

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2009**

The board of directors (the “Board”) of Beijing Development (Hong Kong) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009, together with comparative figures for the corresponding period last year as follows:–

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	4	115,403	159,061
Cost of sales		<u>(110,854)</u>	<u>(155,740)</u>
Gross profit		4,549	3,321
Losses on deemed disposal of a partial interest in an associate	5	–	(2,778)
Other income and gains, net	4	3,055	9,455
Selling and distribution costs		(2,959)	(6,638)
Administrative expenses		(35,770)	(56,021)
Other expenses, net		79	424
Share of profits and losses of:			
Jointly-controlled entities		(254)	(861)
Associates		<u>28</u>	<u>1,151</u>
LOSS BEFORE TAX	6	(31,272)	(51,947)
Tax	7	<u>2,587</u>	<u>(538)</u>
LOSS FOR THE PERIOD		<u>(28,685)</u>	<u>(52,485)</u>

		Six months ended	
		30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Attributable to:			
Shareholders of the Company		(23,822)	(47,939)
Minority interests		<u>(4,863)</u>	<u>(4,546)</u>
		<u>(28,685)</u>	<u>(52,485)</u>
LOSS PER SHARE ATTRIBUTABLE TO			
SHAREHOLDERS OF THE COMPANY			
Basic (<i>HK cents</i>)	8	<u>(3.52)</u>	<u>(7.01)</u>
Diluted (<i>HK cents</i>)		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Six months ended	
	30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	<u>(28,685)</u>	<u>(52,485)</u>
OTHER COMPREHENSIVE INCOME:		
Exchange differences on translating foreign operations	<u>110</u>	<u>12,329</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>110</u>	<u>12,329</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u><u>(28,575)</u></u>	<u><u>(40,156)</u></u>
Attributable to:		
Shareholders of the Company	(23,728)	(35,923)
Minority interests	<u>(4,847)</u>	<u>(4,233)</u>
	<u><u>(28,575)</u></u>	<u><u>(40,156)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	<i>Notes</i>	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		10,498	11,290
Investment properties		43,730	43,730
Goodwill		68,625	68,625
Other intangible assets		5,694	6,878
Interests in jointly-controlled entities		12,111	13,842
Interests in associates	9	54,062	54,034
Trade receivables	10	36,949	24,941
Deferred tax assets		15,610	12,211
Total non-current assets		<u>247,279</u>	<u>235,551</u>
CURRENT ASSETS			
Inventories		14,841	29,664
Amounts due from contract customers		39,801	32,592
Trade receivables	10	123,337	91,668
Prepayments, deposits and other receivables		61,825	66,570
Available-for-sale investment		–	3,977
Income tax recoverable		1,073	1,073
Pledged deposits		6,288	5,057
Cash and cash equivalents		609,947	612,414
Total current assets		<u>857,112</u>	<u>843,015</u>
CURRENT LIABILITIES			
Trade and bills payables	11	150,139	146,215
Amounts due to contract customers		11,335	10,854
Income tax payable		225	153
Other payables and accruals		88,045	73,808
Total current liabilities		<u>249,744</u>	<u>231,030</u>
NET CURRENT ASSETS		<u>607,368</u>	<u>611,985</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>854,647</u>	<u>847,536</u>
NON-CURRENT LIABILITIES			
Trade and bills payables	11	27,063	–
Deferred income		34,091	34,091
Total non-current liabilities		<u>61,154</u>	<u>34,091</u>
Net assets		<u>793,493</u>	<u>813,445</u>
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	12	677,460	677,460
Reserves		75,261	90,366
		<u>752,721</u>	<u>767,826</u>
Minority interests		<u>40,772</u>	<u>45,619</u>
Total equity		<u>793,493</u>	<u>813,445</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Attributable to shareholders of the Company											
	Issued capital	Share premium account	Capital redemption reserve	Share option reserve	Capital reserve	Exchange fluctuation reserve	PRC reserve funds	Accumulated losses	Proposed final dividend	Total	Minority interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	677,460	170,319*	9,721*	66,120*	20,474*	41,816*	40,831*	(258,915)*	-	767,826	45,619	813,445
Loss for the period	-	-	-	-	-	-	-	(23,822)	-	(23,822)	(4,863)	(28,685)
Other comprehensive income	-	-	-	-	-	94	-	-	-	94	16	110
Total comprehensive income/(loss) for the period	-	-	-	-	-	94	-	(23,822)	-	(23,728)	(4,847)	(28,575)
Equity-settled share option arrangements	-	-	-	8,623	-	-	-	-	-	8,623	-	8,623
Transfer to accumulated losses	-	-	-	(3,674)	-	-	-	3,674	-	-	-	-
Transfer to PRC reserve funds	-	-	-	-	-	-	465	(465)	-	-	-	-
At 30 June 2009	<u>677,460</u>	<u>170,319*</u>	<u>9,721*</u>	<u>71,069*</u>	<u>20,474*</u>	<u>41,910*</u>	<u>41,296*</u>	<u>(279,528)*</u>	<u>-</u>	<u>752,721</u>	<u>40,772</u>	<u>793,493</u>
At 1 January 2008	681,481	169,280	-	14,858	335,500	24,269	40,619	(148,392)	54,702	1,172,317	49,059	1,221,376
Loss for the period	-	-	-	-	-	-	-	(47,939)	-	(47,939)	(4,546)	(52,485)
Other comprehensive income	-	-	-	-	-	12,016	-	-	-	12,016	313	12,329
Total comprehensive income/(loss) for the period	-	-	-	-	-	12,016	-	(47,939)	-	(35,923)	(4,233)	(40,156)
Exercise of share options	5,700	1,039	-	(1,039)	-	-	-	-	-	5,700	-	5,700
Equity-settled share option arrangements	-	-	-	32,784	-	-	-	-	-	32,784	-	32,784
Capital contribution from a minority shareholder	-	-	-	-	-	-	-	-	-	-	1,705	1,705
Deemed disposal of a partial interest in an associate	-	-	-	-	6,716	5,196	-	-	-	11,912	-	11,912
Transfer to PRC reserve funds	-	-	-	-	-	-	599	(599)	-	-	-	-
Final 2007 dividend	-	-	-	-	-	-	-	(272)	(54,702)	(54,974)	-	(54,974)
At 30 June 2008	<u>687,181</u>	<u>170,319</u>	<u>-</u>	<u>46,603</u>	<u>342,216</u>	<u>41,481</u>	<u>41,218</u>	<u>(197,202)</u>	<u>-</u>	<u>1,131,816</u>	<u>46,531</u>	<u>1,178,347</u>

