



北京發展(香港)有限公司

BEIJING DEVELOPMENT (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 154)

ANNOUNCEMENT OF RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2004

HIGHLIGHTS

	2004 HK\$'000	2003 HK\$'000	
Turnover	531,848	481,345	+10%
Profit from operating activities	43,019	42,681	+1%
Profit for the year	28,919	32,274	-10%
Profit attributable to equity holders of the parent	14,886	21,721	-31%

RESULTS

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 2004 together with comparative figures for the previous year as follows:-

	Notes	2004 HK\$'000	2003 HK\$'000 (Restated)
TURNOVER	3	531,848	481,345
Cost of sales		(293,099)	(259,553)
Gross profit		238,749	221,792
Interest income		796	1,102
Other revenue and gains		6,404	8,144
Selling and distribution costs		(132,082)	(117,493)
Administrative expenses		(63,806)	(45,811)
Other operating expenses		(7,242)	(25,253)
Revaluation surplus of investment properties		200	200
PROFIT FROM OPERATING ACTIVITIES	4	43,019	42,681
Finance costs	5	(9,373)	(6,651)
Share of profits and losses of:	6		
Associates		(1,811)	(1,757)
Jointly-controlled entities		(116)	(48)
Amortisation of goodwill on acquisition of a jointly-controlled entity		—	(1,429)

PROFIT BEFORE TAX		31,719	32,796
Tax	7	(2,800)	(522)
PROFIT FOR THE YEAR		<u>28,919</u>	<u>32,274</u>
Attributable to:			
Equity holders of the parent		14,886	21,721
Minority interests		14,033	10,553
		<u>28,919</u>	<u>32,274</u>
EARNINGS PER SHARE	8		
Basic (cents)		<u>3.01</u>	<u>4.53</u>
Diluted (cents)		<u>3.01</u>	<u>4.53</u>

Notes:

1. Basis of preparation

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has early adopted certain new HKFRSs and HKASs in the financial statements for the year ended 31 December 2004.

2. Segment information

(a) Business segments

The following tables present revenue, profit/(loss) and certain expenditure information for the Group's business segments.

	Information technology HK\$'000	Restaurants HK\$'000	Property investment HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
2004						
Segment revenue:						
Sales to external customers	256,764	246,671	28,413	—	—	531,848
Intersegment sales	—	—	864	—	(864)	—
Total	<u>256,764</u>	<u>246,671</u>	<u>29,277</u>	<u>—</u>	<u>(864)</u>	<u>531,848</u>
Segment results	<u>30,955</u>	<u>10,405</u>	<u>14,807</u>	<u>—</u>	<u>—</u>	<u>56,167</u>
Interest income						796
Unallocated corporate expenses, net						(13,944)
Profit from operating activities						43,019
Finance costs						(9,373)
Share of profits and losses of:						
Associates	(1,693)	—	(118)	—	—	(1,811)
Jointly-controlled entities	(116)	—	—	—	—	(116)
Profit before tax						31,719
Tax						(2,800)
Profit for the year						<u>28,919</u>
Other segment information:						
Depreciation	3,887	11,373	354	1,724*	—	17,338
Amortisation	2,264	—	—	—	—	2,264
Impairment of long term investments	<u>107</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>107</u>

	Information technology HK\$'000	Restaurants HK\$'000	Property investment HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
2003 (Restated)						
Segment revenue:						
Sales to external customers	268,151	206,890	6,304	—	—	481,345
Intersegment sales	—	—	954	—	(954)	—
Total	268,151	206,890	7,258	—	(954)	481,345
Segment results	50,526	(710)	3,962	—	—	53,778
Interest income						1,102
Unallocated corporate expenses, net						(12,199)
Profit from operating activities						42,681
Finance costs						(6,651)
Share of profits and losses of:						
Associates	(713)	—	(1,044)	—	—	(1,757)
Jointly-controlled entities	(48)	—	—	—	—	(48)
Amortisation of goodwill on acquisition of a jointly-controlled entity	(1,429)	—	—	—	—	(1,429)
Profit before tax						32,796
Tax						(522)
Profit for the year						32,274
Other segment information:						
Depreciation	3,168	11,897	355	1,496*	—	16,916
Amortisation	16,421	—	—	—	—	16,421

* These are included in "Unallocated corporate expenses".

