



北京發展(香港)有限公司

BEIJING DEVELOPMENT (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 154)

SUMMARISED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2004

INTERIM RESULTS

The board of directors (the “Board”) 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 2004, together with the comparative figures for the corresponding period in the previous year.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

Six months ended 30 June 2004

		Six months ended 30 June 2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
	Notes		
TURNOVER	3	205,362	202,691
Cost of sales		(118,178)	(101,801)
Gross profit		87,184	100,890
Interest income		385	453
Other revenue and gains		5,780	471
Selling and distribution costs		(65,021)	(57,544)
Administrative expenses		(27,602)	(20,194)
Other operating expenses		(8,315)	(9,323)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	(7,589)	14,753
Finance costs	5	(3,785)	(3,284)
Share of profits and losses of:			
Associates		(1,268)	(333)
Jointly-controlled entities		(3,023)	343
Amortisation of goodwill on acquisition of a jointly-controlled entity		(1,225)	(225)
PROFIT/(LOSS) BEFORE TAX		(16,890)	11,254
Tax	6	(1,468)	(157)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(18,358)	11,097
Minority interests		1,617	(2,972)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(16,741)	8,125
EARNINGS/(LOSS) PER SHARE – Basic (HK cents)	7	(3.39)	1.75

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2004

		30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Fixed assets		128,409	136,798
Goodwill:			
Goodwill		126,981	135,296
Negative goodwill		(2,730)	(2,912)
Intangible assets		15,503	16,635
Interests in associates		15,102	16,247
Interests in jointly-controlled entities		62,417	44,601
Long term investments		2,066	472
Trade receivables	8	39,204	49,366
		386,952	396,503
CURRENT ASSETS			
Inventories		51,845	56,977
Amounts due from customers for contract work		4,253	3,112
Properties held for sale		9,288	12,728
Trade receivables	8	208,266	172,744
Other receivables, prepayments and deposits		95,538	89,407
Pledged deposits		13,792	20,511
Cash and bank balances		78,476	90,281
		461,458	445,760
CURRENT LIABILITIES			
Trade and bills payables	9	39,991	81,532
Amounts due to customers for contract work		6,085	1,022
Tax payable		1,423	936
Other payables and accruals		63,339	75,097
Bank loans		176,241	112,702
		287,079	271,289
NET CURRENT ASSETS		174,379	174,471
TOTAL ASSETS LESS CURRENT LIABILITIES		561,331	570,974
NON-CURRENT LIABILITIES			
Bank loans		55,428	43,233
Long term payables		–	1,999
		55,428	45,232
MINORITY INTERESTS		60,464	63,567
		445,439	462,175
CAPITAL AND RESERVES			
Issued capital		493,981	493,981
Reserves		(48,542)	(31,806)
		445,439	462,175

Notes:

1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements are prepared in accordance with 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 accounting policies and basis of preparation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the preparation of the audited financial statements for the year ended 31 December 2003.

2. Segment information

The analysis of the Group’s revenue and results by business and geographical segments for the six months ended 30 June 2004 are as follows:

(a)	Business segments	Information technology HK\$'000	Restaurants HK\$'000	Property investment HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
(Unaudited) 2004							
Segment revenue:							
Sales to external customers		75,213	120,757	9,392	–	–	205,362
Intersegment sales		–	–	432	–	(432)	–
Total		75,213	120,757	9,824	–	(432)	205,362
Segment results		(13,213)	7,150	4,666	–	–	(1,397)
Interest income							385
Unallocated expenses							(6,577)
Loss from operating activities							(7,589)
Finance costs							(3,785)
Share of profits and losses of:							
Associates		(594)	–	(674)	–	–	(1,268)
Jointly-controlled entities		(3,023)	–	–	–	–	(3,023)
Amortisation of goodwill on acquisition of a jointly-controlled entity		(1,225)	–	–	–	–	(1,225)
Loss before tax							(16,890)
Tax							(1,468)
Loss before minority interests							(18,358)
Minority interests							1,617
Net loss from ordinary activities attributable to shareholders							(16,741)
2003							
Segment revenue:							
Sales to external customers		107,478	92,088	3,125	–	–	202,691
Intersegment sales		–	–	540	–	(540)	–
Total		107,478	92,088	3,665	–	(540)	202,691
Segment results		26,306	(5,940)	1,813	–	–	22,179
Interest income							453
Unallocated expenses							(7,879)
Profit from operating activities							14,753
Finance costs							(3,284)
Share of profits and losses of:							
Associates		(274)	–	(59)	–	–	(333)
Jointly-controlled entities		343	–	–	–	–	343
Amortisation of goodwill on acquisition of a jointly-controlled entity		(225)	–	–	–	–	(225)
Profit before tax							11,254
Tax							(157)
Profit before minority interests							11,097
Minority interests							(2,972)
Net profit from ordinary activities attributable to shareholders							8,125