* These reserve accounts comprise the reserves of HK\$75,261,000 (31 December 2008: HK\$90,366,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(6,037)	(106,880)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(17,563)	6,569
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	<u>–</u>	<u>(27,569)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(23,600)	(127,880)
Cash and cash equivalents at beginning of period	486,278	718,373
Effect of foreign exchange rate changes, net	<u>110</u>	<u>10,224</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>462,788</u>	<u>600,717</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	616,235	605,187
Less: Pledged deposits	(6,288)	(4,470)
Time deposits with maturity of more than three months when acquired	<u>(147,159)</u>	<u>–</u>
	<u>462,788</u>	<u>600,717</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed interim consolidated financial statements for the six months ended 30 June 2009 are prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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

2. ACCOUNTING POLICIES

Except for the adoption of a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and Interpretations issued by the HKICPA, which are generally effective for accounting periods beginning on or after 1 January 2009, the accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2008.

Amongst all, the adoption of the following new and revised standards had resulted in additional disclosures as further explained below:

HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>

- (a) HKFRS 8 specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group’s major customers.
- (b) HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements (including changes to the titles of the main statements). The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this revised standard introduces the statement of comprehensive income, with all items of income and expense recognised in the income statement, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present the information in two linked statements.

The adoption of other new or revised standards and interpretation has had no material effect on these unaudited interim condensed consolidated financial statements.

3. SEGMENT INFORMATION

Over 90% of the Group’s revenue, expenses and assets are generated from the provision of information technology (“IT”) related services in Mainland China. The management of the Group makes decisions about resources allocation and assesses performance of the Group based on the operating result from these business activities. Accordingly, the directors are of the opinion that IT related services in Mainland China is a single reportable segment of the Group.

