



北京發展（香港）有限公司

BEIJING DEVELOPMENT (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 154)

ANNOUNCEMENT OF SUMMARISED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

The board of directors (the “Board”) of Beijing Development (Hong Kong) Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2006, together with the comparative figures for the corresponding period in the previous year.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

		Six months ended 30 June	
		2006	2005
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	3	176,750	200,534
Cost of sales		<u>(87,530)</u>	<u>(95,926)</u>
Gross profit		89,220	104,608
Bank interest income		635	446
Other income and gains, net	3	8,128	3,322
Selling and distribution costs		(72,237)	(67,684)
Administrative expenses		(41,631)	(37,512)
Finance costs	4	(4,206)	(4,982)
Share of profits and losses of:			
Associates		(270)	(136)
Jointly-controlled entities		<u>(922)</u>	<u>(1,539)</u>
LOSS BEFORE TAX	5	(21,283)	(3,477)
Tax	6	<u>(1,947)</u>	<u>(1,659)</u>
LOSS FOR THE PERIOD		<u><u>(23,230)</u></u>	<u><u>(5,136)</u></u>

Attributable to:		
Equity holders of the parent	(18,039)	(8,477)
Minority interests	(5,191)	3,341
	<u>(23,230)</u>	<u>(5,136)</u>

LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
– Basic (cents)	7 <u>(3.65)</u>	<u>(1.72)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2006

		30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		77,011	72,628
Investment properties		34,400	34,400
Goodwill		140,964	140,964
Other intangible assets		11,595	12,773
Interests in associates		12,341	12,521
Interests in jointly-controlled entities		66,794	67,716
Available-for-sale investments		1,848	1,896
Trade receivables	8	11,704	33,202
Other receivables		8,379	7,546
Deferred tax assets		733	733
		<u>365,769</u>	<u>384,379</u>
Total non-current assets			
CURRENT ASSETS			
Inventories		78,440	66,827
Amounts due from customers for contract works		14,845	7,585
Trade and bills receivables	8	172,778	182,042
Other receivables, prepayments and deposits		52,467	63,755
Pledged deposits		10,519	3,612
Cash and bank balances		160,841	146,833
		<u>489,890</u>	<u>470,654</u>
Total current assets			
CURRENT LIABILITIES			
Trade and bills payables	9	52,493	62,639
Amounts due to customers for contract works		66,850	14,074
Tax payable		2,537	2,951
Other payables and accruals		128,567	146,502
Bank loans		109,389	108,287
		<u>359,836</u>	<u>334,453</u>
Total current liabilities			
NET CURRENT ASSETS		<u>130,054</u>	<u>136,201</u>

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	495,823	520,580
NON-CURRENT LIABILITIES		
Bank loans	<u>3,723</u>	<u>4,020</u>
Net assets	<u>492,100</u>	<u>516,560</u>
EQUITY		
Equity attributable to equity holders of the parent:		
Issued capital	493,981	493,981
Reserves	<u>(76,013)</u>	<u>(57,964)</u>
	417,968	436,017
Minority interests	<u>74,132</u>	<u>80,543</u>
Total equity	<u>492,100</u>	<u>516,560</u>

NOTES:

1. Basis of Preparation

The condensed interim consolidated financial statements for the six months ended 30 June 2006 are prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of these interim financial statements are as the same as those used in the annual financial statements for the year ended 31 December 2005.

These interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

2. Segment Information

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

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

	Six months ended 30 June 2006				
	Information technology (Unaudited) <i>HK\$'000</i>	Restaurants (Unaudited) <i>HK\$'000</i>	Property investment (Unaudited) <i>HK\$'000</i>	Eliminations (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Segment revenue:					
Sales to external customers	43,491	132,290	969	–	176,750
Intersegment sales	–	–	225	(225)	–
Other income and gains, net	7,789	308	–	–	8,097
Total	<u>51,280</u>	<u>132,598</u>	<u>1,194</u>	<u>(225)</u>	<u>184,847</u>
Segment results	<u>(16,661)</u>	<u>7,380</u>	<u>(240)</u>		(9,521)
Bank interest income					635
Unallocated corporate expenses, net					(6,999)
Finance costs					(4,206)
Share of profits and losses of:					
Associates	(155)	–	(115)		(270)
Jointly-controlled entities	(922)	–	–		(922)
Loss before tax					(21,283)
Tax					(1,947)
Loss for the period					<u>(23,230)</u>