(b) Geographical segments

	Hong Kong HK\$'000	Mainland China HK\$'000	Singapore HK\$'000	Indonesia HK\$'000	Malaysia HK\$'000	Thailand HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
(Unaudited)								
2004								
Segment revenue:								
Sales to external customers	8,164	104,594	35,241	29,669	20,289	7,405	–	205,362
Intersegment sales	7,367	–	15,157	–	–	–	(22,524)	–
Total	15,531	104,594	50,398	29,669	20,289	7,405	(22,524)	205,362
2003								
Segment revenue:								
Sales to external customers	2,319	128,249	30,100	20,571	17,915	3,537	–	202,691
Intersegment sales	6,200	–	12,980	–	–	–	(19,180)	–
Total	8,519	128,249	43,080	20,571	17,915	3,537	(19,180)	202,691

3. Turnover

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

	Six months ended 30 June 2004 (Unaudited) HK\$’000	2003 (Unaudited) HK\$’000
Construction contracts	54,353	47,944
Rendering of services	20,860	59,534
Receipts from restaurant operations	120,453	91,758
Sales of dried seafood	304	330
Gross rental income	3,184	3,125
Sales of properties held for sale	6,208	–
	<u>205,362</u>	<u>202,691</u>

4. Profit/(loss) from operating activities

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

	Six months ended 30 June 2004 (Unaudited) HK\$’000	2003 (Unaudited) HK\$’000
Depreciation	8,577	8,246
Amortisation of goodwill	8,315	7,006
Negative goodwill recognised as income during the period	(182)	(104)
Amortisation of intangible assets	1,132	943
Loss/(gain) on disposal of fixed assets	(35)	420
Net rental income	<u>(1,976)</u>	<u>(2,081)</u>

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

	Six months ended 30 June 2004 (Unaudited) HK\$’000	2003 (Unaudited) HK\$’000
Interest on bank loans and overdrafts	<u>3,785</u>	<u>3,284</u>

6. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2004. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

	Six months ended 30 June 2004 (Unaudited) HK\$’000	2003 (Unaudited) HK\$’000
Group:		
Current – Hong Kong		
Charge for the period	194	222
Overprovision in prior years	–	(581)
Current – Mainland China		
Charge for the period	300	301
Current – Overseas		
Charge for the period	951	40
Underprovision in prior years	–	150
	<u>1,445</u>	<u>132</u>
Share of tax attributable to:		
an associate	(81)	25
a jointly-controlled entity	104	–
	<u>1,468</u>	<u>157</u>
Total tax charge for the period		

7. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders for the six months ended 30 June 2004 of HK\$16,741,000 (2003: net profit of HK\$8,125,000) and the weighted average of 493,981,150 (2003: 464,817,548) ordinary shares in issue during the period.

Diluted earnings/(loss) per share amounts for the six months ended 30 June 2004 and 2003 have not been disclosed as the share options outstanding during those periods had an anti-dilutive effect on the basic earnings/(loss) per share.

8. Trade receivables

The various Group companies have different credit policies, dependent on the requirements of their markets and the business which they operate. Certain customers are allowed to settle the construction contract sum by 3 annual instalments. 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 2004, based on the payment due date and net of provisions, is as follows:

	30 June 2004 (Unaudited) HK\$’000	31 December 2003 (Audited) HK\$’000
Current and within 3 months	172,275	179,327
4 – 6 months	29,490	5,308
7 – 12 months	24,453	19,164
Over 1 year	21,252	18,311
	<u>247,470</u>	<u>222,110</u>
Portion classified as current assets	(208,266)	(172,744)
Long term portion	<u>39,204</u>	<u>49,366</u>

9. Trade and bills payables

An aged analysis of the Group’s trade and bills payables as at 30 June 2004, based on the invoice date, is as follows:

	30 June 2004 (Unaudited) HK\$’000	31 December 2003 (Audited) HK\$’000
Within 3 months	20,287	70,634
4 – 6 months	5,698	2,374
7 – 12 months	7,188	691
Over 1 year	6,818	7,833
	<u>39,991</u>	<u>81,532</u>

INTERIM DIVIDEND

The Board do not recommend the payment of an interim dividend for the six months ended 30 June 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group reported a consolidated turnover of HK\$205.4 million for the six months ended 30 June 2004, as compared with HK\$202.7 million for the corresponding period last year. The operating loss was HK\$7.6 million (2003: profit of HK\$14.8 million) and the net loss attributable to shareholders was HK\$16.7 million (2003: profit of HK\$8.1 million).