(b) Geographical segments

The following tables present revenue for the Group's geographical segments.

	Mainland						Eliminations	Consolidated
	Hong Kong HK\$'000	China HK\$'000	Singapore HK\$'000	Indonesia HK\$'000	Malaysia HK\$'000	Thailand HK\$'000	HK\$'000	HK\$'000
2004								
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)	—
Total	36,952	320,271	105,648	61,511	41,069	15,495	(49,098)	531,848
2003								
Segment revenue:								
Sales to external customers	4,634	316,575	61,433	50,604	37,917	10,182	—	481,345
Intersegment sales	12,918	—	27,575	—	—	—	(40,493)	—
Total	17,552	316,575	89,008	50,604	37,917	10,182	(40,493)	481,345

3. Turnover

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.

Revenue from the following activities has been included in turnover:

	2004 HK\$'000	2003 HK\$'000
Construction contracts	156,029	167,535
Rendering of services	100,735	100,616
Receipts from restaurant operations	245,577	206,141
Sale of dried seafood	1,094	749
Gross rental income	5,578	6,304
Sale of properties held for sale	22,835	—
	531,848	481,345

4. Profit from operating activities

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

	2004 HK\$'000	2003 HK\$'000
Cost of inventories sold	111,858	93,650
Cost of sales of properties held for sale	10,603	–
Cost of services provided	61,773	38,899
Depreciation	17,338	16,916
Operating lease rentals for land and buildings:		
Minimum lease payments	21,221	19,466
Contingent rents	2,192	1,169
	<u>23,413</u>	<u>20,635</u>
Amortisation of goodwill	–	14,503
Release of goodwill upon disposal of partial interests in subsidiaries	7,135	10,750
Negative goodwill recognised as income during the year	–	(1,939)
Amortisation of intangible assets [@]	2,264	1,918
Research and development costs:		
Current year expenditure	8,195	5,089
Less: Government grants released [*]	(1,774)	(1,340)
	<u>6,421</u>	<u>3,749</u>
Foreign exchange losses, net	1,503	638
Impairment of long term investments*	107	–
Auditors' remuneration:		
Current year provision	2,697	1,885
Prior year's underprovision	70	221
	<u>2,767</u>	<u>2,106</u>
Staff costs (including directors' remuneration):		
Wages and salaries	80,950	65,149
Pension scheme contributions	3,189	3,391
	<u>84,139</u>	<u>68,540</u>
Gross rental income from investment properties	(3,286)	(3,236)
Gross rental income from properties held for sale	(2,292)	(3,068)
Less: Outgoings	2,140	2,210
Net rental income	<u>(3,438)</u>	<u>(4,094)</u>
Interest income	(796)	(1,102)
Gain on disposal of investment properties	(238)	–
Loss on disposal of fixed assets	577	864

[@] The amortisation of intangible assets is included in "Cost of sales" on the face of the consolidated profit and loss account.

^{*} Various government grants have been received for the research and development of management information systems for the education sector in Beijing, Mainland China. The government grants released have been deducted from the research and development costs to which they relate. There are no unfulfilled conditions or contingencies relating to these grants.

^{*} Impairment of long term investments is included in "Other operating expenses" on the face of the consolidated profit and loss account.

5. Finance costs

	2004 HK\$'000	2003 HK\$'000
Interest on bank loans and overdrafts	<u>9,373</u>	<u>6,651</u>

6. Share of profits and losses of associates and jointly-controlled entities

	2004 HK\$'000	2003 HK\$'000
Associates:		
Share of losses before tax	1,891	2,213
Share of tax	(80)	(456)
Share of losses for the year	<u>1,811</u>	<u>1,757</u>
Jointly-controlled entities:		
Share of losses before tax	25	229
Share of tax	91	(181)
Share of losses for the year	<u>116</u>	<u>48</u>

7. 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 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%.