	Six months ended 30 June 2005				
	Information technology (Unaudited) <i>HK\$'000</i>	Restaurants (Unaudited) <i>HK\$'000</i>	Property investment (Unaudited) <i>HK\$'000</i>	Eliminations (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Segment revenue:					
Sales to external customers	66,884	129,910	3,740	–	200,534
Intersegment sales	–	–	451	(451)	–
Other income and gains, net	2,954	320	23	–	3,297
Total	<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>		10,250
Bank interest income					446
Unallocated corporate expenses, net					(7,516)
Finance costs					(4,982)
Share of profits and losses of:					
Associates	(251)	–	115		(136)
Jointly-controlled entities	(1,539)	–	–		(1,539)
Loss before tax					(3,477)
Tax					(1,659)
Loss for the period					<u>(5,136)</u>

3. Revenue, Other Income and Gains

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

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

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Construction contracts	21,401	32,471
Rendering of services	22,091	34,413
Receipts from restaurant operations	131,658	129,910
Sales of dried seafood	631	–
Gross rental income	969	1,390
Sales of properties held for sale	–	2,350
	<u>176,750</u>	<u>200,534</u>
Other income and gains, net		
Imputed interest on interest-free trade and other receivables	6,473	–
PRC and overseas tax subsidies	1,313	3,227
Others	342	95
	<u>8,128</u>	<u>3,322</u>

4. Finance Costs

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	3,206	4,842
Interest on loan from an intermediate holding company	1,000	140
	<u>4,206</u>	<u>4,982</u>

5. Loss Before Tax

The Group's loss before tax is arrived at after charging:

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	5,498	7,790
Amortisation of other intangible assets*	1,178	1,156

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

6. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2006. 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	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	150	592
Current – Elsewhere		
Charge for the period	1,817	1,288
Under/(over) provision in prior periods	(20)	380
Deferred	–	(601)
	<hr/>	<hr/>
Total tax charge for the period	1,947	1,659

The share of tax attributable to a jointly-controlled entity for the six months ended 30 June 2006 amounted to HK\$1,000 (2005: tax credit of HK\$32,000) is included in "Share of profits and losses of jointly-controlled entities" on the face of the condensed consolidated income statement.

7. Loss per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of basic loss per share amounts for the six months ended 30 June 2006 is based on the loss attributable to ordinary equity holders of the parent of HK\$18,039,000 (2005: HK\$8,477,000) and the 493,981,150 (2005: 493,981,150) ordinary shares in issue during the period.

Diluted loss per share amounts for the six months ended 30 June 2006 and 2005 have not been disclosed as the share options outstanding during those periods had an anti-dilutive effect on the basic loss per share for the periods.

8. Trade and Bills Receivables

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

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 impairment, is as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Current and within 3 months	157,269	177,682
4 to 6 months	5,901	4,022
7 to 12 months	5,129	12,668
Over 1 year	16,183	20,872
	184,482	215,244
Portion classified as current assets	(172,778)	(182,042)
Long term portion	11,704	33,202

9. Trade and Bills Payables

The trade payables are non-interest-bearing and normally settled on 30 to 90 days.

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 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Within 3 months	32,263	47,754
4 to 6 months	1,845	2,332
7 to 12 months	8,589	3,038
Over 1 year	9,796	9,515
	52,493	62,639

INTERIM DIVIDEND

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Looking back at the first half of the year, the Group continuously devoted more resources to the information technology segment and established three main information technology business sectors, namely Beijing Municipal Administration & Communications Card Co., Ltd., B E Information Technology Group Limited ("B E Info") and Xteam Software International Limited ("Xteam").

