BEIJING DEVELOPMENT (HONG KONG) LIMITED

北京發展（香港）有限公司

(incorporated in Hong Kong with limited liability)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2001

RESULTS

The board of directors (the "Directors") of Beijing Development (Hong Kong) Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2001, together with the comparative figures for the corresponding period in the previous year, which have been reviewed by Ernst & Young, the auditors of the Company.

		6 months ended 30 June	
		2001	2000
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
TURNOVER		**81,601**	90,391
Cost of sales		**(40,963)**	(52,071)
Gross profit		**40,638**	38,320
Other revenue	3	**2,743**	1,576
Selling and distribution costs		**(31,754)**	(27,540)
Administrative and other operating expenses		**(15,492)**	(8,411)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	**(3,865)**	3,945
Finance costs	5	**(5,344)**	(7,615)
Share of losses of associates		**(816)**	(1,215)
Share of losses of a jointly-controlled entity		**(1,585)**	(3,417)
Profit on disposal of a subsidiary	6	**911**	–
Profit on disposal of a jointly-controlled entity	6	**2,506**	–
LOSS BEFORE TAX		**(8,193)**	(8,302)
Tax	7	**(688)**	(1,114)
LOSS BEFORE MINORITY INTERESTS		**(8,881)**	(9,416)
Minority interests		**(945)**	(2,104)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**(9,826)**	(11,520)
LOSS PER SHARE (Cents) – BASIC	8	**(5.0)**	(13.4)

Notes:

1. **Accounting policies**

   The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

   The principal accounting policies and basis of preparation adopted in preparing the condensed consolidated interim financial statements are the same as those adopted in the annual financial statements for the year ended 31 December 2000.

2. **Segment information**

   The Group is principally engaged in the restaurant operations, property investment, and trading of woollen and worsted products. As part of the restructuring of the Group's capital and business activities to reallocate its resources more effectively, the Group disposed of its operation in the trading of woollen and worsted products at the end of March 2001.

   An analysis of the Group's segment revenue and segment results by principal activity and geographical area of operations are summarised as follows:

	Segment revenue		Segment results	
	6 months ended 30 June		6 months ended 30 June	
	2001	2000	**2001**	2000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
By principal activity:				
Restaurant operations	**66,136**	65,448	**4,680**	8,304
Property investment	**5,830**	2,839	**5,505**	1,795
Trading of woollen and worsted products	**9,635**	22,104	**532**	683
	81,601	90,391	**10,717**	10,782
Interest income			**910**	1,574
Unallocated administrative expenses			**(15,492)**	(8,411)
			(3,865)	3,945
By geographical area:				
The People's Republic of China				
Hong Kong	**16,053**	25,525	**6,822**	3,482
Elsewhere	**22,171**	22,675	**1,967**	1,977
Elsewhere in South East Asia	**43,377**	42,191	**1,928**	5,323
	81,601	90,391	**10,717**	10,782
Interest income			**910**	1,574
Unallocated administrative expenses			**(15,492)**	(8,411)
			(3,865)	3,945

3. **Other revenue**

	6 months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**910**	1,574
Gain on disposal of fixed assets	**1,777**	–
Sundry income	**56**	2
	2,743	1,576

4. **Profit/(loss) from operating activities**

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

	6 months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**39,728**	51,771
Cost of properties held for sale	**968**	–
Depreciation	**3,196**	2,773
Rent of land and buildings under operating leases	**4,516**	4,359
Foreign exchange losses, net	**1,379**	928
and after crediting:		
Net rental income	**2,619**	1,795
Gain on disposal of fixed assets		
Leasehold land and buildings	**1,664**	–
Other fixed assets	**113**	–

5. **Finance costs**

	6 months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on bank loans, overdrafts, and other borrowings wholly repayable within five years	**5,344**	7,615

6. **Discontinued operation**

   At the end of 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;

   (b) the Company's entire 70% interest in a subsidiary, Sino Textile Enterprises Limited, and the shareholder's loan of HK$1,518,000 have been 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 in the PRC, Beijing Jin Yang Worsted Co., Ltd., has been 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.

7. **Tax**

	6 months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Group:		
Hong Kong	**69**	79
Elsewhere	**877**	1,600
Prior year's overprovision	**–**	(168)
Share of tax attributable to associates	**(258)**	(397)
Tax charge for the period	**688**	1,114

   Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. 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.

