



Beijing Development (Hong Kong) Limited

Interim Report
2005



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CORPORATE INFORMATION

DIRECTORS

Executive directors:

Mr. Zhang Honghai (*Chairman*)
Mr. Ng Kong Fat, Brian
Mr. E Meng
Mr. Li Kangying
Mr. Wang Yong
Mr. Cao Wei
Dr. Yu Xiaoyang

Independent non-executive directors:

Mr. Cao Guixing
Prof. Liu Wei
Dr. Jin Lizuo

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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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

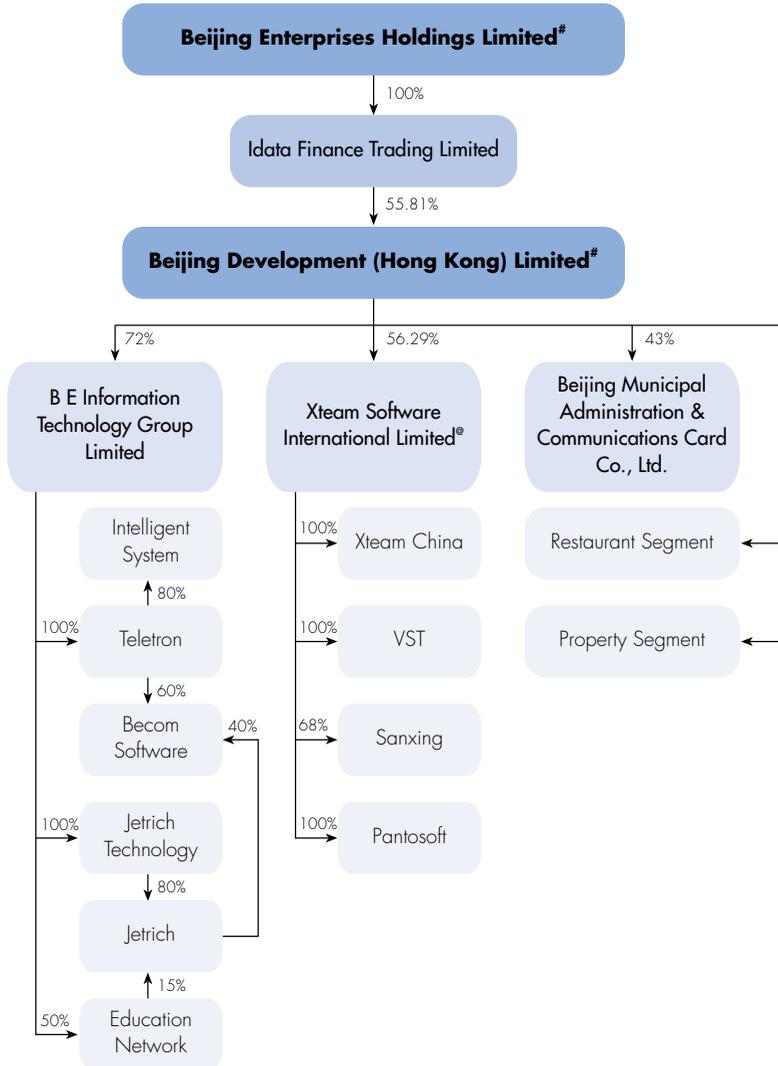
In Hong Kong:

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

CORPORATE STRUCTURE



Listed on the Main Board of The Stock Exchange of Hong Kong Limited

@ Listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2005, the Group recorded a turnover of HK\$200.5 million as compared to HK\$205.4 million in the corresponding period last year. The profit from operating activities rose 5 times to HK\$3.2 million from HK\$0.5 million last year.

Loss for the period was HK\$5.1 million, showing a decrease of 43% as compared with HK\$9 million last year. The loss attributable to equity holders of the parent was HK\$8.5 million, showing an increase of 15% from HK\$7.4 million last year. The basic loss per share amounted to 1.7 HK cents.

The board of directors do not recommend the payment of an interim dividend for the period.

BUSINESS REVIEW

Information Technology

The software business made steady progress in the first half of the year. With second half being the busy season, the software business should perform well for the rest of the year.

