



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)**

**ANNOUNCEMENT OF RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2005**

The board of directors (“the Board”) of Beijing Development (Hong Kong) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2005 together with comparative figures for the previous year as follows:–

**CONSOLIDATED INCOME STATEMENT**

*Year ended 31 December 2005*

	<i>Notes</i>	<b>2005</b> <b>HK\$'000</b>	<b>2004</b> <b>HK\$'000</b>
REVENUE	5	<b>531,298</b>	531,848
Cost of sales		<b>(297,598)</b>	(293,099)
Gross profit		<b>233,700</b>	238,749
Bank interest income		<b>737</b>	796
Other income and gains	5	<b>10,744</b>	6,404
Selling and distribution costs		<b>(131,609)</b>	(132,082)
Administrative expenses		<b>(73,830)</b>	(63,806)
Other operating expenses		<b>(49,140)</b>	(7,242)
Changes in fair value of investment properties		<b>(4,900)</b>	200
Finance costs	7	<b>(10,229)</b>	(9,373)
Share of profits and losses of:			
Associates		<b>(659)</b>	(1,811)
Jointly-controlled entities		<b>(264)</b>	(116)
PROFIT/(LOSS) BEFORE TAX	6	<b>(25,450)</b>	31,719
Tax	8	<b>(3,088)</b>	(2,800)
PROFIT/(LOSS) FOR THE YEAR		<b>(28,538)</b>	28,919

Attributable to:			
Equity holders of the parent		(35,042)	14,886
Minority interests		<u>6,504</u>	<u>14,033</u>
		<u>(28,538)</u>	<u>28,919</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic ( <i>cents</i> )		<u>(7.09)</u>	<u>3.01</u>
Diluted ( <i>cents</i> )		<u>N/A</u>	<u>3.01</u>

## CONSOLIDATED BALANCE SHEET

31 December 2005

	Notes	2005 HK\$'000	2004 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		72,628	83,285
Investment properties		34,400	39,300
Goodwill		140,964	134,221
Other intangible assets		12,773	14,371
Interests in associates		12,521	14,479
Interests in jointly-controlled entities		67,716	67,151
Available-for-sale investments		1,896	1,959
Trade receivables	10	33,202	69,310
Other receivables		7,546	18,825
Deferred tax assets		<u>733</u>	<u>–</u>
Total non-current assets		<u>384,379</u>	<u>442,901</u>
CURRENT ASSETS			
Inventories		66,827	76,395
Amounts due from customers for contract works		7,585	5,575
Properties held for sale		–	1,250
Trade and bills receivables	10	182,042	220,015
Other receivables, prepayments and deposits		63,755	75,640
Pledged deposits		3,612	24,191
Cash and bank balances		<u>146,833</u>	<u>102,506</u>
Total current assets		<u>470,654</u>	<u>505,572</u>
CURRENT LIABILITIES			
Trade and bills payables	11	62,639	96,728
Amounts due to customers for contract works		14,074	8,359
Tax payable		2,951	2,446
Other payables and accruals		146,502	87,654
Bank loans		<u>108,287</u>	<u>197,884</u>
Total current liabilities		<u>334,453</u>	<u>393,071</u>

NET CURRENT ASSETS	<b>136,201</b>	112,501
TOTAL ASSETS LESS CURRENT LIABILITIES	<b>520,580</b>	555,402
NON-CURRENT LIABILITIES		
Bank loans	<b>4,020</b>	4,324
Net assets	<b>516,560</b>	551,078
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	<b>493,981</b>	493,981
Reserves	<b>(57,964)</b>	(13,970)
	<b>436,017</b>	480,011
Minority interests	<b>80,543</b>	71,067
Total equity	<b>516,560</b>	551,078

Notes:

## 1. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Companies Ordinance.

## 2. Impact of new and revised Hong Kong Financial Reporting Standards

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year’s financial statements:

HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of the HKAS 39 Amendment, HK(SIC) – Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group’s and the Company’s financial statements.

