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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 2011**

HIGHLIGHTS

- Revenue for the first half of 2011 decreased by 23% to HK\$45.7 million as compared to the corresponding period of 2010.
- Loss attributable to shareholders of the Company for the first half of 2011 increased by HK\$31.1 million (comprised share option expense of HK\$27.9 million) to HK\$50.3 million as compared to the corresponding period of 2010.
- Loss per share attributable to shareholders of the Company amounted to HK7.43 cents.
- Net assets as at 30 June 2011 amounted to HK\$628.4 million, decreased by HK\$15.7 million as compared to 31 December 2010.
- The Board does not recommend the payment of an interim dividend for the current period.

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 (collectively the “Group”) for the six months ended 30 June 2011, together with comparative figures for the corresponding period last year as follows:

CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2011

	<i>Notes</i>	Six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	4	45,690	59,022
Cost of sales		(43,723)	(56,336)
Gross profit		1,967	2,686
Other income, net	4	15,316	7,015
Selling and distribution costs		(5,308)	(4,486)
Administrative expenses		(56,338)	(30,741)
Other expenses, net		(335)	3,916
Finance costs	5	(4,428)	(690)
Share of profits and losses of:			
Jointly-controlled entities		(2,665)	(2,621)
Associates		(3,414)	(981)
LOSS BEFORE TAX	6	(55,205)	(25,902)
Income tax	7	(566)	(66)
LOSS FOR THE PERIOD		<u>(55,771)</u>	<u>(25,968)</u>
Attributable to:			
Shareholders of the Company		(50,311)	(19,201)
Non-controlling interests		(5,460)	(6,767)
		<u>(55,771)</u>	<u>(25,968)</u>
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
– Basic and diluted (HK cents)	8	<u>(7.43)</u>	<u>(2.83)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(55,771)	(25,968)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX OF NIL		
– Exchange differences on translating foreign operations	<u>12,077</u>	<u>4,697</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(43,694)</u>	<u>(21,271)</u>
Attributable to:		
Shareholders of the Company	(40,720)	(15,488)
Non-controlling interests	<u>(2,974)</u>	<u>(5,783)</u>
	<u>(43,694)</u>	<u>(21,271)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

		30 June	31 December
		2011	2010
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Equipment		9,696	9,423
Investment properties		45,849	44,771
Goodwill		10,000	10,000
Other intangible assets		3,653	5,109
Investments in jointly-controlled entities		12,251	14,565
Investments in associates		18,804	21,037
Trade receivables	9	15,249	29,875
Deferred tax assets		1,205	1,672
		<hr/>	<hr/>
Total non-current assets		116,707	136,452
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		12,856	4,610
Amounts due from contract customers		4,263	2,742
Trade receivables	9	130,215	131,486
Prepayments, deposits and other receivables		37,216	29,864
Income tax recoverable		-	527
Pledged deposits		2,097	119
Cash and cash equivalents		606,560	619,590
		<hr/>	<hr/>
Total current assets		793,207	788,938
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and bills payables	10	101,462	135,430
Amounts due to contract customers		16,796	8,185
Other payables and accruals		102,874	87,251
Income tax payable		-	23
		<hr/>	<hr/>
Total current liabilities		221,132	230,889
		<hr/>	<hr/>
NET CURRENT ASSETS		572,075	558,049
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		688,782	694,501
		<hr/>	<hr/>

		30 June	31 December
		2011	2010
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Trade and bills payables	<i>10</i>	12,148	15,039
Deferred income		48,193	35,294
		<u>60,341</u>	<u>50,333</u>
Total non-current liabilities		60,341	50,333
Net assets		628,441	644,168
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	<i>11</i>	677,460	677,460
Reserves		(70,985)	(58,232)
		<u>606,475</u>	619,228
Non-controlling interests		21,966	24,940
		<u>628,441</u>	<u>644,168</u>
Total equity		628,441	644,168

