

Interim Report
2004

Entering a New Era



Beijing Development (Hong Kong) Limited

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CORPORATE INFORMATION

DIRECTORS

Executive directors

Mr. Zhang Honghai (*Chairman*)
Mr. Ng Kong Fat, Brian (*Managing Director*)
Mr. E Meng (*Deputy Managing Director*)
Mr. Zhao Jifeng (*Deputy Managing Director*)

Independent non-executive directors

Mr. Cao Guixing
Mr. Feng Ching Yeng, Frank

COMPANY SECRETARY

Mr. Wong Kwok Wai, Robin

QUALIFIED ACCOUNTANT

Mr. Wong Kwok Wai, Robin

AUTHORISED REPRESENTATIVES

Mr. Ng Kong Fat, Brian
Mr. Wong Kwok Wai, Robin

REGISTERED OFFICE

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Yardley Commercial Building
3 Connaught Road West
Sheung Wan
Hong Kong

WEBSITE

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

STOCK CODE

154

SHARE REGISTRARS

Tengis Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

AUDITORS

Ernst & Young

LEGAL ADVISERS

Baker & McKenzie

PRINCIPAL BANKERS

In Hong Kong:

Bank of China (Hong Kong) Limited
CITIC Ka Wah Bank Limited
Standard Chartered Bank

In Mainland China:

Bank of China
Beijing City Commercial Bank
China Construction Bank
China Everbright Bank
China Minsheng Banking Corp., Ltd.
CITIC Industrial Bank
Huaxia Bank
The Industrial and Commercial Bank of China

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

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).

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

BUSINESS REVIEW

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.

APPRECIATION

The board of directors 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

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

Six months ended 30 June 2004

		Six months ended 30 June	
	Notes	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
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

	Notes	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
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

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CONDENSED CONSOLIDATED BALANCE SHEET (continued)

30 June 2004

	Note	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
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	10	(48,542)	(31,806)
		445,439	462,175

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2004

	Issued share capital (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2004	493,981	33,643	24,633	(2,957)	(87,125)	462,175
Exchange realignment	-	-	-	5	-	5
Net profit not recognised in the profit and loss account	-	-	-	5	-	5
Net loss for the period	-	-	-	-	(16,741)	(16,741)
Transfer to PRC reserve funds	-	-	1,095	-	(1,095)	-
Transfer to accumulated losses	-	(460)	-	-	460	-
At 30 June 2004	493,981	33,183*	25,728*	(2,952)*	(104,501)*	445,439
At 1 January 2003	446,259	34,565	13,865	(3,598)	(94,228)	396,863
Exchange realignment	-	-	-	870	-	870
Net profit not recognised in the profit and loss account	-	-	-	870	-	870
Net profit for the period	-	-	-	-	8,125	8,125
Transfer to PRC reserve funds	-	-	145	-	(145)	-
Transfer to accumulated losses	-	(460)	-	-	460	-
Issue of shares	47,722	-	-	-	-	47,722
At 30 June 2003	493,981	34,105	14,010	(2,728)	(85,788)	453,580
Reserves retained by:						
Company and subsidiaries	493,981	33,183	25,728	(3,328)	(98,908)	450,656
Associates	-	-	-	376	(2,638)	(2,262)
Jointly-controlled entities	-	-	-	-	(2,955)	(2,955)
At 30 June 2004	493,981	33,183	25,728	(2,952)	(104,501)	445,439
Company and subsidiaries	493,981	34,105	14,010	(3,104)	(86,300)	452,692
Associates	-	-	-	376	(52)	324
Jointly-controlled entities	-	-	-	-	564	564
At 30 June 2003	493,981	34,105	14,010	(2,728)	(85,788)	453,580

* These reserve accounts comprise the consolidated negative reserves of HK\$48,542,000 (31 December 2003: HK\$31,806,000) in the condensed consolidated balance sheet.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2004

