870	—	870
Net profit not recognised in the profit and loss account	—	—	—	870	—	870
Net profit for the period	—	—	—	—	8,125	8,125
Transfer to PRC reserve funds	—	—	145	—	(145)	—
Transfer to accumulated losses	—	(460)	—	—	460	—
New issue of shares for the acquisition of subsidiaries	47,722	—	—	—	—	47,722
<b>At 30 June 2003</b>	<b>493,981</b>	<b>34,105*</b>	<b>14,010*</b>	<b>(2,728)*</b>	<b>(85,788)*</b>	<b>453,580</b>
At 1 January 2002	446,259	35,487	5,224	(1,994)	(101,925)	383,051
Exchange realignment	—	—	—	33	—	33
Net profit not recognised in the profit and loss account	—	—	—	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	5,224	(1,961)	(98,257)	386,291
Reserves retained by:						
Company and subsidiaries	493,981	34,105	14,010	(3,104)	(86,300)	452,692
Associates	—	—	—	376	(52)	324
Jointly-controlled entities	—	—	—	—	564	564
<b>At 30 June 2003</b>	<b>493,981</b>	<b>34,105</b>	<b>14,010</b>	<b>(2,728)</b>	<b>(85,788)</b>	<b>453,580</b>
Company and subsidiaries	446,259	35,026	5,224	(2,336)	(98,415)	385,758
Associates	—	—	—	375	159	534
Jointly-controlled entities	—	—	—	—	(1)	(1)
At 30 June 2002	446,259	35,026	5,224	(1,961)	(98,257)	386,291

\* These reserve accounts comprise the consolidated negative reserves of HK\$40,401,000 (31 December 2002: HK\$49,396,000) in the condensed consolidated balance sheet.

Condensed Consolidated Cash Flow Statement  
Six months ended 30 June 2003

	<b>Six months ended 30 June</b>	
	<b>2003</b> <i>(Unaudited)</i> <b>HK\$'000</b>	2002 <i>(Unaudited)</i> HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	<b>7,771</b>	(51,002)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	<b>(35,519)</b>	12,837
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	<b>3,630</b>	(23,105)
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(24,118)</b>	(61,270)
Cash and cash equivalents at beginning of period	<b>114,117</b>	87,658
Effect of foreign exchange rate changes, net	<b>(20)</b>	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>89,979</b>	26,388
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>89,979</b>	44,681
Bank overdrafts	<b>—</b>	(18,293)
	<b>89,979</b>	26,388

## 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 and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and have been reviewed by the Company’s independent auditors, Ernst & Young.

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 2002, except that the Group has adopted the SSAP 12 (Revised) “Income Taxes” which is effective for accounting periods commencing on or after 1 January 2003. The adoption of the SSAP 12 (Revised) has had no material effect on these condensed consolidated interim 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
- corporate segment

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 Condensed Consolidated Financial Statements

The following table presents revenue, profit and certain expenditure information for the Group's business segments:

(Unaudited)	Information technology		Restaurants		Property investment		Corporate		Eliminations		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment revenue:												
Sales to external customers	107,478	62,898	92,088	96,235	3,125	3,528	—	—	—	—	202,691	162,661
Intersegment sales	—	—	—	—	540	516	—	—	(540)	(516)	—	—
<b>Total</b>	<b>107,478</b>	<b>62,898</b>	<b>92,088</b>	<b>96,235</b>	<b>3,665</b>	<b>4,044</b>	<b>—</b>	<b>—</b>	<b>(540)</b>	<b>(516)</b>	<b>202,691</b>	<b>162,661</b>
Segment results	26,306	6,913	(5,940)	2,314	1,813	2,403	—	—	—	—	22,179	11,630
Interest income											453	619
Unallocated corporate expenses											(7,879)	(5,852)
Profit from operating activities											14,753	6,397
Finance costs											(3,284)	(2,514)
Share of profits and losses of:												
Associates	(274)	—	—	—	(59)	(405)	—	—	—	—	(333)	(405)
Jointly-controlled entities	343	—	—	—	—	—	—	—	—	—	343	—
Amortisation of goodwill on acquisition of a jointly-controlled entity	(225)	—	—	—	—	—	—	—	—	—	(225)	—
Profit before tax											11,254	3,478
Tax											(157)	(575)
Profit before minority interests											11,097	2,903
Minority interests											(2,972)	304
Net profit from ordinary activities attributable to shareholders											8,125	3,207
Other segment information:												
Depreciation	1,749	984	5,626	2,993	178	170	693	697	—	—	8,246	4,844
Amortisation	8,174	7,070	—	—	—	—	—	—	—	—	8,174	7,070