The impact of adopting the other HKFRSs is summarised as follows:

HKAS 32 and HKAS 39 – Financial Instruments

## ***Receivables***

In prior years, receivables of the Group are stated at cost less any provision for bad and doubtful debts. Upon the adoption of HKAS 39, receivables are carried at amortised cost using the effective interest method less any impairment. The amortised cost is the present value of estimated future cash flows discounted at the original effective interest rate which is computed at initial recognition. In accordance with the transitional provisions of HKAS 39, the decrease in the carrying value of trade and other receivables amounting to HK\$17,653,000 at 1 January 2005 has been adjusted to the retained earnings and minority interests as at 1 January 2005 and comparative amounts have not been restated. The adoption of this change in accounting policy reduces the consolidated net loss attributable to equity holders of the parent of the Group for the year ended 31 December 2005 by HK\$2,727,000 and increases the consolidated net profit attributable to the minority shareholders of the Group for the year ended 31 December 2005 by HK\$795,000; decreases the carrying values of trade and other receivables as at 31 December 2005 by HK\$14,131,000; and reduces the basic loss per share for the year by HK0.55 cents

### **3. Impact of issued but not yet effective Hong Kong Financial Reporting Standards**

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, to these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006.

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

#### 4. Segment information

##### (a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2005 and 2004.

	Information technology <i>HK\$'000</i>	Restaurants <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>2005</b>					
Segment revenue:					
Sales to external customers	273,199	253,408	4,691	-	531,298
Intersegment sales	-	-	902	(902)	-
Other income and gains	9,956	742	21	-	10,719
	<u>273,199</u>	<u>253,408</u>	<u>4,691</u>	<u>(902)</u>	<u>531,298</u>
Total	<u>283,155</u>	<u>254,150</u>	<u>5,614</u>	<u>(902)</u>	<u>542,017</u>
Segment results	<u>(7,431)</u>	<u>17,901</u>	<u>(11,897)</u>	<u>-</u>	<u>(1,427)</u>
Bank interest income					737
Unallocated corporate expenses, net					(13,608)
Finance costs					(10,229)
Share of profits and losses of:					
Associates	(411)	-	(248)	-	(659)
Jointly-controlled entities	(264)	-	-	-	(264)
					<u>(923)</u>
Loss before tax					(25,450)
Tax					(3,088)
					<u>(28,538)</u>
Loss for the year					<u>(28,538)</u>

	Information technology <i>HK\$'000</i>	Restaurants <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
2004					
Segment revenue:					
Sales to external customers	256,764	246,671	28,413	–	531,848
Intersegment sales	–	–	864	(864)	–
Other income and gains	3,078	915	2,211	–	6,204
	<u>259,842</u>	<u>247,586</u>	<u>31,488</u>	<u>(864)</u>	<u>538,052</u>
Total	<u>259,842</u>	<u>247,586</u>	<u>31,488</u>	<u>(864)</u>	<u>538,052</u>
Segment results	<u>30,955</u>	<u>10,405</u>	<u>14,807</u>	<u>–</u>	56,167
Bank interest income					796
Unallocated corporate expenses, net					(13,944)
Finance costs					(9,373)
Share of profits and losses of:					
Associates	(1,693)	–	(118)	–	(1,811)
Jointly-controlled entities	(116)	–	–	–	(116)
					<u>31,719</u>
Profit before tax					<u>31,719</u>
Tax					<u>(2,800)</u>
Profit for the year					<u>28,919</u>

	Information technology HK\$'000	Restaurants HK\$'000	Property investment HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
<b>2005</b>					
Segment assets	596,071	93,695	48,926	27,303	765,995
Interests in associates	2,129	–	10,392	–	12,521
Interests in jointly-controlled entities	67,716	–	–	–	67,716
Unallocated assets	–	–	–	–	733
Bank overdrafts included in segment assets	–	–	–	8,068	8,068
Total assets					<u>855,033</u>
Segment liabilities	121,252	41,695	6,953	53,315	223,215
Bank overdrafts included in segment assets	–	–	–	8,068	8,068
Unallocated liabilities	–	–	–	–	107,190
Total liabilities					<u>338,473</u>
Other segment information:					
Depreciation	5,490	6,787	370	1,771*	14,418
Amortisation of other intangible assets	2,311	–	–	–	2,311
Impairment of available-for-sale investments recognised in the income statement	99	–	–	–	99
Impairment of property, plant and equipment recognised in the income statement	–	–	3,780	–	3,780
Changes in fair value of investment properties	–	–	4,900	–	4,900
Capital expenditure	5,071	1,903	–	285	<u>7,259</u>
<b>2004</b>					
Segment assets	687,253	84,143	58,629	23,242	853,267
Interests in associates	141	–	14,338	–	14,479
Interests in jointly-controlled entities	67,151	–	–	–	67,151
Bank overdrafts included in segment assets	–	–	–	13,576	13,576
Total assets					<u>948,473</u>
Segment liabilities	139,369	43,413	7,143	2,816	192,741
Bank overdrafts included in segment assets	–	–	–	13,576	13,576
Unallocated liabilities	–	–	–	–	191,078
Total liabilities					<u>397,395</u>
Other segment information:					
Depreciation	3,887	11,373	354	1,724*	17,338
Amortisation of other intangible assets	2,264	–	–	–	2,264
Impairment of available-for-sale investments recognised in the income statement	107	–	–	–	107
Changes in fair value of investment properties	–	–	(200)	–	(200)
Capital expenditure	3,473	3,285	–	415	<u>7,173</u>