	Six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(67,078)	7,771
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(18,981)	(35,519)
NET CASH INFLOW FROM FINANCING ACTIVITIES	61,503	3,630
NET DECREASE IN CASH AND CASH EQUIVALENTS	(24,556)	(24,118)
Cash and cash equivalents at beginning of period	89,189	114,117
Effect of foreign exchange rate changes, net	11	(20)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	64,644	89,979
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	78,476	89,979
Bank overdrafts	(13,832)	-
	64,644	89,979

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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	Restaurants	Property investment	Corporate	Eliminations	Consolidated
(Unaudited)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2004						
Segment revenue:						
Sales to external customers	75,213	120,757	9,392	-	-	205,362
Intersegment sales	-	-	432	-	(432)	-
Total	<u>75,213</u>	<u>120,757</u>	<u>9,824</u>	<u>-</u>	<u>(432)</u>	<u>205,362</u>
Segment results	<u>(13,213)</u>	<u>7,150</u>	<u>4,666</u>	<u>-</u>		<u>(1,397)</u>
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	<u>(1,225)</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>(1,225)</u>
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						<u>(16,741)</u>

2. SEGMENT INFORMATION (continued)**(a) Business segments** (continued)

	Information technology	Restaurants	Property investment	Corporate	Eliminations	Consolidated
(Unaudited)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2003						
Segment revenue:						
Sales to external customers	107,478	92,088	3,125	-	-	202,691
Intersegment sales	-	-	540	-	(540)	-
Total	<u>107,478</u>	<u>92,088</u>	<u>3,665</u>	<u>-</u>	<u>(540)</u>	<u>202,691</u>
Segment results	<u>26,306</u>	<u>(5,940)</u>	<u>1,813</u>	<u>-</u>		<u>22,179</u>
Interest income						453
Unallocated expenses						<u>(7,879)</u>
Profit from operating activities						14,753
Finance costs						<u>(3,284)</u>
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	<u>(225)</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>(225)</u>
Profit before tax						11,254
Tax						<u>(157)</u>
Profit before minority interests						11,097
Minority interests						<u>(2,972)</u>
Net profit from ordinary activities attributable to shareholders						<u>8,125</u>

2. SEGMENT INFORMATION (continued)

(b) Geographical segments

(Unaudited)	Mainland						Eliminations	Consolidated
	Hong Kong	China	Singapore	Indonesia	Malaysia	Thailand		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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:

Construction contracts	
Rendering of services	
Receipts from restaurant operations	
Sales of dried seafood	
Gross rental income	
Sales of properties held for sale	

Six months ended 30 June

2004	2003
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000
54,353	47,944
20,860	59,534
120,453	91,758
304	330
3,184	3,125
6,208	-
205,362	202,691

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
	Notes		
Depreciation		8,577	8,246
Amortisation of goodwill	(i)	8,315	7,006
Negative goodwill recognised as income during the period	(ii)	(182)	(104)
Amortisation of intangible assets	(iii)	1,132	943
Loss/(gain) on disposal of fixed assets		(35)	420
Net rental income		(1,976)	(2,081)

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		3,785	3,284

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
	1,445	132
Share of tax attributable to:		
an associate	(81)	25
a jointly controlled entity	104	-
Total tax charge for the period	1,468	157

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
	247,470	222,110
Portion classified as current assets	(208,266)	(172,744)
Long term portion	39,204	49,366

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
	39,991	81,532

10. SHARE CAPITAL

Authorised:

1,000,000,000 ordinary shares of HK\$1 each

Issued and fully paid:

493,981,150 ordinary shares of HK\$1 each

Share options

Details of the Company's share option scheme and the share options issued under the scheme are set out under the heading "Share option scheme" in the section of "General Information" on pages 20 to 23.