Other information technology businesses, namely, systems integration and smart cards, continued to remain flat during the period. However, there are current signs that these businesses are beginning to recover in the second half of the year.

Other Businesses

The Group's restaurant business segment continued to make steady progress in the first half of the year. Segment revenue and results increased by 8% and 48% to HK\$129.9 million and HK\$10.6 million, respectively. The Group's property investment business segment remained flat and insignificant during the period under review.

PROSPECTS

The Group has been trying to apply its software and service solutions developed in Beijing to other cities and provinces in China. The Group made some progress in this regard during the first six months. The Group intends to put more efforts and resources in the future to expand nationally.

The Group is currently developing a new Linux based application strategy, which basically involves the bundling of Linux operating system with most commonly used applications and services into one single product for which the customers will pay monthly or yearly fees. Among other things, the Group aims to bring substantial cost benefit, better security protection and more friendly maintenance services to potential customers.

The Group is also actively bidding for Beijing 2008 Olympics transportation related projects. The Group plans to team up with overseas experienced players to increase its competitive edge.

FINANCIAL POSITION

As at 30 June 2005, the total assets of the Group amounted to HK\$907 million, which were financed by shareholders' equity of the parent of HK\$471.8 million, minority interests of HK\$75.1 million and total liabilities of HK\$360.1 million.

As at 30 June 2005, the Group had total cash and bank balances amounted to HK\$104.5 million. The Group's bank borrowings, at floating interest rates, amounted to HK\$191.3 million, of which HK\$187 million were due within one year.

The Group's current ratio (current assets over current liabilities) as at 30 June 2005 was 147% (31 December 2004: 129%). The Group's net debt (total bank borrowings minus cash and bank balances) increased to HK\$86.8 million, representing a net debt to total equity ratio of 16% (31 December 2004: 14%).

The directors consider the Group will have sufficient working capital for its operations and financial resources for financing future investment opportunities in suitable business ventures.

As at 30 June 2005, certain of the Group's banking facilities are secured by the Group's leasehold land and buildings which had an aggregate net book value of HK\$50.4 million and bank balances of HK\$1.2 million. In addition, bank balances of HK\$4 million were pledged as guarantees for tenders and contracts.

The Group had limited exposure to exchange fluctuations and its borrowings and monetary assets were mainly denominated in Hong Kong dollars, Renminbi and United States dollars.

The Group incurred capital expenditures of HK\$7.6 million during the period, mainly for purchase of fixed assets and intangible assets totalled HK\$5.2 million and acquisition of an associate of HK\$2.4 million.

As at 30 June 2005, the Group's share of a jointly-controlled entity's own capital commitments was HK\$22.5 million. As at 30 June 2005, the Group had no material contingent liabilities.

EMPLOYEES

As at 30 June 2005, the Group had a total of approximately 1,770 full-time employees (31 December 2004: 1,890), 620 of whom were employed in information technology segment and 1,130 in restaurant segment.

Salaries of employees are maintained at competitive levels while share options and bonuses are granted based on individual and business performance. No share option was granted or exercised during the period under review, and the Company had 28,060,000 share options outstanding at 30 June 2005.

APPRECIATION

The board of directors 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 period.

By Order of the Board
ZHANG HONGHAI
Chairman

Hong Kong
8 September 2005



CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2005

		For the six months ended 30 June	
		2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000
	Notes		
TURNOVER	3	200,534	205,362
Cost of sales		(95,926)	(118,178)
Gross profit		104,608	87,184
Interest income		446	385
Other revenue and gains	3	3,322	5,598
Selling and distribution costs		(67,684)	(65,021)
Administrative expenses		(37,512)	(27,602)
PROFIT FROM OPERATING ACTIVITIES		3,180	544
Finance costs	4	(4,982)	(3,785)
Share of profits and losses of:			
Associates		(136)	(1,187)
Jointly-controlled entities		(1,539)	(3,127)
LOSS BEFORE TAX	5	(3,477)	(7,555)
Tax	6	(1,659)	(1,445)
LOSS FOR THE PERIOD		(5,136)	(9,000)
ATTRIBUTABLE TO:			
Equity holders of the parent		(8,477)	(7,383)
Minority interests		3,341	(1,617)
		(5,136)	(9,000)
LOSS PER SHARE – Basic (cents)	7	(1.72)	(1.49)