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2011

Attributable to shareholders of the Company

	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non- controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2011	677,460	170,319	9,721	64,014	5,701	60,772	41,717	(410,476)	619,228	24,940	644,168
Loss for the period	-	-	-	-	-	-	-	(50,311)	(50,311)	(5,460)	(55,771)
Other comprehensive income for the period	-	-	-	-	-	9,591	-	-	9,591	2,486	12,077
Total comprehensive income/(loss) for the period	-	-	-	-	-	9,591	-	(50,311)	(40,720)	(2,974)	(43,694)
Equity-settled share option arrangements	-	-	-	27,882	-	-	-	-	27,882	-	27,882
Transfer of share option reserves upon the forfeiture/lapse of share options	-	-	-	(64,014)	-	-	-	64,014	-	-	-
Transfer to PRC reserve funds	-	-	-	-	-	-	21	(21)	-	-	-
Share of reserves of an associate	-	-	-	-	85	-	-	-	85	-	85
At 30 June 2011	<u>677,460</u>	<u>170,319*</u>	<u>9,721*</u>	<u>27,882*</u>	<u>5,786*</u>	<u>70,363*</u>	<u>41,738*</u>	<u>(396,794)*</u>	<u>606,475</u>	<u>21,966</u>	<u>628,441</u>
At 1 January 2010	677,460	170,319	9,721	71,069	850	45,705	41,455	(393,809)	622,770	27,099	649,869
Loss for the period	-	-	-	-	-	-	-	(19,201)	(19,201)	(6,767)	(25,968)
Other comprehensive income for the period	-	-	-	-	-	3,713	-	-	3,713	984	4,697
Total comprehensive income/(loss) for the period	-	-	-	-	-	3,713	-	(19,201)	(15,488)	(5,783)	(21,271)
Transfer to PRC reserve funds	-	-	-	-	-	-	256	(256)	-	-	-
Transfer from accumulated losses	-	-	-	-	3,039	-	-	(3,039)	-	-	-
Share of reserves of an associate	-	-	-	-	(1,529)	-	-	-	(1,529)	-	(1,529)
At 30 June 2010	<u>677,460</u>	<u>170,319</u>	<u>9,721</u>	<u>71,069</u>	<u>2,360</u>	<u>49,418</u>	<u>41,711</u>	<u>(416,305)</u>	<u>605,753</u>	<u>21,316</u>	<u>627,069</u>

* These reserve accounts comprise the negative reserves of HK\$70,985,000 (31 December 2010: HK\$58,232,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(20,375)	(22,206)
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>9,281</u>	<u>5,573</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,094)	(16,633)
Cash and cash equivalents at beginning of period	392,564	471,332
Effect of foreign exchange rate changes, net	<u>5,451</u>	<u>3,098</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>386,921</u></u>	<u><u>457,797</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	229,018	308,756
Time deposits	379,639	304,023
Less: Pledged deposits	<u>(2,097)</u>	<u>(959)</u>
Cash and cash equivalents as stated in the consolidated statement of financial position	606,560	611,820
Less: Time deposits with maturity of more than three months when acquired	<u>(219,639)</u>	<u>(154,023)</u>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<u><u>386,921</u></u>	<u><u>457,797</u></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 2011 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 interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

2. Accounting Policies

The accounting policies and basis of preparation adopted in the preparation of these interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2010, except for the adoption of the following new, revised or amendments to the Hong Kong Financial Reporting Standards (the “new HKFRSs”) issued by the HKICPA, which are generally effective for the first time for the current period’s financial statements:

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
<i>Improvements to HKFRSs</i> (May 2010)	Amendments to a number of HKFRSs

The adoption of the new HKFRSs has had no significant financial effect on these interim financial statements and there have been no significant changes to the accounting policies applied in these interim financial statements.

The Group has not early applied the following new, revised or amended HKFRSs that have been issued but are not yet effective in these interim financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ¹
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> ¹
HKFRS 9	<i>Financial Instruments</i> ⁴
HKFRS 10	<i>Consolidated Financial Instruments</i> ⁴
HKFRS 11	<i>Joint Arrangements</i> ⁴
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> ⁴
HKFRS 13	<i>Fair Value Measurement</i> ⁴
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i> ³
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> ²
HKAS 19 (2011)	<i>Employee Benefits</i> ⁴
HKAS 27 (2011)	<i>Separate Financial Statements</i> ⁴
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that the adoption of these new, revised or amended HKFRSs will have no material impact on the results and financial position of the Group.

3. Operating 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.

An analysis of the Group's revenues from external customers for each group of similar products and services is disclosed in note 4 to the interim 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 (other than financial assets) of the Group are located in the PRC.