30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
<u>1,000,000</u>	<u>1,000,000</u>
<u>493,981</u>	<u>493,981</u>

11. CONTINGENT LIABILITIES

At 30 June 2004, the Company's contingent liabilities not provided for in the condensed consolidated interim financial statements were as follows:

Guarantees given to banks in connection with facilities granted to subsidiaries

30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
<u>194,529</u>	<u>100,190</u>

At 30 June 2004, the guarantees given to the banks in connection with bank facilities granted to the subsidiaries by the Company were utilised to the extent of approximately HK\$156,882,000 (31 December 2003: HK\$99,694,000).

12. CAPITAL COMMITMENTS

At 30 June 2004, the Group's shares of a jointly-controlled entity's own capital commitments were as follows:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Contracted, but not provided for	14,496	12,106

13. 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. 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.

14. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the six months ended 30 June 2004:

		Six months ended 30 June	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
		Notes	
Sales of materials to a company in which a director of the Company has beneficial interests	(i)	303	330
Sales of materials to a jointly-controlled entity	(ii)	1,971	–
Service income from a fellow subsidiary	(iii)	–	13,064

Notes:

- (i) The sales of materials to the related party were priced at the cost of purchases.
- (ii) The sales of materials to the jointly-controlled entity were priced at the estimated market price.
- (iii) The service fees were charged at 8 – 9% of the turnover of the fellow subsidiary.

15. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors of the Company on 7 September 2004.

GENERAL INFORMATION

DIRECTORS' SERVICE CONTRACTS

At 30 June 2004, none of the directors had any existing or proposed service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 14 to the condensed consolidated interim financial statements, none of the directors had any direct or indirect material interest in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party during the six months ended 30 June 2004.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2004, the interests and short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in underlying shares of the Company and its associated corporation:

The interests of the directors in the share options of the Company and its associated corporation are separately disclosed under the heading "Share option scheme" below.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Long positions in shares of an associated corporation of the Company:

Name of director	Name of associated corporation	Relationship with the Company	Number of ordinary shares held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Mr. Ng Kong Fat, Brian	BD Ah Yat Abalone Group Limited	Company's subsidiary	1,462,000	Directly beneficially owned	21.5

In addition to the above, Mr. Ng Kong Fat, Brian has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 30 June 2004, none of the directors and chief executive had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Share option scheme" below, at no time during the six months ended 30 June 2004 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 minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") to give executives and key employees of the Group 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. Eligible participants of the Scheme include the executive directors and employees of the Company or any of its subsidiaries. The Scheme became effective on 18 June 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

SHARE OPTION SCHEME (continued)

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the ordinary shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme is limited to 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date on which the offer of the share options is accepted or on the expiry date of the Scheme, whichever is earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares on the Stock Exchange on the date of the offer of the share options; (ii) the average of the closing prices of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholder meetings.

SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme during the six months ended 30 June 2004:

Name or category of participant	Notes	Number of share options			
		At 1 January 2004	Granted during the period	Lapsed during the period	At 30 June 2004
Directors					
Mr. Ng Kong Fat, Brian	(a)	2,300,000	–	–	2,300,000
	(b)	1,200,000	–	–	1,200,000
		3,500,000	–	–	3,500,000
Mr. E Meng	(a)	1,600,000	–	–	1,600,000
	(b)	1,200,000	–	–	1,200,000
		2,800,000	–	–	2,800,000
Mr. Zhao Jifeng	(c)	2,800,000	–	–	2,800,000
Dr. Mao Xiang Dong, Peter *	(a)	1,600,000	–	(1,600,000)	–
	(b)	1,200,000	–	(1,200,000)	–
		2,800,000	–	(2,800,000)	–
Other employees					
In aggregate	(a)	4,300,000	–	–	4,300,000
	(b)	17,700,000	–	–	17,700,000
		22,000,000	–	–	22,000,000
		33,900,000	–	(2,800,000)	31,100,000

* Dr. Mao Xiang Dong, Peter resigned as a director on 8 February 2004.