Analysis of the Group's revenues from external customers for each group of similar products and services are disclosed in note 4 to the interim consolidated financial statements.

The Group's revenue from external customers is derived solely from its operations in the People's Republic of China ("PRC"), and all non-current assets of the Group are located in the PRC.

During the six months ended 30 June 2009, the Group had transactions with a single external customer which contributed to over 10% of the Group's total revenue (2008: two). The revenue generated from such customer(s), in aggregate, was amounted to HK\$87,739,000 (2008: 95,499,000).

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents (1) an appropriate proportion of contract revenue of construction contracts, net of value-added tax, business tax and government surcharges; (2) the net invoiced value of goods sold, net of value-added tax and government surcharges and after allowances for returns and trade discounts; (3) an appropriate proportion of contract revenue of the services rendered, net of business tax and government surcharges; and (4) gross rental income for the six months ended 30 June 2009.

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

	Six months ended	
	30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Construction contracts	90,082	132,630
Sale of softwares	12,693	18,956
Rendering of services	11,317	5,972
Gross rental income	1,311	1,503
	<u>115,403</u>	<u>159,061</u>
Other income		
Bank interest income	2,442	6,194
Investment income	407	–
Imputed interest on interest-free trade receivables with extended credit periods	148	–
Others	58	233
	<u>3,055</u>	<u>6,427</u>
Gains, net		
Foreign exchange differences, net	–	3,028
Other income and gains, net	<u>3,055</u>	<u>9,455</u>

5. LOSSES ON DEEMED DISPOSAL OF A PARTIAL INTEREST IN AN ASSOCIATE

The losses on deemed disposal of a partial interest in an associate recognised during the six months ended 30 June 2008 arose from the conversion of convertible bonds of an associate of the Group, China Information Technology Development Limited (“CITD”) (stock code: 8178), by a bondholder for 261,000,000 new ordinary shares of CITD in aggregate during the period from February to April 2008.

6. LOSS BEFORE TAX

The Group’s loss before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2009 (Unaudited) HK\$’000	2008 (Unaudited) HK\$’000
Depreciation	1,501	1,246
Amortisation of other intangible assets [@]	1,184	1,364
Impairment of an amount due from an associate*	31	33
Reversal of impairment of trade receivables, net*	(154)	(1,095)
Impairment of other receivables, net*	–	335
Written back of provision against inventories, net [@]	<u>(91)</u>	<u>–</u>

[@] These amounts are included in “Cost of sales” in the face of the condensed consolidated income statement.

* These amounts are included in “Other expenses, net” in the face of the condensed consolidated income statement.

7. TAX

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2009 and 2008 as the Group did not generate any assessable profits arising in Hong Kong during the periods. 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.

	Six months ended 30 June	
	2009 (Unaudited) HK\$’000	2008 (Unaudited) HK\$’000
Current – Elsewhere		
Charge for the period	737	1,152
Underprovision in prior periods	75	480
Deferred	<u>(3,399)</u>	<u>(1,094)</u>
Total tax charge/(credit) for the period	<u>(2,587)</u>	<u>538</u>

8. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the period attributable to shareholders of the Company for the six months ended 30 June 2009 of HK\$23,822,000 (2008: HK\$47,939,000) and the 677,460,150 (2008: weighted average of 684,195,436) ordinary shares in issue during the period.

Diluted loss per share amounts for the six months ended 30 June 2009 and 2008 had not been disclosed as (i) the share options of the Company outstanding during the periods has an anti-dilutive effect on the basic loss per share amounts for the periods; and (ii) the deemed exercise of the outstanding share options and deemed conversion of the convertible bonds issued by CITD do not have a diluting effect on the basic loss per share amounts for the periods.

9. INTERESTS IN ASSOCIATES

Included in the interests in associates as at 30 June 2009 was the balance attributable to the share of net assets, net of impairment, of CITD of HK\$51,577,000 (31 December 2008: HK\$51,577,000). As further explained in note 24(a) to the financial statements of the Group for the year ended 31 December 2008 and as at the date of approval of these condensed consolidated financial statements, the special investigation of CITD has not yet been completed and no relevant and reliable financial information had been made available to enable the Group to account for its interest in CITD for the year ended 31 December 2008 and six months ended 30 June 2009. The Group did not equity account for any operating results of CITD for the six months ended 30 June 2009.