Information Technology

The Group’s information technology business showed a disappointing performance for the first half of 2004, segment revenue decreased by HK\$32.3 million or 30% which led to a segment loss of HK\$13.2 million compared with a gain of HK\$26.3 million for the corresponding period last year.

During the period under review, the Group missed opportunities to secure several significant contracts prior to 30 June 2004 as a lot of management time was diverted to deal with Company’s long suspension and related regulatory matters arising from the acquisition of Xteam Software International Limited, which matters were ultimately resolved in the Group’s favour. The Group considers that the unique circumstances leading to the poor performance of the information technology business during the period under review were of a one-off nature.

Other Businesses

The Group’s other businesses, namely, restaurant and property investment, performed much better compared with the same period last year. The restaurant business reported a positive segment result of HK\$7.2 million whereas the corresponding figure was a loss of HK\$5.9 million due to the outbreak of SARS in the region. The result of the property investment also jumped to HK\$4.7 million, representing an increase of 157% over last year.

Prospects

After resolving the acquisition issues relating to Xteam Software International Limited, the management has made significant progress in the information technology segment. With in-house Linux expertise in place, the Group is well positioned to increase its market share in its traditional areas of strength, such as, education, social insurances and employment, as well as to penetrate new market sectors where Linux is the preferred software.

Financial Position

The Group had total assets of HK\$848.4 million as at 30 June 2004, which were financed by total liabilities of HK\$342.5 million, minority interests of HK\$60.5 million and shareholders’ equity of HK\$445.4 million. The Group’s net asset value reduced by 3.6% to HK\$0.9 per share.

As at 30 June 2004, the Group maintained pledged deposits and cash and bank balances of HK\$13.8 million and HK\$78.5 million, respectively. The Group’s borrowings amounted to HK\$231.7 million, of which HK\$176.2 million were due within one year. The Group’s exposure to exchange fluctuations is insignificant as 78% of the Group’s borrowings were denominated in either Renminbi or Hong Kong Dollars and 20% in United States Dollars. Certain properties of the Group with an aggregate carrying value of HK\$61.2 million were pledged as securities for the Group’s banking facilities.

The Group had a current ratio (current assets over current liabilities) of 161% as at 30 June 2004. Net debt (total borrowings minus cash and bank balances) was HK\$139.4 million, representing a net debt to equity ratio of 31%.

Employees

As at 30 June 2004, the Group employed approximately 1,500 full-time employees. 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 Company also operates a share option scheme for its executive directors and key employees of the Group. No share option was granted or exercised during the period under review, and the Company had 31,100,000 share options outstanding at 30 June 2004.

POST BALANCE SHEET EVENT

On 10 February 2004, the Company (and other vendors) entered into a conditional agreement with Xteam Software International Limited (“Xteam”) pursuant to which the Company has agreed to transfer all its interest in its software businesses to Xteam in consideration for the issue of new shares by Xteam to the Company and the other vendors representing, in aggregate, 75% of the enlarged issued share capital of Xteam (on a fully diluted basis). The transaction was completed in August 2004 and Xteam becomes an approximately 56.29% owned subsidiary of the Company.

Xteam is a company listed on the Growth Enterprise Market operated by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Xteam is principally engaged in software development and provision of the Chinese Linux operating system with kernel rewritten to cater for Chinese users, and software based on the Linux operating platform for various hardware appliances including servers and personal computers in the PRC. It also provides technical support and after-sales services to its customers.

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 2004.

CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), 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 2004 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 websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.bdhk.com.hk>) in due course.

APPRECIATION

The Board 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
ZHANG HONGHAI
Chairman

Hong Kong
7 September 2004

As at the date of this announcement, the Board comprises Mr. Zhang Honghai, Mr. Ng Kong Fat, Brian, Mr. E Meng and Mr. Zhao Jifeng (who are executive directors) and Mr. Cao Guixing and Mr. Feng Ching Yeng, Frank (who are independent non-executive directors).