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2005

	Notes	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		80,410	83,285
Investment properties		39,300	39,300
Goodwill		135,748	134,221
Intangible assets		13,687	14,371
Interests in associates		16,751	14,479
Interests in jointly-controlled entities		65,611	67,151
Available-for-sale investments	9	1,935	1,959
Trade receivables	10	14,667	69,310
Other receivables		14,009	18,825
Deferred tax assets		601	–
		382,719	442,901
CURRENT ASSETS			
Inventories		86,046	76,395
Amounts due from customers for contract work		14,694	5,575
Properties held for sale		–	1,250
Trade and bills receivables	10	238,171	220,015
Other receivables, prepayments and deposits		80,882	75,640
Pledged bank balances		5,124	24,191
Cash and bank balances		99,403	102,506
		524,320	505,572
CURRENT LIABILITIES			
Trade and bills payables	11	64,662	96,728
Amounts due to customers for contract work		13,819	8,359
Tax payable		2,403	2,446
Other payables and accruals		87,916	87,654
Bank loans		187,045	197,884
		355,845	393,071
NET CURRENT ASSETS			
		168,475	112,501
TOTAL ASSETS LESS CURRENT LIABILITIES			
		551,194	555,402
NON-CURRENT LIABILITIES			
Bank loans		4,247	4,324
		546,947	551,078

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

30 June 2005

	Notes	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
CAPITAL AND RESERVES			
Equity attributable to equity holders of the parent:			
Issued capital	12	493,981	493,981
Other reserves	13	58,641	58,199
Accumulated losses	13	(80,799)	(72,169)
		471,823	480,011
Minority interests	13	75,124	71,067
		546,947	551,078

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	Notes	For the six months ended 30 June	
		2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000
Total equity at 1 January:			
As previously reported as equity		480,011	462,175
As previously reported separately as minority interests		71,067	49,742
		551,078	511,917
Opening adjustments:			
HKFRS 3 – Derecognition of negative goodwill		-	2,912
As restated		551,078	514,829
Changes in equity during the period:			
Exchange differences on translating foreign operations	13	(360)	10
Net income recognised/(expenses charged) directly in equity		(360)	10
Loss for the period:			
As previously reported		(5,136)	(18,358)
Prior period adjustments:			
HKFRS 3 – Discontinuation of amortisation of goodwill/recognition of negative goodwill		-	9,358
As restated	13	(5,136)	(9,000)
Total recognised income and expense for the period		(5,496)	(8,990)
Dividends to minority shareholders	13	(866)	-
Acquisition of a subsidiary	13	2,231	-
Capital contributed by minority shareholders	13	-	462
Total equity at 30 June		546,947	506,301
Total recognised income and expense for the period attributable to:			
Equity holders of the parent		(8,188)	(7,378)
Minority interests		2,692	(1,612)
		(5,496)	(8,990)
Effects of prior period and opening adjustments attributable to:			
Equity holders of the parent		-	12,270
Minority interests		-	-
		-	12,270

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2005*

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(4,221)	(67,078)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	12,590	(18,981)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(9,804)	61,503
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,435)	(24,556)
Cash and cash equivalents at beginning of period	88,930	89,189
Effect of foreign exchange rate changes, net	(341)	11
CASH AND CASH EQUIVALENTS AT END OF PERIOD	87,154	64,644
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	99,403	78,476
Bank overdrafts	(12,249)	(13,832)
	87,154	64,644

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and have not been audited, but have been reviewed by the Company's audit committee.

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

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2004, except in relation to the following new and revised HKFRSs that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 32: "Financial Instruments: Disclosure and Presentation"

HKAS 39: "Financial Instruments: Recognition and Measurements"

The impact of adopting HKASs 32 and 39 is summarised as follows:

Financial instruments – Equity securities

In prior periods, the Group classified its investments in equity securities as long term investments which were held for non-trading purposes and were stated at cost less any impairment losses.