10. TRADE 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. The credit period granted to customers is generally one to three months, with instalment period extended up to six years for major customers. An aged analysis of the trade receivables is regularly prepared and closely monitored in order to minimise any related credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the payment due date and net of impairment, is as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Neither past due nor impaired	<u>36,949</u>	<u>24,941</u>
Past due but not impaired:		
Current or within 3 months	96,199	77,037
4 to 6 months	–	236
7 to 12 months	14,447	1,544
Over 1 year	<u>12,691</u>	<u>12,851</u>
	<u>123,337</u>	<u>91,668</u>
	160,286	116,609
Portion classified as current assets	<u>(123,337)</u>	<u>(91,668)</u>
Non-current portion	<u><u>36,949</u></u>	<u><u>24,941</u></u>

11. TRADE AND BILLS PAYABLES

An aged analysis of the Group's trade and bills payables as at the end of the reporting period, based on the payment due date, is as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Not yet due for payment for over 1 year	<u>27,063</u>	<u>–</u>
Due for payment:		
Within 3 months	122,418	71,115
4 to 6 months	5,264	4,460
7 to 12 months	10,262	25,638
Over 1 year	<u>12,195</u>	<u>45,002</u>
	<u>150,139</u>	<u>146,215</u>
	177,202	146,215
Portion classified as current liabilities	<u>(150,139)</u>	<u>(146,215)</u>
Non-current portion	<u><u>27,063</u></u>	<u><u>–</u></u>

The trade and bills payables are non-interest-bearing and normally settled within one to three months, with instalment period extended up to six years for major suppliers.

12. SHARE CAPITAL

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (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:		
677,460,150 ordinary shares of HK\$1 each	<u>677,460</u>	<u>677,460</u>

There is no movement in the Company's issued share capital during the six months ended 30 June 2009. A summary of the movement in the Company's issued share capital during the six months ended 30 June 2008 is as follows:

	<i>Note</i>	Number of ordinary shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2008		681,481,150	681,481	169,280	850,761
Share options exercised	(a)	<u>5,700,000</u>	<u>5,700</u>	<u>1,039</u>	<u>6,739</u>
At 30 June 2008		<u><u>687,181,150</u></u>	<u><u>687,181</u></u>	<u><u>170,319</u></u>	<u><u>857,500</u></u>

Note:

- (a) During the six months ended 30 June 2008, the subscription rights attaching to 5,700,000 share options were exercised at the subscription price of HK\$1 per share, resulting in the issue of 5,700,000 ordinary shares of HK\$1 each for a total cash consideration of HK\$5,700,000. As a result of the exercise of those share options, their fair value of HK\$1,039,000 previously recognised in the share option reserve was transferred to the share premium account.

13. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2009 (31 December 2008: Nil).

14. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had capital commitments in respect of acquisition of plant and machinery of HK\$34,091,000 (31 December 2008: HK\$34,091,000), which are authorised, but not contracted for.

In addition, the Group's share of a jointly-controlled entity's own capital commitments, which are not included in the above, is as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Contracted, but not provided for	662	1,037
Authorised, but not contracted for	<u>3,666</u>	<u>4,987</u>
	<u><u>4,328</u></u>	<u><u>6,024</u></u>

15. RELATED PARTY DISCLOSURES

- (a) Material transactions with related parties:

	Six months ended	
	30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Purchase of goods from associates	–	4,982
Sale of products to a jointly-controlled entity	–	1,620
	<u>–</u>	<u>1,620</u>

These transactions were conducted in terms and conditions mutually agreed between the parties.

- (b) Other material transactions with related parties:

On 24 June 2008, Prime Technology Group Limited (“Prime”), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Mr. Wang Zhenyu (“Mr. Wang”), a former executive director and the chief executive officer of CITD and also a director and the general manager of Beijing Enterprises UniCard Co., Ltd., a 71.7% indirectly-owned subsidiary of the Company, to dispose of 600,000,000 ordinary shares of CITD (representing approximately 9.24% of the then entire issued share capital of CITD) by Prime to Mr. Wang at a consideration of HK\$132,000,000. The transaction was approved by the independent shareholders at the extraordinary general meeting of the Company held on 30 July 2008. Pursuant to a supplemental deed and a further supplemental deed entered into between Prime and Mr. Wang on 14 August 2008 and 19 December 2008, respectively, the date of completion has been extended to a date on or before 30 September 2009. As at the date of approval of these condensed consolidated financial statements, the transaction has yet to be completed.