## Notes to Condensed Consolidated Financial Statements

**3. Turnover**

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

	<b>Six months ended 30 June</b>	
	<b>2003</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2002 <i>(Unaudited)</i> HK\$'000
Construction contracts	<b>47,944</b>	53,841
Rendering of services	<b>59,534</b>	9,057
Receipts from restaurant operations	<b>91,758</b>	94,623
Gross rental income	<b>3,125</b>	3,528
Sales of dried seafood	<b>330</b>	1,612
	<b>202,691</b>	162,661

**4. Profit from operating activities**

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

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2003</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2002 <i>(Unaudited)</i> HK\$'000
Depreciation		<b>8,246</b>	4,844
Amortisation of goodwill	<i>(i)</i>	<b>7,006</b>	6,127
Negative goodwill recognised as income during the period	<i>(ii)</i>	<b>(104)</b>	—
Amortisation of intangible assets	<i>(iii)</i>	<b>943</b>	943
Loss/(gain) on disposal of fixed assets		<b>420</b>	(245)
Net rental income		<b>(2,081)</b>	(2,567)

## Notes to Condensed Consolidated Financial Statements

Notes:

- (i) The amortisation of goodwill is included in "Other operating expenses" on the face of condensed consolidated profit and loss account.
- (ii) The negative goodwill recognised as income during the period is included in "Other revenue and gains" on the face of condensed consolidated profit and loss account.
- (iii) The amortisation of intangible assets is included in "Cost of sales" on the face of condensed consolidated profit and loss account.

## 5. Finance costs

	<b>Six months ended 30 June</b>	
	<b>2003</b> <i>(Unaudited)</i> <b>HK\$'000</b>	2002 <i>(Unaudited)</i> HK\$'000
Interest expenses on bank loans, overdrafts, and other loans wholly repayable within five years	<b>3,284</b>	2,514

## 6. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2003.

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%.



## Notes to 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.

	<b>Six months ended 30 June</b>	
	<b>2003 (Unaudited) HK\$'000</b>	<b>2002 (Unaudited) HK\$'000</b>
Group:		
Hong Kong	<b>222</b>	51
Elsewhere	<b>341</b>	1,066
Overprovision in prior years	<b>(431)</b>	(447)
Share of tax attributable to an associate	<b>25</b>	(95)
	<hr/>	<hr/>
Tax charge for the period	<b>157</b>	575

There was no unprovided deferred tax in respect of the six months ended 30 June 2003 (2002: Nil).

## 7. Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the six months ended 30 June 2003 of HK\$8,125,000 (2002: HK\$3,207,000) and the weighted average of 464,817,548 (2002: 446,258,750) ordinary shares in issue during the period.

A diluted earnings per share amount for the six months ended 30 June 2003 has not been disclosed as the share options outstanding during the period had an anti-dilutive effect on the basic earnings per share. The calculation of comparative diluted earnings per share is also

## Notes to Condensed Consolidated Financial Statements

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 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.

### 8. Trade receivables

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.