Upon the adoption of HKASs 32 and 39, these securities are classified as available-for-sale investments. Available-for-sale investments are those non-derivative investments in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

1. ACCOUNTING POLICIES (continued)

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and option pricing models.

When the fair value of unlisted equity securities cannot be reliably measured because (1) the variability in the range of reasonable fair value estimates is significant for that investment, or (2) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost.

The Group assesses at each balance sheet date whether there is any objective evidence that an available-for-sale investment is impaired as a result of one or more events that occurred after the initial recognition of the assets ("loss events"), and that the loss event has an impact on the estimated future cash flows that can be reliably estimated.

If there is objective evidence of impairment, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the profit and loss account. The amount of the loss recognised in the profit and loss account shall be the difference between the acquisition cost and current fair value, less any impairment loss on that available-for-sale investment previously recognised in the profit and loss account.

The adoption of HKASs 32 and 39 has had no material impact on the condensed consolidated interim financial statements.

2. SEGMENT INFORMATION

The Group's operating business are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments.

The following tables present revenue and results for the Group's primary segments.

	For the six months ended 30 June 2005				
	Information technology (Unaudited) HK\$'000	Restaurants (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Revenue:					
External sales	66,884	129,910	3,740	-	200,534
Intersegment sales	-	-	451	(451)	-
	<u>66,884</u>	<u>129,910</u>	<u>4,191</u>	<u>(451)</u>	<u>200,534</u>
Other revenue and gains	2,954	320	23	-	3,297
	<u>69,838</u>	<u>130,230</u>	<u>4,214</u>	<u>(451)</u>	<u>203,831</u>
Segment results	<u>(1,731)</u>	<u>10,610</u>	<u>1,371</u>		<u>10,250</u>
Interest income					446
Unallocated corporate expenses, net					<u>(7,516)</u>
Profit from operating activities					3,180
Finance costs					<u>(4,982)</u>
Share of profits and losses of:					
Associates	(251)	-	115		(136)
Jointly-controlled entities	(1,539)	-	-		<u>(1,539)</u>
Loss before tax					<u>(3,477)</u>
Tax					<u>(1,659)</u>
Loss for the period					<u>(5,136)</u>

2. SEGMENT INFORMATION (continued)

	For the six months ended 30 June 2004				Consolidated (Restated) HK\$'000
	Information technology (Restated) HK\$'000	Restaurants (Restated) HK\$'000	Property investment (Restated) HK\$'000	Eliminations (Restated) HK\$'000	
Revenue:					
External sales	75,213	120,757	9,392	-	205,362
Intersegment sales	-	-	432	(432)	-
	<u>75,213</u>	<u>120,757</u>	<u>9,824</u>	<u>(432)</u>	<u>205,362</u>
Other revenue and gains	3,235	508	1,855	-	5,598
	<u>78,448</u>	<u>121,265</u>	<u>11,679</u>	<u>(432)</u>	<u>210,960</u>
Segment results	<u>(5,080)</u>	<u>7,150</u>	<u>4,666</u>		6,736
Interest income					385
Unallocated corporate expenses, net					<u>(6,577)</u>
Profit from operating activities					544
Finance costs					<u>(3,785)</u>
Share of profits and losses of:					
Associates	(594)	-	(593)		<u>(1,187)</u>
Jointly-controlled entities	(3,127)	-	-		<u>(3,127)</u>
Loss before tax					<u>(7,555)</u>
Tax					<u>(1,445)</u>
Loss for the period					<u>(9,000)</u>

3. TURNOVER, OTHER REVENUE AND GAINS

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.

An analysis of the Group's turnover, other revenue and gains is as follows:

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Turnover		
Construction contracts	32,471	54,353
Rendering of services	34,413	20,860
Receipts from restaurant operations	129,910	120,453
Sales of dried seafood	-	304
Gross rental income	1,390	3,184
Sales of properties held for sale	2,350	6,208
	200,534	205,362
Other revenue and gains		
Government grants *	3,227	5,323
Others	95	275
	3,322	5,598

* Government grants represented government subsidies, business tax and value added tax refunds.

