



BEIJING
DEVELOPMENT
(HONG KONG) LIMITED

Interim Report **2001**

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CORPORATE INFORMATION

DIRECTORS

Executive directors

- Mr. Xiong Da Xin (*Chairman*) (appointed on 19 April 2001)
Mr. Bai Jin Rong (*Managing Director*)
Dr. Mao Xiang Dong, Peter (*Deputy Managing Director*) (appointed on 19 April 2001)
Mr. E Meng (*Deputy Managing Director*) (appointed on 19 April 2001)
Mr. Ng Kong Fat, Brian (*Deputy Managing Director*)

Independent non-executive directors

- Mr. Wu Shi Xiong
Mr. Cao Guixing (appointed on 15 June 2001)
Mr. Feng Ching Yeng, Frank

COMPANY SECRETARY

Mr. Wong Kwok Wai, Robin

AUTHORISED REPRESENTATIVES

- Mr. Bai Jin Rong
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
Kwangtung Provincial Bank

SHARE REGISTRARS

Tengis Limited
4th Floor, Hutchison House,
10 Harcourt Road,
Central, Hong Kong

WEBSITE

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

CHAIRMAN'S STATEMENT

OPERATING RESULTS

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.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2001.

STRATEGY AND 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.

BUSINESS REVIEW AND PROSPECTS

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.

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.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2001

	Notes	6 months ended 30 June	
		2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
TURNOVER		81,601	90,391
Cost of sales		<u>(40,963)</u>	<u>(52,071)</u>
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		<u>(15,492)</u>	<u>(8,411)</u>
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	<u>2,506</u>	<u>-</u>
LOSS BEFORE TAX		(8,193)	(8,302)
Tax	7	<u>(688)</u>	<u>(1,114)</u>
LOSS BEFORE MINORITY INTERESTS		(8,881)	(9,416)
Minority interests		<u>(945)</u>	<u>(2,104)</u>
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(9,826)	(11,520)
Accumulated losses at beginning of period		<u>(96,023)</u>	<u>(74,161)</u>
		(105,849)	(85,681)
Transfer from asset revaluation reserve		<u>461</u>	<u>461</u>
ACCUMULATED LOSSES AT END OF PERIOD		<u>(105,388)</u>	<u>(85,220)</u>
LOSS PER SHARE (Cents) – BASIC	8	<u>(5.0)</u>	<u>(13.4)</u>

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 30 June 2001

	6 months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Exchange differences on translation of the financial statements of foreign entities	<u>(697)</u>	<u>(372)</u>
Net loss not recognised in the income statement	(697)	(372)
Net loss for the period attributable to shareholders	<u>(9,826)</u>	<u>(11,520)</u>
Total recognised gains and losses	<u><u>(10,523)</u></u>	<u><u>(11,892)</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2001

		30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Fixed assets		67,342	71,146
Investment properties		48,250	48,250
Interests in associates		70,212	68,826
Interest in a jointly-controlled entity		-	18,698
		<u>185,804</u>	<u>206,920</u>
CURRENT ASSETS			
Inventories		21,360	24,527
Properties held for sale		12,888	13,856
Trade receivables	9	3,291	2,795
Other receivables, prepayments and deposits		12,361	6,152
Amount due from a related company		19,619	-
Cash and bank balances		116,349	6,472
		<u>185,868</u>	<u>53,802</u>
CURRENT LIABILITIES			
Trade payables	10	7,452	7,997
Other payables and accruals		21,985	22,582
Bank and other borrowings	11	89,125	73,710
Amount due to intermediate holding company		659	16,050
Amount due to a minority shareholder		-	3,705
Amount due to a jointly-controlled entity		-	7,077
Tax payable		6,026	6,292
		<u>125,247</u>	<u>137,413</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>60,621</u>	<u>(83,611)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>246,425</u>	<u>123,309</u>
NON-CURRENT LIABILITIES			
Bank and other borrowings	11	(19,553)	(103,983)
		<u>226,872</u>	<u>19,326</u>
Minority interests		4,836	4,905
		<u>231,708</u>	<u>24,231</u>
CAPITAL AND RESERVES			
Issued capital	12	303,759	85,759
Reserves		33,337	34,495
Accumulated losses		(105,388)	(96,023)
		<u>231,708</u>	<u>24,231</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2001

	6 months ended 30 June	
	2001	2000
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(18,039)	7,096
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(19,903)	(4,744)
TAX PAID	(1,212)	(487)
INVESTING ACTIVITIES	908	(13,969)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	(38,246)	(12,104)
FINANCING ACTIVITIES	147,994	15,330
INCREASE IN CASH AND CASH EQUIVALENTS	109,748	3,226
Cash and cash equivalents at beginning of period	(12,316)	(14,082)
Effect of foreign exchange rate changes, net	(19)	(369)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	97,413	(11,225)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	116,349	7,392
Bank overdrafts	(18,936)	(18,617)
	97,413	(11,225)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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
	<u>81,601</u>	<u>90,391</u>	<u>10,717</u>	<u>10,782</u>
Interest income			910	1,574
Unallocated administrative expenses			(15,492)	(8,411)
			<u>(3,865)</u>	<u>3,945</u>
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
	<u>81,601</u>	<u>90,391</u>	<u>10,717</u>	<u>10,782</u>
Interest income			910	1,574
Unallocated administrative expenses			(15,492)	(8,411)
			<u>(3,865)</u>	<u>3,945</u>

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
	<u>2,743</u>	<u>1,576</u>

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	–
	<u>2,619</u>	<u>1,795</u>

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	<u>5,344</u>	<u>7,615</u>

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.