The Smart Cards (一卡通) has successfully transitioned from the construction stage to the operational stage. Since 10 May 2006, Smart Cards has fully substituted for the monthly pass of buses and Metro Lines in Beijing and implemented in all buses, Metro Lines and almost half of the taxis. The total Smart Cards issued amounted to over 4,300,000 so far with an average daily transaction volume of approximately 6,000,000. The overall operation of the system was steady and normal. With continual development of its applications in transportation and non-transportation areas, it is expected that the circulation of the Smart Cards will reach 5,000,000, which included the issuance of 900,000 student IC cards.

B E Info has expanded into railway business and formally entered into the Contract of Automated Fare Collection Clearing Centre System ("ACC") of Beijing Mass Transit Network Management & Support Project in March. It is anticipated that ACC will commence operation before 2008 Beijing Olympics. The coordination of certain railway routes and multi-operating units and the unification of automated fare collection clearing centre system can provide unimpeded journey for all passengers using Smart Cards. B E Info has also signed the Procurement Contract of Automated Fare Collection ("AFC") System for Beijing Metro Lines 1 & 2 and Batong Line in May. AFC system is an important part of the public transportation in the capital and acts as the infrastructural transportation operating system for 2008 Beijing Olympics.

Xteam has completed the establishment of Childbirth Insurance System and Data Exchange Platform System for the Beijing Labour and Society Security Department. In addition to this, it also completed the construction and maintenance services of the Centralized Four Insurances System for the Beijing Labour and Society Security Department and commenced the research and development of Labour Supervision System and Internet Application System for Socialised Medical Scheme. Through actively involved in the management of temporary urban residents and establishment of service information platform, Xteam made great contributions in the information technology of labour market and street level e-government administration businesses.

Strategies and Prospects

Given the stable and continual economic development of the PRC, various large and medium-sized cities continue to devote more resources to infrastructure, particularly the transportation sector, and prioritise the development of railway. Based on our extensive experiences in railway sector and electronic settlement and clearing system with Smart Cards as the core, and the market development trend in the future, the Company has set the development goal as becoming the constructor and operator of electronic settlement and clearing platform in infrastructure and utilities sectors.

The Group's development projects of railway sector in Beijing, including the ACC, AFC, Building Automation System ("BAS") and Full Height Safety Doors System, so far amounted to almost one billion. The Group fully commits itself to expand into the railway business and proactively seeks for opportunities of international cooperation, with an aim to accumulate extensive experience in terms of technologies, human resources reserve, management models and cooperation mechanism. The railway management in Beijing will enter into a new phase upon the completion of ACC. ACC also has significant implication for improving the railway management standards in Beijing, enhancing the image of Beijing as an international city as well as establishing digital Beijing and digital Olympics. Following the completion of ACC, it will become an important component of Smart Card system, which will contribute to more extensive applications of Smart Cards. This also signifies that the Group has added a new node to support itself for the development of the largest settlement and clearing system platform for Beijing.

Financial Review

The consolidated revenue of the Group for the six months ended 30 June 2006 was HK\$176.8 million, representing an decline of 11.9% as compared with the corresponding period last year of HK\$200.5 million. Revenue from information technology business segment decreased by 35% from HK\$66.9 million in the corresponding period last year to HK\$43.5 million. On the other hand, revenue from restaurant business segment increased by 1.8% from HK\$129.9 million in the corresponding period last year to HK\$132.3 million.

The loss attributable to shareholders of the Company for the six months ended 30 June 2006 was HK\$18 million, increased by HK\$9.5 million as compared with the corresponding period last year of HK\$8.5 million.

Financial Position

For the six months ended 30 June 2006, the Group had net cash inflow from operating activities of HK\$30.8 million, as compared with the net cash outflow in the corresponding period last year of HK\$4.2 million. At 30 June 2006, the Group had total assets and total liabilities of HK\$855.7 million and HK\$363.6 million, respectively. Equity attributable to equity holders of the parent and minority interests amounted to HK\$418 million and HK\$74.1 million, respectively.