8. **Loss per share**

   The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK$9,826,000 (2000: HK$11,520,000) and the weighted average number of 194,758,750 (2000: 85,758,750) shares of the Company in issue during the period.

   Diluted loss per share for the six months ended 30 June 2001 has not been shown because the exercise of the outstanding share options of the Company had an anti-dilutive effect on the basic loss per share. Diluted loss per share for the six months ended 30 June 2000 has not been calculated as no diluting events existed during that period.

INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2001 (2000: Nil).

BUSINESS REVIEW AND PROSPECTS

The Group's turnover for the six months ended 30 June 2001 reduced to HK$81.6 million, representing a decrease of 10% or HK$8.8 million from the corresponding figure last year. The turnover for the woollen and worsted business decreased by HK$12.5 million from HK$22.1 million in the first half of 2000 to HK$9.6 million for the period under review as a consequence of the disposal of the Group's non-profitable woollen and worsted trading business at the end of March 2001. Apart from this discontinuance event, the Group's turnover in fact recorded a modest growth of 5% as compared with the corresponding period last year.

Net loss from ordinary activities attributable to shareholders for the six months ended 30 June 2001 was HK$9.8 million, representing an improvement of 15% or HK$1.7 million from the corresponding net loss of HK$11.5 million last year. Such loss resulted from charging HK$6.2 million professional fees relating to the group restructuring exercise and incurring HK$3.8 million finance costs prior to the completion of the restructuring at the end of March 2001.

Business review

Restaurant operation

During the period under review, the turnover attributable to restaurant operation increased by 1% to HK$66.1 million (2000: HK$65.4 million) whilst operating profit decreased by 43% to HK$4.7 million (2000: HK$8.3 million).

The reduction in operating profit was mainly caused by poor performances of the two restaurants in Singapore, especially in the second quarter when Singapore experienced a shock negative growth.

The Group will concentrate its effort to prevent further deterioration of the restaurant business by introducing new food lines and increasing promotional activities to stimulate existing and attract new customers.

Property investment and holding

Sales and leasing activities for the six months ended 30 June 2001 are both performing satisfactorily. Gross rental income recorded a 30% growth to HK$3.7 million compared with HK$2.8 million for the corresponding period last year as a result of improved occupancy rate. Proceeds from sales of properties for the six months ended 30 June 2001 amounted to HK$4.9 million (2000: Nil). Operating profit attributable to the Group from the property segment amounted to HK$5.5 million (2000: HK$1.8 million).

The Group will continue to adopt its existing property strategy, sells when the price is right and, at the same time, aims to maximise occupancy rate.

Woollen and worsted business

During the recent years, the market conditions of the traditional woollen and worsted business have continued to deteriorate every year. Although the Group was able to limit the exposure of its Hong Kong operations, a loss of HK$1.6 million (2000: HK$3.4 million) was, nevertheless, recorded as share of losses of a jointly-controlled entity in the PRC.

As part of the restructuring of the Group's capital and business activities to reallocate its resources more effectively, the Group disposed of its non-profitable woollen and worsted business at the end of March 2001. The inventories of woollen and worsted products of HK$4.7 million were sold at net book value. The Group's interests in a related subsidiary and a jointly-controlled entity were sold for an aggregate cash consideration of HK$21.1 million, resulting in an aggregate gain on disposal of HK$3.4 million.

Prospects

The Company, with the support of its holding company, Beijing Enterprises Holdings Limited ("BEHL"), is exploring new business and investment opportunities in the information technology and telecommunications sectors in the PRC, in particular, network infrastructure facilities construction, network system integration, internet support related services as well as smart card development.

Various business proposals are now under considerations though no definite project has been materialised up to the date of this interim report.

Despite the weakening of the major economies in the world, the PRC's economy is anticipated to continue to maintain strong growth prospect. It is considered that the successful bid to host the Olympic games by Beijing and the impending entry to the WTO will provide new driving forces for the economic development in the PRC. The Directors consider that the Company, through its relationship with BEHL (which is ultimately supervised by the Beijing Municipal Government), is in an excellent position to capture investment opportunities with good prospect as and when they arise.