- (c) Outstanding balances, net of impairment, with related parties:

	30 June	31 December
	2009	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Due from related companies:		
A substantial shareholder	1,086	1,086
Jointly-controlled entities	1,753	4,621
An associate	423	423
Minority shareholders	1,704	3,302
Due to related companies:		
A jointly-controlled entity	22	29
Associates	34,240	29,699
	<u>34,240</u>	<u>29,699</u>

The balances with related parties are unsecured, interest-free and have no fixed terms of repayment.

(d) Compensation of key management personnel of the Group:

	Six months ended	
	30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	2,703	2,367
Post-employment benefits	208	213
Equity-settled share option expense	6,738	26,317
	<hr/>	<hr/>
Total compensation paid to key management personnel	<u>9,649</u>	<u>28,897</u>

INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Smart Card system on public transportation is operating normally. The number of cards issued is rising steadily and more than 13 million transactions being processed on average per day. In Beijing's public transportation system, transactions in 90% of the total passenger traffic volume on public buses and 76% of total passenger traffic volume on subways are processed by the Smart Card system, making the system an electronic payment platform with the largest market share in Beijing. The business scope of the Smart Card system and the areas of its application are steadily on the increase. The application of small transaction payment has been extended to many mega business entities, delivering a substantial growth in the number of transactions.

During the period of business review, Beijing Enterprises Teletron Information Technology Co., Ltd. ("BETIT"), a major subsidiary of the Group, was undertaking the project for the supply and installation of safety doors on Line 4 of the Beijing Subway. Revenue from this project accounted for a significant portion of the Group's total operating revenue. This project is close to completion stage. During the same period, BETIT has been proactively preparing for and participating in the submission of tenders for the new lines of the Beijing Subway. These projects included the Automated Fare Collection ("AFC") system, safety door system, comprehensive monitoring system and passenger information system. Up to the present, the tender-winning projects amounted to more than HK\$250 million.

Prospects

Settlement for public transportation system is the Group's primary business in the electronic payment and settlement sector. The Group will work together with relevant government departments on executing Smart Card business agreements with public transport and subway operators to strengthen the revenue from the Smart Card system by making handling charges for public transport settlements a stable source of revenue. The Company will further explore the application of Smart Cards in non-transportation sectors to expand value-added services in the industry.

BETIT will fully capitalise on its market expansion capability in the rail transportation sector, accomplish the submission of tenders for relevant projects and exercise stringent control over costs. Furthermore, the after-project repair and maintenance services will present an opportunity for BETIT to achieve sustainable development in the rail transportation sector in the future. BETIT will compile and execute a proposal on various repair and maintenance services to ensure the continuity of its business.

The Group will continue to monitor the development of CITD, an associate of the Group, so as to revise its investment strategy accordingly in due course.

Financial Review

The Group's total revenue for the six months ended 30 June 2009 was HK\$115,403,000, representing a decrease of 27% as compared to HK\$159,061,000 in the corresponding period last year; loss attributable to the shareholders of the Company during the period was HK\$23,822,000, representing a decrease of 50% as compared to the loss of HK\$47,939,000 in the corresponding period last year, a loss of HK3.5 cents per share. The board of directors does not recommend the payment of an interim dividend for 2009.

During the period, gross profit was HK\$4,549,000, representing an increase of 37% from HK\$3,321,000 in the corresponding period last year. Selling and distribution costs were HK\$2,959,000, representing a decrease of 55% from HK\$6,638,000 in the corresponding period last year. Administrative expenses (excluding the expenses on employees' share options) were HK\$27,147,000, representing an increase of 17% from HK\$23,237,000 in the corresponding period last year, while expenses on employees' share options were HK\$8,623,000, representing a substantial decrease of 74% from HK\$32,784,000 in the corresponding period last year.