\* Included in “Unallocated corporate expenses” above.

**(b) Geographical segments**

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2005 and 2004.

	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
<b>2005</b>								
Segment revenue:								
Sales to external customers	2,402	340,852	66,550	59,086	43,664	18,744	-	531,298
Intersegment sales	4,642	-	40,381	-	-	-	(45,023)	-
Other income and gains	46	9,983	17	18	-	680	-	10,744
<b>Total</b>	<b>7,090</b>	<b>350,835</b>	<b>106,948</b>	<b>59,104</b>	<b>43,664</b>	<b>19,424</b>	<b>(45,023)</b>	<b>542,042</b>
Other segment information:								
Segment assets	32,949	666,636	34,735	16,411	10,645	4,619	-	765,995
Interests in associates	-	12,521	-	-	-	-	-	12,521
Interests in jointly-controlled entities	-	67,716	-	-	-	-	-	67,716
Unallocated assets	-	-	-	-	-	-	-	733
Bank overdrafts included in segment assets	8,068	-	-	-	-	-	-	8,068
<b>Total assets</b>								<b>855,033</b>
Capital expenditure	285	5,703	279	770	84	138	-	7,259
<b>2004</b>								
Segment revenue:								
Sales to external customers	26,585	320,271	66,917	61,511	41,069	15,495	-	531,848
Intersegment sales	10,367	-	38,731	-	-	-	(49,098)	-
Other income and gains	556	5,138	75	74	-	561	-	6,404
<b>Total</b>	<b>37,508</b>	<b>325,409</b>	<b>105,723</b>	<b>61,585</b>	<b>41,069</b>	<b>16,056</b>	<b>(49,098)</b>	<b>538,252</b>
Other segment information:								
Segment assets	27,372	759,835	32,905	18,433	10,369	4,353	-	853,267
Interests in associates	-	14,479	-	-	-	-	-	14,479
Interests in jointly-controlled entities	-	67,151	-	-	-	-	-	67,151
Bank overdrafts included in segment assets	13,576	-	-	-	-	-	-	13,576
<b>Total assets</b>								<b>948,473</b>
Capital expenditure	8	4,412	285	1,792	234	442	-	7,173

**5. Revenue, other income and gains**

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; proceeds from the sale of properties held for sale; gross rental income; and receipts from restaurant operations during the year.



An analysis of revenue, other income and gains is as follow:

	<b>2005</b> <b>HK\$'000</b>	2004 <i>HK\$'000</i>
<b>Revenue</b>		
Construction contracts	<b>157,419</b>	156,029
Rendering of services	<b>115,780</b>	100,735
Receipts from restaurant operations	<b>253,408</b>	245,577
Sales of dried seafood	–	1,094
Gross rental income	<b>2,341</b>	5,578
Sales of properties held for sale	<b>2,350</b>	22,835
	<u><b>531,298</b></u>	<u>531,848</u>
<b>Other income and gains</b>		
PRC and overseas tax subsidies	<b>6,703</b>	3,058
Imputed interest on interest-free trade and other receivables	<b>3,788</b>	–
Gain on disposal of investment properties	–	238
Reversal of provision for PRC withholding tax	–	1,855
Others	<b>253</b>	1,253
	<u><b>10,744</b></u>	<u>6,404</u>