4. FINANCE COSTS

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	4,842	3,785
Interest on an amount due to the holding company wholly repayable within five years	140	-
	4,982	3,785

5. LOSS BEFORE TAX

The Group's loss before tax was determined after charging/(crediting) the following:

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000
Depreciation	7,790	8,577
Amortisation of intangible assets *	1,156	1,132
Loss/(gain) on disposal of fixed assets	106	(35)
Impairment of available-for-sale investments	24	-

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

6. TAX

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000
Current:		
Hong Kong profits tax	592	194
PRC corporate income tax	549	300
Overseas income tax	1,119	951
	2,260	1,445
Deferred tax	(601)	-
Total tax charge for the period	1,659	1,445

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 six months ended 30 June 2005. 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 corporate 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%.

6. TAX (continued)

Share of tax credit attributable to an associate for the six months ended 30 June 2004 amounted to HK\$81,000 is included in "Share of profits and losses of associates" on the face of the condensed consolidated profit and loss account.

Share of tax credit attributable to a jointly-controlled entity for the six months ended 30 June 2005 amounted to HK\$32,000 (2004: tax charge of HK\$104,000) is included in "Share of profits and losses of jointly-controlled entities" on the face of the condensed consolidated profit and loss account.

7. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 30 June 2005 is based on the loss attributable to equity holders of the parent of HK\$8,477,000 and the 493,981,150 ordinary shares in issue during the period.

The basic loss per share for the six months ended 30 June 2004, as previously reported 3.39 HK cents, has been restated and is based on the restated loss attributable to equity holders of the parent of HK\$7,383,000 and the 493,981,150 ordinary shares in issue during the period.

Diluted loss per share amounts for the six months ended 30 June 2005 and 2004 have not been disclosed as the share options outstanding during those periods had an anti-dilutive effect on the basic loss per share.

8. DIVIDEND

The directors resolved not to pay an interim dividend to shareholders (2004: Nil).

9. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Unlisted equity investments, at cost	2,066	2,066
Provision for impairment	(131)	(107)
	<u>1,935</u>	<u>1,959</u>

Certain unlisted equity investments of the Group are not stated at fair value but at cost less any accumulated impairment losses, because they do not have a quoted market price in an active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

10. TRADE AND BILLS RECEIVABLES

The various Group companies have different credit policies, dependent on the requirements of their markets and the businesses which they operate. Certain customers are allowed to settle the construction contract sum by three annual instalments. An aged analysis of trade and bills receivables is regularly prepared and closely monitored in order to minimise any related credit risk.

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

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Current and within 3 months	202,196	228,518
4 – 6 months	13,866	616
7 – 12 months	15,322	40,344
Over 1 year	21,454	19,847
	<u>252,838</u>	<u>289,325</u>
Portion classified as current assets	(238,171)	(220,015)
Long term portion	<u>14,667</u>	<u>69,310</u>

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:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Within 3 months	37,699	88,924
4 – 6 months	15,371	192
7 – 12 months	5,915	1,646
Over 1 year	5,677	5,966
	<u>64,662</u>	<u>96,728</u>

12. SHARE CAPITAL

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Authorised: 1,000,000,000 ordinary shares of HK\$1 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid: 493,981,150 ordinary shares of HK\$1 each	<u>493,981</u>	<u>493,981</u>

Details of the share options granted by the Company in the prior years to the directors and employees are set out under the heading "Share option scheme" in the section of "General Information" on pages 26 to 28.