As Beijing Municipal Administration & Communications Card Co., Ltd., a jointly-controlled entity of the Group, has not yet concluded any business agreement on the public transportation sector, its operating results have not been reflected in the Group's financial statements during the period under review.

As disclosed in the Company's 2008 annual report, since the final investigation findings from CITD's special committee have not yet been officially published, and the Group has not yet been provided, up to the present, by CITD with any financial information for the year ended 31 December 2008 or for the six months ended 30 June 2009, it was not able to equity account for any results of CITD during the period under review.

Financial Position

As at the end of the reporting period, the Group's total assets amounted to HK\$1,104,391,000, an increase of HK\$25,825,000 from HK\$1,078,566,000 at the beginning of the year, of which current assets amounted to HK\$857,112,000. Total liabilities were HK\$310,898,000, an increase of HK\$45,777,000 from HK\$265,121,000 at the beginning of the year, of which current liabilities amounted to HK\$249,744,000. Net asset value decreased from HK\$813,445,000 at the beginning of the year to HK\$793,493,000 (equivalent to HK\$1.17 per share) as at the end of the reporting period, in which interests attributable to the shareholders of the Company and minority interests amounted to HK\$752,721,000 and HK\$40,772,000 respectively.

As at the end of the reporting period, cash and bank balances held by the Group amounted to HK\$616,235,000. The Group did not have any bank borrowings, nor did it hold any financial derivatives. The current ratio of the Group declined slightly from 3.65 at the beginning of the year to 3.43, while the total liabilities to assets ratio increased from 24.6% at the beginning of the year to 28.2%, suggesting that a sound financial position has been maintained. The cash and bank balances held by the Group are denominated in Hong Kong dollars (32%) and Renminbi (68%) respectively, while other current assets and liabilities are principally denominated in Renminbi. The Group was not exposed to any material exchange risks.

For the first half of 2009, the Group's capital expenditures were HK\$876,000. As at the end of the reporting period, the capital commitment of the Group amounted to HK\$34,091,000. The Group did not have any material contingent liabilities.

Employees

The total number of full-time employees hired by the Group maintained at 328 employees. Excluding the expenses on share options, the total expenses on employee benefits amounted to HK\$21,075,000. The management believes the salaries offered by the Group to its employees are competitive.

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 2009.

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 Provisions A.1.1 and A.4.1.

- (1) Code Provision A.1.1 stipulates members of the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals and such regular board meetings will normally involve the active participation, either in person or through other electronic means of communication. However, the Company considers it is more efficient to hold board meetings to address emerging issues as appropriate.
- (2) Code Provision A.4.1 stipulates non-executive directors should be appointed for a specific term, subject to re-election. However, none of the existing non-executive directors of the Company is appointed for a specific term. 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 for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules for securities transactions by the directors. All the directors have confirmed that, following specific enquiry by the Company, they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2009.

Audit Committee

The audit committee of the Company was established in compliance with rule 3.21 of the Listing Rules and with terms of reference in accordance with Code Provision C.3.3. The current members of the audit committee comprise three independent non-executive directors, namely Dr. Huan Guocang (chairman), Dr. Jin Lizuo and Dr. Wang Jianping.

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.

The audit committee has reviewed the unaudited condensed consolidated financial statement of the Group for the six months ended 30 June 2009.

Remuneration Committee

The remuneration committee of the Company was established with terms of reference in accordance with Code Provision B.1.3. The current members of the remuneration committee are Dr. Jin Lizuo (chairman), Mr. E Meng, Dr. Huan Guocang and Dr. Wang Jianping. The majority of the remuneration committee members are independent non-executive directors.

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.

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 six months ended 30 June 2009, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2009 interim report containing all the relevant information required by the Listing Rules will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.bdhk.com.hk>) in due course.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to all employees and all shareholders of the Group as well as associated parties from different sectors for their support.

By order of the Board

E Meng
Chairman

Hong Kong, 11 September 2009

As at the date of this announcement, the Board comprises Mr. E Meng, Mr. Zhang Honghai, Mr. Wang Yong, Mr. Cao Wei, Mr. Yan Qing and Mr. Ng Kong Fat, Brian, as executive directors and Dr. Jin Lizuo, Dr. Huan Guocang and Dr. Wang Jianping as independent non-executive directors.