#### **6. Profit/(loss) before tax**

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	<b>2005</b> <b>HK\$'000</b>	2004 <i>HK\$'000</i>
Cost of inventories sold	<b>256,274</b>	233,813
Cost of sales of properties held for sale	<b>1,360</b>	10,603
Cost of services provided	<b>38,172</b>	46,553
Depreciation	<b>14,418</b>	17,338
Operating lease rentals for land and buildings:		
Minimum lease payments	<b>24,748</b>	21,221
Contingent rents	<b>1,745</b>	2,192
	<u><b>26,493</b></u>	<u>23,413</u>
Release of goodwill upon disposal of partial interests in subsidiaries*	<b>629</b>	7,135
Amortisation of intangible assets @	<b>2,311</b>	2,264
Research and development costs:		
Current year expenditure	<b>6,007</b>	8,195
Less: Government grants received +	–	(1,774)
	<u><b>6,007</b></u>	<u>6,421</u>

Foreign exchange differences, net	226	1,503
Impairment of available-for-sale investments *	99	107
Impairment of property, plant and equipment *	3,780	–
Provision for bad and doubtful debts *	40,132	–
Provision against an amount due from an associate *	4,500	474
Auditors' remuneration:		
Current year's provision	3,434	2,697
Prior year's underprovision	135	70
	<u>3,569</u>	<u>2,767</u>
Employee benefits expense (including directors' remuneration):		
Wages and salaries	90,093	80,950
Pension scheme contributions	3,268	3,189
	<u>93,361</u>	<u>84,139</u>
Gross rental income from investment properties	(2,289)	(3,286)
Gross rental income from properties held for sale	(52)	(2,292)
Less: Direct operating expenses (including repairs and maintenance) arising on rental-earning properties	<u>1,886</u>	<u>2,130</u>
Net rental income	<u>(455)</u>	<u>(3,448)</u>
Bank interest income	(737)	(796)
Loss on disposal of items of property, plant and equipment	<u>69</u>	<u>577</u>

@ The amortisation of other intangible assets is included in "Cost of sales" on the face of the consolidated income statement.

+ Various government grants were received for the research and development of management information systems for the education sector in Beijing, Mainland China. The government grants received were deducted from the research and development costs to which they related. There are no unfulfilled conditions or contingencies relating to these grants.

\* These amounts are included in "Other operating expenses" on the face of the consolidated income statement.

## 7. Finance costs

	2005 HK\$'000	2004 HK\$'000
Interest on bank loans and overdrafts	9,606	9,373
Interest on other loans wholly repayable within five years	<u>623</u>	<u>–</u>
	<u>10,229</u>	<u>9,373</u>

## 8. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. 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 People's Republic of China ("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%.

	<b>2005</b> <b>HK\$'000</b>	2004 <b>HK\$'000</b>
Current – Hong Kong		
Charge for the year	<b>290</b>	366
Underprovision in prior years	<b>408</b>	–
Current – Elsewhere		
Charge for the year	<b>2,654</b>	2,575
Under/(over) provision in prior years	<b>455</b>	(141)
Deferred	<b>(719)</b>	–
	<hr/>	<hr/>
Total tax charge for the year	<b><u>3,088</u></b>	<b><u>2,800</u></b>

#### **9. Earnings/(loss) per share attributable to ordinary equity holders of the parent**

The calculation of basic loss per share amounts is based on the net loss for the year attributable to ordinary equity holders of the parent of HK\$35,042,000 (2004: net profit of HK\$14,886,000) and the 493,981,150 (2004: 493,981,150) ordinary shares in issue during the year.

Diluted loss per share amount for the year ended 31 December 2005 has not been disclosed as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The calculation of diluted earnings per share amount for the year ended 31 December 2004 was based on the net profit for that year attributable to ordinary equity holders of the parent of HK\$14,886,000. The weighted average number of ordinary shares used in the calculation was the 493,981,150 ordinary shares in issue during that year, as used in the basic earnings per share calculation, and the weighted average of 847,126 ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

#### **10. Trade and bills receivables**

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

	<b>2005</b> <b>HK\$'000</b>	2004 <b>HK\$'000</b>
Current and within 3 months	<b>177,682</b>	228,518
4-6 months	<b>4,022</b>	616
7-12 months	<b>12,668</b>	40,344
Over 1 year	<b>20,872</b>	19,847
	<hr/>	<hr/>
	<b><u>215,244</u></b>	<b><u>289,325</u></b>

## 11. Trade and bills payables

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

	2005 HK\$'000	2004 HK\$'000
Within 3 months	47,754	88,924
4-6 months	2,332	192
7-12 months	3,038	1,646
Over 1 year	9,515	5,966
	<u>62,639</u>	<u>96,728</u>

## DIVIDEND

The Board do not recommend the payment of any dividend in respect of the year (2004: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Looking back at 2005, with information technology as the core business, the Group continuously devoted more resources and strategies to this segment. The three main information technology business sectors, namely B E Information Technology Group Limited ("B E Info"), Beijing Municipal Administration & Communications Card Co., Ltd. ("IC Card") and Xteam Software International Limited ("Xteam") were well established and grow in different sectors simultaneously. In the course of transforming our business, we have gradually shifted from the contracting of short term projects to recurrent projects.