An aged analysis of the Group's trade receivables as at 30 June 2003, based on the payment due date and net of provisions, is as follows:

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Current and within 3 months	<b>113,417</b>	85,589
4 - 6 months	<b>19,317</b>	7,989
7 - 12 months	<b>14,825</b>	3,019
Over 1 year	<b>8,833</b>	1,935
	<b>156,392</b>	98,532

## Notes to Condensed Consolidated Financial Statements

**9. Trade and bills payables**

An aged analysis of the Group's trade and bills payables as at 30 June 2003, based on the invoice date, is as follows:

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Within 3 months	13,061	49,543
4 – 6 months	1,882	2,106
7 – 12 months	9,699	1,221
Over 1 year	8,338	7,558
	<b>32,980</b>	60,428

**10. Share capital**

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Authorised: 1,000,000,000 ordinary shares of HK\$1 each	<b>1,000,000</b>	1,000,000
Issued and fully paid: 493,981,150 (31 December 2002: 446,258,750) ordinary shares of HK\$1 each	<b>493,981</b>	446,259

## Notes to Condensed Consolidated Financial Statements

During the six months ended 30 June 2003, there were the following movements in share capital:

- (a) On 6 January 2003, the Company issued 12,722,400 ordinary shares of HK\$1 each at par as part of the consideration for the acquisition from independent third parties a 60% equity interest in Wisdom Elite Group Limited and its wholly-owned subsidiary.
- (b) On 30 May 2003, the Company issued 35,000,000 ordinary shares of HK\$1 each at par as part of the consideration for the acquisition 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 RMB19,000,000 owing by Business Net Limited to BEHL.

A summary of the transactions during the six months ended 30 June 2003 with reference to the above movements in the Company's ordinary share capital is as follows:

	<b>Number of shares in issue</b>	<b>Share capital HK\$'000</b>
At 1 January 2003	446,258,750	446,259
New issue of shares for the acquisition of subsidiaries	47,722,400	47,722
<b>At 30 June 2003</b>	<b>493,981,150</b>	<b>493,981</b>

There were no changes to the carrying amount or the number of ordinary shares in issue during the year ended 31 December 2002.

## Notes to Condensed Consolidated Financial Statements

**Share options**

Details of the Company's share option scheme and the share options issued under the scheme are set out under the heading "Share option scheme" on pages 24 to 27.

**11. 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 2003:

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2003 (Unaudited) HK\$'000</b>	2002 (Unaudited) HK\$'000
Service income from a fellow subsidiary	<i>(i)</i>	<b>13,064</b>	9,057
Sales of materials to a company in which a director of the Company has beneficial interests	<i>(ii)</i>	<b>330</b>	1,612

Notes:

- (i) The service fees were calculated at 8-9% of the turnover of the fellow subsidiary.
- (ii) The sales of materials to the related party was priced at the cost of purchases.

## Notes to Condensed Consolidated Financial Statements

**12. Capital commitments**

At the balance sheet date, the Group had the following capital commitments outstanding:

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Capital contribution to a subsidiary:		
Authorised, but not contracted for	<b>2,830</b>	—
Contracted, but not provided for	<b>19,110</b>	—
	<b>21,940</b>	—

In addition, the Group's share of a jointly-controlled entity's own capital commitments at the balance sheet date, which are not included in the above, were as follows:

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Contracted, but not provided for	<b>11,748</b>	—

## Notes to Condensed Consolidated Financial Statements

**13. Contingent liabilities**

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

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	<b>53,020</b>	52,760

At 30 June 2003, 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\$43,339,000 (31 December 2002: HK\$43,326,000).

**14. 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 8 September 2003.

## General Information

### Directors' interests in Shares

At 30 June 2003, the interests and the short positions of the directors, chief executive and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as entered in the register kept under Section 352 of the SFO were as follows:

- (a) Ng Kong Fat, Brian, a director of the Company, beneficially owns 1,462,000 ordinary shares of HK\$1 each in the share capital of BD Ah Yat Abalone Group Limited, representing 21.5% of its issued share capital;
- (b) 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;
- (c) 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
- (d) 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.

Each of BD Ah Yat Abalone Group Limited, H.K. Forewell Investments Limited, Hong Kong Fortune International Limited and Ah Yat Abalone Forum Restaurant Holdings Pte Ltd is an associated corporation (within the meaning of Part XV of the SFO) of the Company. Mr. Ng Kong Fat, Brian has beneficial equity interests in Sunbird.