Notes:

- (a) These options were granted on 19 June 2001 at an exercise price of HK\$1.13 per share. The options can be exercised in two or three equal portions. The first portion is exercisable at any time commencing on 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 on 26 June 2006.
- (b) These options were granted on 18 January 2002 at an exercise price of HK\$1.00 per share. The options can be exercised in three equal portions. The first portion is exercisable at any time commencing on 18 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 on 17 January 2007.

SHARE OPTION SCHEME (continued)

- (c) These options were granted on 2 October 2003 at an exercise price of HK\$1.05 per share. The options can be exercised in three equal portions. The first portion is exercisable at any time commencing on 2 October 2003, 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 on 1 October 2008.

No share options were exercised during the six months ended 30 June 2004. At 30 June 2004, the Company had 31,100,000 share options outstanding under the Scheme, which represented approximately 6.3% of the ordinary shares of the Company in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 31,100,000 additional ordinary shares of the Company and additional share capital of HK\$31,100,000 and share premium of HK\$1,206,000 (before issue expenses).

The directors do not consider it appropriate to disclose a theoretical value of the share options granted because a number of factors crucial for the valuation are subjective and uncertain. Accordingly, any valuation of the options based on various speculative assumptions would not be meaningful.

In addition, at 30 June 2004, the interests of a director of the Company in options to subscribe for shares of Beijing Enterprises Holdings Limited, the Company's holding company, under the share option scheme of Beijing Enterprises Holdings Limited were as follows:

Name of director	Number of share options	
	Note (a)	Note (b)
Mr. E Meng	50,000	450,000

Notes:

- (a) These options were granted on 3 March 1998 at an exercise price of HK\$17.03 per share. The options can be exercised at any time in the next 10 years commencing on 1 September 1998. No such options were exercised during the six months ended 30 June 2004.
- (b) These options were granted on 23 June 1998 at an exercise price of HK\$17.03 per share. The options can be exercised in nine equal portions. The first portion is exercisable at any time commencing on 1 January 1999 and one additional portion becomes exercisable on 1 January in each of the following years. All of the options (to the extent not exercised) will become exercisable on 1 January 2007 and, if not otherwise exercised, will lapse on 1 January 2009. No such options were exercised during the six months ended 30 June 2004.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2004, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares of the Company:

Name	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporations	Total	
Idata Finance Trading Limited	275,675,000	–	275,675,000	55.81
Beijing Enterprises Holdings Limited (Note)	–	275,675,000	275,675,000	55.81
Beijing Enterprises Investments Limited (Note)	–	275,675,000	275,675,000	55.81
Beijing Holdings Limited (Note)	–	275,675,000	275,675,000	55.81
Illumination Holdings Limited	58,618,368	–	58,618,368	11.87

Note: Idata Finance Trading Limited is a direct wholly-owned subsidiary of Beijing Enterprises Holdings Limited. Beijing Enterprises Holdings Limited is held indirectly as to 62.79% by Beijing Enterprises Investments Limited. Beijing Enterprises Investments Limited is held indirectly as to 50.37% by Beijing Holdings Limited. Accordingly, Beijing Enterprises Holdings Limited, Beijing Enterprises Investments Limited and Beijing Holdings Limited are deemed to be interested in the shares owned by Idata Finance Trading Limited.

Save as disclosed above, as at 30 June 2004, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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.

CORPORATE GOVERNANCE

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.

Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code")

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2004.

Independent Non-Executive Directors

The Company has only two independent non-executive directors. Pursuant to rules 3.10(1) and 3.10(2) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors, and at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. As a matter of urgency, the Company shall appoint a sufficient number of independent non-executive directors with appropriate professional qualifications or accounting or related financial management expertise shortly.

Audit Committee

The Company has not established an audit committee as required by rule 3.21 of the Listing Rules. An audit committee comprising a minimum of three non-executive directors shall be established by the Company immediately following the appointment of an additional independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as mentioned above.

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 5 to 18.

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 2004.

ERNST & YOUNG

Certified Public Accountants

Hong Kong
7 September 2004