1. B E Info completed the five-year "School Intranet" construction project that providing network construction and software facilities to over 2,000 primary and secondary schools in Beijing. It has built the electronic education resources platform and launched the Beijing education resources network.
2. IC Card is actively constructing the infrastructure, and preparing the management system and technology for the rapid business growth resulting from the implementation of the IC electronic monthly pass in April 2006. It is also actively planning for many different small value transaction projects, such as access to Beijing's many famous tourist attractions, purchases at McDonald's and for use by students in schools.
3. Xteam completed the centralised "four insurances" system for the Beijing Labour Department. It also recorded income from the labour market information automation and street level e-government administration businesses. It acquired the In@box project at the end of the financial year to provide embedded Linux based distributed internet services. The targeted client base was extended from government to small and medium size enterprises, as well as individual.

## Strategies and Prospects

2006 is a crucial year for the Company to establish itself as a high technology enterprise engaging in the construction, operation and maintenance of information systems in Beijing. With the change of management in early 2006, the Company carefully reviewed and examined its historical market positioning and development strategies, and two measures were adopted: (1) enhancing the internal reorganisation and management by consolidating the existing business resources, streamlining and optimising the business structure, while at the same time realising synergy and strengthening the core competitiveness resulting from the market changes; (2) implementing the plan to streamline the asset portfolio and reorganising the assets that did not match the overall development strategy so as to focus on the core business and develop the three main information technology business sectors.

1. B E Info will focus on the construction, operation and maintenance of information technology for infrastructure projects:
  - Railway: The company is specialising in the construction and operation of the information technology infrastructure of Beijing Subway. The successful bids included the Building Automation System, Full Height Safety Doors System, AFC Clearing Centre System of Beijing Mass Transit Network Management and Support Project, and AFC System for Beijing Metro Lines 1 & 2 and Line Batong. These projects have an aggregate contract value of over RMB600 million. By working with the multinational enterprises, B E Info has accumulated extensive experience in technology, management and cooperation, which will form a solid foundation for the future development in the infrastructure and utilities sectors.
  - Education: Based on the operation platform of the education resources network, the company will consolidate the relevant education resources and develop diversified application services in the education information area. A one-stop education information chain from consultation, construction, operation, research and development, maintenance, training and service will be formed, confirming B E Info's position as the leading operator and service provider in the education information sector.
2. Following the massive issuance of IC cards in 2006, the company will transit from the construction stage to the operational stage. On 10 May 2006, IC cards will be fully implemented in all buses and Metro Lines in Beijing, and will then be followed by 30,000 taxis in 13 taxi companies. It will also develop the small value transaction business in highways, car parks, tourist attractions and supermarkets. IC Card will gradually expand its operations leveraging its strength as the operator of the electronic clearing platform for infrastructure and the utilities.
3. Xteam will provide an investment and financing platform for e-government administration and network technology services. It will, at the same time, continue to increase its presence in social security, labour market and street level e-government administration areas. Through the in-house developed Linux-based In@box Internet service, it will target the government, small to medium size enterprises and individual clients so as to increase the market share.

Looking forward, the Company will clearly define its strategic positioning and promote synergy and consolidation of its businesses in 2006. It will continue to improve the transparency of corporate governance, enhance communication with the capital market and explore any potential for the investment and financing available to it as a listed company. In addition, under the leadership of the new management, we will heighten the team spirit and morale. With the commitment and dedication of the staff, together we will strive for excellence in the performance of the business.

## Financial Review

The Group's total revenue for the year ended 31 December 2005 was HK\$543 million, maintaining at a stable level as last year. For the future development as well as a better reflection of the fair value of the Group's assets, we assessed certain assets and made appropriate provisions of approximately HK\$53.3 million, encumbering the overall result of the Group. As a result, profit attributable to ordinary equity holders of the parent dropped significantly from last year's HK\$14.89 million to loss of HK\$35 million this year.