13. RESERVES

	Asset revaluation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000
At 1 January 2004						
As previously reported	33,643	24,633	(2,957)	55,319	(87,125)	49,742
Prior period adjustment:						
HKFRS 3 – Derecognition of negative goodwill	-	-	-	-	2,912	-
As restated	33,643	24,633	(2,957)	55,319	(84,213)	49,742
Exchange realignment	-	-	5	5	-	5
Loss for the period (as restated)	-	-	-	-	(7,383)	(1,617)
Transfer to PRC reserve funds	-	1,095	-	1,095	(1,095)	-
Transfer to accumulated losses	(460)	-	-	(460)	460	-
Capital contributed by minority shareholders	-	-	-	-	-	462
At 30 June 2004 and 1 July 2004 (as restated)	33,183	25,728	(2,952)	55,959	(92,231)	48,592
Exchange realignment	-	-	33	33	-	8
Profit for the period	-	-	-	-	22,269	15,650
Transfer to PRC reserve funds	-	2,669	-	2,669	(2,669)	-
Transfer to accumulated losses	(462)	-	-	(462)	462	-
Dividends to minority shareholders	-	-	-	-	-	(1,034)
Capital contributed by minority shareholders	-	-	-	-	-	102
Acquisition of subsidiaries	-	-	-	-	-	7,749
At 31 December 2004 and 1 January 2005	32,721	28,397	(2,919)	58,199	(72,169)	71,067
Exchange realignment	-	-	289	289	-	(649)
Profit/(loss) for the period	-	-	-	-	(8,477)	3,341
Transfer to PRC reserve funds	-	613	-	613	(613)	-
Transfer to accumulated losses	(460)	-	-	(460)	460	-
Dividends to minority shareholders	-	-	-	-	-	(866)
Acquisition of a subsidiary	-	-	-	-	-	2,231
At 30 June 2005	32,261	29,010	(2,630)	58,641	(80,799)	75,124

14. ACQUISITION OF A SUBSIDIARY

On 1 January 2005, Beijing Enterprises Teletron Information Technology Limited, a non-wholly owned subsidiary of the Company, acquired from independent third parties a 51% equity interests in 北京博大電信通網絡技術有限公司 (previously named as 北京博大數文網絡科技發展有限公司) (「博大電信通」) for a cash consideration of RMB4.08 million (approximately HK\$3,849,000). 博大電信通 is principally engaged in the provision of networking technology in Beijing.

The fair value of the identifiable assets and liabilities of 博大電信通 acquired as at the date of acquisition is as follows:

	HK\$'000
Fixed assets	72
Inventories	25
Trade receivables	9
Other receivables, prepayment and deposits	392
Cash and bank balances	6,850
Other payables and accruals	(2,795)
Minority interests	(2,231)
	<hr/>
Fair value of net assets	2,322
Goodwill on acquisition	1,527
	<hr/>
	3,849

15. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

		For the six months ended 30 June	
	Notes	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Transactions with the holding company:			
Interest expense	(i)	140	–
Transactions with a jointly-controlled entity:			
Sale of goods	(ii)	805	1,971
Purchase of goods	(ii)	932	–
Transactions with companies in which directors of the Group have beneficial interests:			
Sale of goods	(ii)	195	303
		<hr/>	<hr/>

Notes:

- (i) The interest on an amount due to the holding company was charged at 4% per annum.
- (ii) The sale of goods to and purchase of goods from related parties were priced at the estimated market prices.

15. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Due from related parties:		
Fellow subsidiaries	2,455	2,455
Jointly-controlled entities	3,193	3,952
Minority shareholders	3,414	3,165
Joint venture partner of a jointly-controlled entity	1,340	–
Companies in which directors of the Company have beneficial interests	54,801	48,516
Due to related parties:		
Holding company	12,000	–
Jointly-controlled entities	1,112	10
Minority shareholders	10,727	11,885
Companies in which directors of the Company have beneficial interests	2,822	2,433

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Short term employee benefits	3,231	2,273
Post-employment benefits	39	50
Total compensation paid to key management personnel	3,270	2,323

16. CONTINGENT LIABILITIES

As at 30 June 2005, the Group had no material contingent liabilities not provided for in the condensed consolidated interim financial statements.

17. CAPITAL COMMITMENTS

At 30 June 2005, the Group's share of a jointly-controlled entity's own capital commitments were as follows:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Contracted, but not provided for	<u>22,526</u>	<u>25,702</u>

18. APPROVAL OF THE INTERIM FINANCIAL REPORT

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 8 September 2005.