	2004 HK\$'000	2003 HK\$'000 (Restated)
Group:		
Current – Hong Kong		
Charge for the year	366	226
Overprovision in prior years	–	(581)
Current – Elsewhere		
Charge for the year	2,575	1,028
Overprovision in prior years	(141)	(151)
Total tax charge for the year	<u>2,800</u>	<u>522</u>

8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent for the year of HK\$14,886,000 (2003 : HK\$21,721,000) and the 493,981,150 (2003: the weighted average of 479,519,199) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the parent for the year of HK\$14,886,000 (2003 : HK\$21,721,000). The weighted average number of ordinary shares used in the calculation is the 493,981,150 (2003: 479,519,199) ordinary shares in issue during the year, as used in the basic earnings per share calculation; and the weighted average of 847,126 (2003: 29,299) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

DIVIDEND

The Board do not recommend the payment of any dividend in respect of the year (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Results

The consolidated turnover of the Group was HK\$531.8 million, up 10.5% compared to last year. Profit from operating activities was HK\$43.0 million, showing a modest increase of 0.8% from 2003. Profit for the year was HK\$28.9 million, representing a decline of 10.4% compared with the previous year. Profit attributable to equity holders of the parent was HK\$14.9 million, down 31.5% compared to last year.

Information Technology

The Group's information technology business showed a disappointing performance for the year under review. The segment result of HK\$31.0 million was 39% less than the corresponding figure last year.

The Group failed to secure several significant contracts during 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 ("Xteam"), which matters were ultimately resolved in the Group's favour.

Other Businesses

The Group's other businesses, namely restaurant and property investment, showed significant improvement from last year. The restaurant business reported a positive segment result of HK\$10.4 million as compared with a loss of HK\$0.7 million in 2003. The segment result of the property investment also jumped to HK\$14.8 million from HK\$4.0 million in 2003.

Prospects

The Group foresees a bright long term future for China's information technology industry. It is anticipated that the Chinese Government, the biggest information technology customer in China as well as the Group's biggest customer, will allocate more resources in the next few years on automation to improve the efficiency and quality of services it can deliver to the general public.

After resolving the acquisition issues relating to Xteam, the Group is well positioned to increase its market share in its tradition areas of strength, such as education, social insurances, employment and e-government administration, as well as to penetrate new market sectors where domestic open source based system is the preferred solution.

Financial Position

As at 31 December 2004, the Group had total assets and liabilities of HK\$948.5 million and HK\$397.4 million, respectively. Shareholders' equity increased to HK\$480.0 million while minority interests amounted to HK\$71.1 million.

The Group's net debt (total borrowings minus cash and bank balances) increased by HK\$30.4 million to HK\$75.5 million. The Group's borrowings, at interest rates ranged from 2.5% to 5.3% per annum, were 71% and 19% denominated in Renminbi and United States Dollars, respectively. The gearing ratio (net debt to equity) was 15.7% whilst the current ratio

(current assets over current liabilities) was 129%. Certain properties of the Group with an aggregate carrying value of HK\$50.4 million were pledged as securities for the Group's banking facilities. As at the balance sheet date, the Company has guarantees given to banks in connection with facilities granted to subsidiaries of HK\$265 million, which were utilised to the extent of HK\$189 million.

Employees

The Group had 1,890 full-time employees as at 31 December 2004. The total staff costs (including directors' remuneration) for the year ended 31 December 2004 amounted to HK\$84.1 million, increased by 22.8% comparing with last year. Salaries of employees are maintained at competitive levels while share options and bonuses are 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.

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 (the "Stock Exchange") (the "Listing Rules") throughout the year ended 31 December 2004, 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.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company, namely Prof. Liu Wei, Dr. Jin Lizuo and Mr. Cao Guixing. The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2004.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The Company's annual report containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of 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

The Board would like to take this opportunity to extend our gratitude and appreciation to our shareholders and parties for their support, and our hardworking colleagues during the year.

On behalf of the Board

Zhang Honghai

Chairman

Hong Kong, 12 April 2005

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