Information technology business segment recorded a segment revenue of HK\$283.2 million, as compared to HK\$259.8 million in last year, and represented 52.2% of the Group's total revenue. During the year, the segment made certain provision for bad and doubtful debts of HK\$40.1 million, that resulting into a segment loss of HK\$7.4 million, as compared to the segment profit of HK\$31 million in last year.

Restaurants business segment recorded a segment revenue of HK\$254.2 million, as compared to HK\$247.6 million in last year. The segment profit contribution was HK\$17.9 million, increased by HK\$7.5 million as compared to last year. During the year, the Group incurred an aggregate impairment loss of certain properties held and a property investment project of HK\$13.2 million, that further deteriorated the Group's overall result.

## Financial Position

As at 31 December 2005, the Group had total assets and total liabilities of HK\$855 million and HK\$338.5 million, respectively. Equity attributable to equity holders of the parent and minority interests amounted to HK\$436 million and HK\$80.5 million, respectively.

	As at 31 December 2005 <i>HK\$ million</i>	As at 31 December 2004 <i>HK\$ million</i>
Net cash inflow from operating activities	68.4	3.3
Cash and bank balances	146.8	102.5
Bank loans	112.3	202.2
Advance from a holding company	50.0	—
Net debt	15.5	99.7
Gearing ratio (net debt/total equity)	3.0%	18.1%
Current ratio (current assets/current liabilities)	<u>140.7%</u>	<u>128.6%</u>

Approximately 90% of the Group's bank loans were denominated in Renminbi, unsecured and have fixed interest rates ranged from 5% to 7% per annum. The remaining bank loans were secured by certain of the Group's leasehold land and buildings which had an aggregate net book value of HK\$45.7 million as at 31 December 2005. The Company has guarantees given to banks in connection with facilities granted to subsidiaries of HK\$222.5 million, which were utilised to the extent of HK\$100.7 million as at 31 December 2005.

## **Employees**

The total number of staff employed by the Group as at 31 December 2005 was 1,840, compared to 1,890 as at 31 December 2004. The total employee benefits expenses (including directors' remuneration) for the year ended 31 December 2005 amounted to HK\$93.4 million, increased by 11% comparing with last year. Salaries of employees are maintained at competitive levels with share options and bonuses granted based on individual and business performance.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## **CORPORATE GOVERNANCE**

In the opinion of the directors, the Company has complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2005, except for the following major deviations:

### **Code Provision A.4.1**

The non-executive directors of the Company are not appointed for specific terms, which deviates from the requirement of Code Provision A.4.1. However, in view of the fact that non-executive directors are subject to retirement by rotation in accordance with the Company's Articles of Association, the Company considers that there are sufficient measures to ensure that the corporate governance of the Company are no less exacting than the Code Provisions.

### **Code Provision A.4.2**

In accordance with Article 104(a) of the Company's Articles of Association, the executive chairman and managing director of the Company are not subject to retirement by rotation, which deviates from the requirement of Code Provision A.4.2. In order to ensure full compliance with Code Provision A.4.2, a special resolution will be proposed to amend the relevant Articles of Association of the Company at the forthcoming annual general meeting, so that every director shall be subject to retirement by rotation at least once three years.

## **AUDIT COMMITTEE**

The Audit Committee comprises the three independent non-executive directors of the Company, Mr. Cao Guixing, Prof. Liu Wei and Dr. Jin Lizuo. The Audit Committee which is primarily responsible for reviewing and providing supervision over the financial reporting process and internal controls of the Company. The annual results have been reviewed by the Audit Committee and audited by the Company's auditors, Ernst & Young. An unqualified auditors' report will be included in the 2005 Annual Report.

## **PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE**

The Company's annual report containing all the relevant information required by the Listing Rules will be published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.bdhk.com.hk>) in due course.

## APPRECIATION

On behalf of the Board, I would like to express my sincere thanks to all the Group's employees for their continuous support and dedicated services.

By order of the Board  
**Zhang Honghai**  
*Chairman*

Hong Kong, 11 April 2006

*As at the date of this announcement, the Board comprises Mr. Zhang Honghai, Mr. Li Kangying, Mr. E Meng, Mr. Wang Yong, Mr. Cao Wei, Dr. Yu Xiaoyang and Mr. Ng Kong Fat, Brian, as executive directors and Mr. Cao Guixing, Prof. Liu Wei and Dr. Jin Lizuo as independent non-executive directors.*