GENERAL INFORMATION

DIRECTORS' SERVICE CONTRACTS

At 30 June 2005, no director had a service contract with the Company which was 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 1.5 to the condensed consolidated interim financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries, holding companies and fellow subsidiaries was a party during the six months ended 30 June 2005.

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

At 30 June 2005, the interests of the directors 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 Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held	Capacity and nature of interest	Percentage of the Company's issued share capital
Mr. Ng Kong Fat, Brian	8,792,755	Through a controlled corporation	1.78

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

Name of director	Name of associated corporation	Relationship with the Company	Number of 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

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)

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 2005, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares and underlying shares" above and the heading "Share option scheme" below, at no time during the six months ended 30 June 2005 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, its holding company, or any of its subsidiaries and 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 shareholders' 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.

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 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.

SHARE OPTION SCHEME (continued)

The exercise price of the share options is determinable by the directors, but may not be less than the highest 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 shareholders' meetings.

Pursuant to the Scheme, the following share options were outstanding during the six months ended 30 June 2005:

Name/category of participant	Notes	Number of share options		
		At 1 January 2005	Cancelled during the period	At 30 June 2005
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. Li Kangying [#]	(b)	2,700,000	–	2,700,000
Mr. Cao Wei [#]	(b)	2,500,000	–	2,500,000
Mr. Zhao Jifeng [*]	(c)	2,800,000	(2,800,000)	–
Other employees:				
In aggregate	(a)	4,240,000	(180,000)	4,060,000
	(b)	12,500,000	–	12,500,000
		16,740,000	(180,000)	16,560,000
		31,040,000	(2,980,000)	28,060,000

[#] Mr. Li Kangying and Mr. Cao Wei were appointed as directors on 15 March 2005.

^{*} Mr. Zhao Jifeng resigned as a director on 15 March 2005.

SHARE OPTION SCHEME (continued)

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.
- (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 2005. At 30 June 2005, the Company had 28,060,000 share options outstanding under the Scheme, which represented approximately 5.7% of the Company's shares 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 28,060,000 additional ordinary shares of the Company and additional share capital of HK\$28,060,000 and share premium of HK\$1,035,000 (before issue expenses).

In addition, at 30 June 2005, the interests of a director of the Company in options to subscribe for shares of Beijing Enterprises Holdings Limited ("BEHL"), the Company's holding company, under the share option scheme of BEHL 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 2005.
- (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 2005.

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

At 30 June 2005, the following interests 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 ordinary shares of the Company:

Name	Notes	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Idata Finance Trading Limited		Directly beneficially owned	275,675,000	55.81
Illumination Holdings Limited		Directly beneficially owned	49,825,613	10.09
BEHL	(a)	Through a controlled corporation	275,675,000	55.81
Beijing Enterprises Investments Limited	(b)	Through a controlled corporation	275,675,000	55.81
Beijing Holdings Limited	(c)	Through controlled corporations	325,500,613	65.90

Notes:

- Idata Finance Trading Limited ("IFTL") is held directly as to 100% by BEHL. Accordingly, BEHL is deemed to be interested in the shares owned by IFTL.
- BEHL is held indirectly as to approximately 66.5% by Beijing Enterprises Investments Limited ("BEIL"). Accordingly, BEIL is also deemed to be interested in the shares owned by IFTL.
- BEIL is held indirectly as to approximately 66.5% by Beijing Holdings Limited ("BHL"). Illumination Holdings Limited ("IHL") is held indirectly as to 100% by BHL. Accordingly, BHL is deemed to be interested in the shares owned by IFTL and IHL.

Save as disclosed above, as at 30 June 2005, 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 2005.

CORPORATE GOVERNANCE

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company complied with the code provisions as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the accounting period covered by the interim report, except that (i) under paragraph A.4.1, 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 (ii) under paragraph B.1, the Company is still in the progress of establishing a remuneration committee with specific written terms of reference.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the accounting period covered by the interim report.

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 Mr. Cao Guixing, Prof. Liu Wei and Dr. Jin Lizuo.