	30 June 2006 HK\$ million	31 December 2005 HK\$ million
Cash and bank balances	160.8	146.8
Bank loans	113.1	112.3
Loan from an intermediate holding company	50.0	50.0
Net debt	2.3	15.5
Gearing ratio (net debt/total equity)	0.5%	3.0%
Current ratio (current assets/current liabilities)	136.1%	140.7%

At balance sheet date, over 95% of the Group's cash and bank balances were denominated in Renminbi. The Group's bank loans were wholly repayable within one year, except for HK\$3.7 million which was repayable by instalment up to the year 2012. Approximately 85% of the Group's bank loans were denominated in Renminbi, unsecured and have fixed interest rates of approximately 5% per annum. Approximately 15% of the Group's bank loans were secured by certain of the Group's leasehold land and buildings which had an aggregate net book value of HK\$44 million as at 30 June 2006.

The Group incurred capital expenditures of HK\$10.2 million during the period under review and have share of a jointly-controlled entity's own capital commitments of HK\$23.2 million as at 30 June 2006. The Company has guarantees given to banks in connection with facilities granted to subsidiaries of HK\$150.3 million, which were utilised to the extent of HK\$100.4 million as at 30 June 2006.

Employees

At 30 June 2006, 1,910 full-time employees (31 December 2005: 1,940) were employed by the Group. Salaries of our employees are maintained at competitive levels with share options and bonuses granted based on individual and business performance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2006.

CORPORATE GOVERNANCE

Corporate Governance Practices

The Company is committed to ensuring high standard of corporate governance and establishing a formal and transparent procedure to protect and maximise the interests of shareholders. In the opinion of the directors, the Company complied with the code provisions (the "Code Provisions") as set out in Appendix 14 "Code of Corporate Governance Practices" to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the period under review, except Code Provision A.4.1.

Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. None of the existing non-executive directors of the Company is appointed for a specific term, which constitutes a deviation from Code Provision A.4.1. However, all of the non-executive directors are subject to retirement by rotation in accordance with the Company's Articles of Association. As such, the Company considers that sufficient measures are in place to ensure that the corporate governance practices of the Company are no less exacting than those of the Code Provisions.

Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules to govern securities transactions by the directors. After having made specific enquiry of all directors, all directors have complied with the required standard set out in the Model Code and its code of conduct throughout the period under review.

Audit Committee

The audit committee of the Company was established in compliance with rule 3.21 of the Listing Rules. The role and function of the audit committee include supervising the accounting and financial reporting procedure and auditing the financial statements of the Group, examining and monitoring the internal control system adopted by the Group and reviewing the relevant work of the Group's external auditors. Members of the audit committee include three independent non-executive directors, Mr. Cao Guixing (chairman of the audit committee), Prof. Liu Wei and Dr. Jin Lizuo.

The audit committee has reviewed the unaudited condensed interim consolidated financial statements for the six months ended 30 June 2006.

Remuneration Committee

The remuneration committee of the Company was established in accordance with the Code Provisions. The role and function of the remuneration committee include the determination of the specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors. Members of the remuneration committee include the executive chairman of the Company, Mr. Zhang Honghai, and three independent non-executive directors, Mr. Cao Guixing, Prof. Liu Wei and Dr. Jin Lizuo (chairman of the remuneration committee).

Internal Control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board will conduct regular review regarding internal control systems of the Group. The Company convened meeting periodically to discuss financial, operational and risk management control. During the period under review, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2006 interim report containing all the relevant information required by the Listing Rules will be published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.bdhk.com.hk>) in due course.

APPRECIATION

On behalf of the Board, I would like to express my sincere thanks to all shareholders and business partners of the Group for their continuous support, and to all employees of the Group for their valuable contribution.

By Order of the Board
ZHANG HONGHAI
Chairman

Hong Kong, 13 September 2006

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

Please also refer to the published version of this announcement in The Standard.