The gains on disposal are the differences between the sales proceeds and the net carrying amounts of the Group's share of assets and liabilities disposed.

The results of the trading of woollen and worsted products had been reported in the People's Republic of China segment.

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)
	<u>688</u>	<u>1,114</u>
Tax charge for the period	<u>688</u>	<u>1,114</u>

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.

9. TRADE RECEIVABLES

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Amounts due within:		
3 months	2,883	2,613
4 to 6 months	214	12
7 to 12 months	1	-
Over one year	193	170
	<u>3,291</u>	<u>2,795</u>

The Group generally allows an average credit period of 30 to 90 days to its trade customers.

10. TRADE PAYABLES

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Amounts outstanding for:		
3 months or less	7,290	7,149
4 to 6 months	66	378
7 to 12 months	96	-
Over one year	-	470
	<u>7,452</u>	<u>7,997</u>

11. BANK AND OTHER BORROWINGS

	30 June 2001 <i>(Unaudited)</i> HK\$'000	31 December 2000 <i>(Audited)</i> HK\$'000
Bank loans:		
Secured	17,274	48,207
Unsecured	23,400	23,190
Bank overdrafts, secured	18,936	18,788
Other borrowings, unsecured	49,068	87,508
	<u>108,678</u>	<u>177,693</u>
Less: Portion classified as current liabilities	(89,125)	(73,710)
	<u>19,553</u>	<u>103,983</u>

Certain of the Group's bank borrowings are secured by mortgages over certain of the Group's land and buildings, investment properties and properties held for sale which had an aggregate carrying value at 30 June 2001 of HK\$75,983,000 (31 December 2000: HK\$117,112,000).

12. SHARE CAPITAL

	30 June 2001 <i>(Unaudited)</i> HK\$'000	31 December 2000 <i>(Audited)</i> HK\$'000
<i>Authorised:</i>		
1,000,000,000 (2000: 160,000,000) ordinary shares of HK\$1 each	<u>1,000,000</u>	<u>160,000</u>
<i>Issued and fully paid:</i>		
303,758,750 (2000: 85,758,750) ordinary shares of HK\$1 each	<u>303,759</u>	<u>85,759</u>

On 16 March 2001, the authorised share capital of the Company was increased from HK\$160,000,000 to HK\$1,000,000,000 by the creation of an additional 840,000,000 ordinary shares of HK\$1 each.

On 29 March 2001, pursuant to the Group reorganisation, the Company issued 218,000,000 ordinary shares of HK\$1 each for a total cash consideration of HK\$218,000,000 for working capital and investment purposes.

Pursuant to a share option scheme approved by the shareholders of the Company on 18 June 2001, the board of directors of the Company granted a total of 15,200,000 share options at an exercise price of HK\$1.13 per share to the executive directors of the Company and employees of the Group on 19 June 2001. 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.

13. CAPITAL COMMITMENT

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

14. CONTINGENT LIABILITIES

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

15. RELATED PARTY TRANSACTIONS

Save as disclosed in note 6, the Group had the following material transactions with related parties during the period:

	Notes	6 months ended 30 June	
		2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Sales of raw materials to a company in which a director of the Company has beneficial interests	(i)	1,836	999
Sales of finished goods to an affiliated company	(i)	4,662	-
Purchases of finished goods from a jointly-controlled entity	(i)	867	12,828
Interest expenses on loans from intermediate holding company	(ii)	2,396	3,619
Interest income on loan to an associate	(ii)	-	1,549

(i) The sales of raw materials and finished goods to, and the purchases of finished goods from related parties were priced at the estimated purchased or manufacturing costs of goods sold.

(ii) The interest expenses on loans from intermediate holding company and interest income on loan to an associate were charged at Hong Kong prime rate per annum.

16. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the board of directors on 6 September 2001.

OTHER INFORMATION

REVIEW OF THE INTERIM FINANCIAL REPORT

The Group's interim financial report for the six months ended 30 June 2001 have been reviewed by the Company's auditors, Ernst & Young.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2001, the interests of the directors in the share capital of the Company's subsidiaries, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

- (a) 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.
- (b) 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.
- (c) 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.

Mr. Ng Kong Fat, Brian, director of the Company, has beneficial equity interests in Sunbird.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At 30 June 2001, the interests of the directors of the Company in options to subscribe for shares of the Company under the share option scheme of the Company were as follows:

Name of director	Number of options held
Mr. Xiong Da Xin	2,800,000
Mr. Bai Jin Rong	2,600,000
Dr. Mao Xiang Dong, Peter	1,600,000
Mr. E Meng	1,600,000
Mr. Ng Kong Fat, Brian	2,300,000

These options were granted on 19 June 2001 at an exercise price of HK\$1.13 per share. The consideration paid by each director for the options granted was HK\$1. The options can be exercised in 3 equal portions. The first portion is exercisable at any time commencing on 1 January 2002, and one additional 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.

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries, holding companies and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Number of shares held	Interest %
Idata Finance Trading Limited ("IFTL")	168,000,000	55.31
Beijing Enterprises Holdings Limited ("BEHL")	168,000,000	55.31
Beijing Holdings Limited ("BHL")	168,000,000	55.31
Illumination Holdings Limited	58,618,368	19.30

IFTL is a direct wholly-owned subsidiary of BEHL. BEHL is held indirectly as to 50.37% by BHL. Accordingly, BEHL and BHL are deemed to be interested in shares owned by IFTL.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

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.

By Order of the Board

XIONG DA XIN

Chairman

Hong Kong

6 September 2001

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 16.

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.

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 2001.

ERNST & YOUNG

Certified Public Accountants

Hong Kong
6 September 2001