FINANCIAL REVIEW AND ANALYSIS

Capital structure

On 18 January 2001, the Company entered into three subscription agreements and a placing agreement (the "Agreements") to issue a total of 218,000,000 new shares of the Company at an issue price of HK$1 per share for an aggregate cash consideration of HK$218.0 million. Upon the completion of the Agreements on 29 March 2001, the issued share capital of the Company increased from 85,758,750 shares to 303,758,750 shares. Beijing Enterprises Holdings Limited ("BEHL"), a company incorporated and listed in Hong Kong, is indirectly interested in 168,000,000 shares of the Company, representing 55.31% of the issued share capital of the Company at the date of this report, and became the indirect controlling shareholder of the Company. BEHL is 50.37% indirectly held by Beijing Holdings Limited, the ultimate holding company of the Company.

The net proceeds from the Agreements were HK$211.8 million. During the period under review, HK$92.2 million was used, according to the use of proceeds as disclosed in the circular to shareholders dated 23 February 2001, for partial repayment of the Group's bank and other borrowings. The remaining proceeds are mainly placed as short term fixed deposits at end of the period.

Liquidity and financial resources

As a result of enlarging the share capital of the Company, the financial position of the Group had been improved significantly during the six months ended 30 June 2001. By centralising funding and treasury operations at the headquarter, the Group managed to reduce its average cost of funds for the period under review.

The Group's cash and bank balances increased by HK$109.9 million to HK$116.3 million during the period, of which 74% were denominated in HK dollars, 20% in US dollars and 6% in other currencies. This liquidity pool exceeded the Group's short-term bank and other borrowings of HK$89.1 million (31 December 2000: HK$73.7 million), of which 69% were denominated in HK dollars, 26% in US dollars and 5% in other currencies, by HK$27.2 million. As non-US dollars foreign exchange exposure is small, the risk to the Group is insignificant.

At 30 June 2001, out of the Group's bank and other borrowings totaling HK$108.7 million, (31 December 2000: HK$177.7 million), HK$36.2 million (31 December 2000: HK$67.0 million) were secured by mortgaging certain assets of the Group with aggregate carrying value of HK$76.0 million (31 December 2000: HK$117.3 million) and HK$99.1 million (31 December 2000: HK$165.7 million) bear interest at floating rates. The Group's gearing ratio was 48% (31 December 2000: 921%) based on shareholders' equity of HK$226.9 million (31 December 2000: HK$19.3 million).

During the six months ended 30 June 2001, the Group's capital expenditure totaling HK$1.7 million (30 June 2000: HK$1.4 million) which were funded from internal resources. The Group has no material capital commitment outstanding at 30 June 2001 and 31 December 2000.

At 30 June 2001, the liquidity ratio and quick ratio of the Group were 148% and 121%, respectively (31 December 2000: 39% and 11%, respectively). The management is comfortable that the Group's existing working capital positions and financial resources will be sufficient for its funding requirements for the coming year. Should future business opportunities arise requiring additional funds, the management also believes that the Group is in a good position to raise such funds on favourable terms.

Employees

At 30 June 2001, the Company and its subsidiaries employed approximately 400 full-time employees (30 June 2000: 290) of which 25 (30 June 2000: 25) were employed in Hong Kong. During the six months ended 30 June 2001, employees' cost (including directors' remunerations) amounted to HK$16.3 million (30 June 2000: HK$13.8 million). The Group believes that the pay levels of its employees are competitive.

Pursuant to a share option scheme (the "Scheme") approved by the shareholders of the Company on 18 June 2001, the board of directors of the Company may, at their discretion, grant options to employees of the Company and/or any of its subsidiaries, including executive directors of any such companies, to subscribe for shares in the Company. The Scheme is designed to give executives and key employees of the Company and its subsidiaries an interest in preserving and maximising shareholder value in the longer term, to enable the Company and the relevant subsidiaries to attract and retain individuals with experience and ability and to reward individuals for future performance.

On 19 June 2001, the Company granted a total of 15,200,000 share options at an exercise price of HK$1.13 per share, of which 10,900,000 and 4,300,000 shares options were granted to the executive directors of the Company and employees of the Group respectively. The options can be exercised in 2 or 3 equal portions. The first portion is exercisable on or after 1 January 2002, and each further portion becomes exercisable on 1 January in each of the following years. All of the options, if not otherwise exercised, will lapse by the end of June 2006.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2001 and 31 December 2000.

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 period.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice, 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 but are subject to retirement by rotation in accordance with the Company's articles of association and the Company has not established an audit committee.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2001 interim report containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be available on the website of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) in due course.

By Order of the Board
XIONG DA XIN
Chairman

Hong Kong, 6 September 2001