## General Information

In addition to the above, Mr. Ng Kong Fat, Brian 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, at 30 June 2003, none of the directors, chief executive or their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO to be entered in the register referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange. Nor any of the directors and the chief executive (including their respective spouse and children under 18 years of age) had, at any time during the six months ended 30 June 2003, any interest in, or had been granted any right to subscribe for shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

### Share Option Scheme

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.

## General Information

Eligible participants of the Scheme include the executive directors and employees of the Company or any of its subsidiaries. The Scheme became effective on 18 June 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. At 30 June 2003, the number of shares issuable under share options granted under the Scheme was 35,100,000, which represented approximately 7.1% 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 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.

## General Information

No share options were exercised during the six months ended 30 June 2003. The following share options were outstanding under the Scheme as at 30 June 2003:

Name or category of participants	Number of share options			
	Note (a)		Note (b)	
	30 June 2003	31 December 2002	30 June 2003	31 December 2002
<b>Directors:</b>				
Mr. Xiong Da Xin	2,800,000	2,800,000	1,200,000	1,200,000
Mr. Bai Jin Rong (Note (c))	—	2,600,000	—	1,200,000
Mr. Ng Kong Fat, Brian	2,300,000	2,300,000	1,200,000	1,200,000
Mr. E Meng	1,600,000	1,600,000	1,200,000	1,200,000
Dr. Mao Xiang Dong, Peter	1,600,000	1,600,000	1,200,000	1,200,000
	8,300,000	10,900,000	4,800,000	6,000,000
<b>Other employees:</b>				
In aggregate	4,300,000	4,300,000	17,700,000	17,700,000
	12,600,000	15,200,000	22,500,000	23,700,000

## 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 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.
- (c) Owing to the resignation of Mr. Bai Jin Rong on 31 December 2002, a total of 3,800,000 share options granted to him on 19 June 2001 (2,600,000 share options) and 18 January 2002 (1,200,000 share options) lapsed on 31 March 2003.

## General Information

The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 35,100,000 additional ordinary shares of the Company and additional share capital of HK\$35,100,000 and share premium of HK\$1,638,000 (before issue expenses).

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 would not be meaningful, and would be misleading.

In addition, at 30 June 2003, 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 share options	
	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 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 2003.
- (b) These options were granted on 23 June 1998 at an exercise price of HK\$17.03 per share. 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 six months ended 30 June 2003.

## General Information

### Substantial Shareholders

At 30 June 2003, so far as is known to the directors, the following persons were, directly or indirectly, interested in 10% or more of the issued share capital carrying rights to vote at general meetings of the Company:

Name	Number of shares held	Percentage of shareholding
Idata Finance Trading Limited ("IFTL")	275,675,000	55.81%
Beijing Enterprises Holdings Limited ("BEHL") ( <i>Note</i> )	275,675,000	55.81%
Beijing Holdings Limited ("BHL") ( <i>Note</i> )	275,675,000	55.81%
Illumination Holdings Limited	58,618,368	11.87%

Note: 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, there is no person known to the directors who, as at 30 June 2003, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of the Company, or any options in respect of such capital.

### 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 2003.

## General 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 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.

## 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 7 to 22.

### **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.

## INDEPENDENT AUDITORS' REVIEW 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 2003.

### **ERNST & YOUNG**

*Certified Public Accountants*

Hong Kong  
8 September 2003



## Corporate Information

### Directors

#### *Executive directors*

Mr. Xiong Da Xin (*Chairman*)

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

Mr. E Meng  
(*Deputy Managing Director*)

Dr. Mao Xiang Dong, Peter  
(*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. Xiong Da Xin

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  
CITIC Ka Wah Bank Limited  
Standard Chartered Bank

### Share Registrars

Tengis Limited  
Ground Floor,  
BEA Harbour View Centre,  
56 Gloucester Road, Wanchai,  
Hong Kong

### Website

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