During the six months ended 30 June 2011, the Group had transactions with a single external customer which contributed to over 10% of the Group's total revenue (2010: one). The revenue generated from sales to this customer for the period amounted to HK\$5,614,000 (2010: HK\$9,834,000).

4. Revenue and Other Income, 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 aggregate of the 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 received and receivable from investment properties during the period.

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

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenue		
Construction contracts	10,126	12,433
Sale of softwares	30,909	39,502
Rendering of services	4,655	6,716
Gross rental income	-	371
	<u>45,690</u>	<u>59,022</u>
Other income, net		
Bank interest income	2,469	1,877
Imputed interest on interest-free trade receivables with extended credit periods	12,289	425
Others	558	4,713
	<u>15,316</u>	<u>7,015</u>

5. Finance Costs

Finance costs of the Group for the six months ended 30 June 2011 represented imputed interest on interest-free trade payables with extended credit periods (2010: HK\$690,000).

6. Loss Before Tax

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

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Depreciation	1,470	1,360
Amortisation of other intangible assets @	1,579	1,263
Impairment of an amount due from an associate	30	31
Reversal of impairment of trade receivables, net *	(1,429)	(3,953)
Equity-settled share option expense	27,882	-

@ The amortisation of other intangible assets for the period is included in "Cost of sales" in the consolidated income statement.

* The reversal of impairment of trade receivables, net for the period is included in "Other expenses, net" in the consolidated income statement.

7. Income Tax

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2011 as the Group did not generate any assessable profits arising in Hong Kong during the period (2010: Nil). 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	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current – Mainland China		
Underprovision in prior periods	59	66
Deferred	507	-
Total tax charge for the period	566	66

8. Loss per Share Attributable to Shareholders of the Company

The calculation of the basic loss per share amounts is based on the loss for the period attributable to shareholders of the Company and the weighted average of 677,460,150 (2010: 677,460,150) ordinary shares in issue during the period.

In respect of the diluted loss per share amounts, no adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2011 and 2010 as (i) the share options of the Company outstanding during these periods have an anti-dilutive effect on the respective basic loss per share amounts for these periods; and (ii) the deemed exercise of the outstanding share options issued by China Information Technology Development Limited, an associate of the Group, do not have a diluting effect on the respective basic loss per share amounts for these periods.

9. 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 an 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 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Neither past due nor impaired	<u>15,249</u>	<u>29,875</u>
Past due but not impaired:		
Current or within 3 months	67,816	126,593
4 to 6 months	15,116	2,549
7 to 12 months	45,961	1,645
Over 1 year	<u>1,322</u>	<u>699</u>
	<u>130,215</u>	<u>131,486</u>
Portion classified as current assets	<u>145,464</u> <u>(130,215)</u>	161,361 <u>(131,486)</u>
Non-current portion	<u>15,249</u>	<u>29,875</u>

10. Trade and Bills Payables

The trade and bills payables are non-interest-bearing and normally settled within 30 to 90 days, with credit period extended up to five years offered by major suppliers.

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

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within 3 months	4,922	41,291
4 to 6 months	4,128	362
7 to 12 months	31,235	284
Over 1 year	11,697	7,406
Balances with extended credit period	<u>61,628</u>	<u>101,126</u>
	113,610	150,469
Portion classified as current liabilities	<u>(101,462)</u>	<u>(135,430)</u>
Non-current portion	<u>12,148</u>	<u>15,039</u>

11. Share Capital

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (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>

12. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2011 (31 December 2010: Nil).

13. Capital Commitments

At 30 June 2011, the Group had capital commitments in respect of plant and machinery of HK\$48,193,000 (31 December 2010: HK\$35,294,000), 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 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Contracted, but not provided for	2,683	1,395
Authorised, but not contracted for	<u>4,779</u>	<u>5,164</u>
	<u>7,462</u>	<u>6,559</u>

14. Related Party Disclosures

(a) Material transactions with related parties during the period:

	Six months ended 30 June 2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Purchase of goods from a jointly-controlled entity	4,406	4,954
Purchase of goods from associates	10,491	2,357
Sub-contracting fee paid to an associate	3,157	-
Sales of goods to a jointly-controlled entity	415	-
Sales of goods to an associate	1,889	-
Share of rental expenses with a substantial shareholder	<u>563</u>	<u>-</u>

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

(b) Other transaction with a related party:

On 13 May 2011, Business Net Limited ("BNL"), a wholly-owned subsidiary of the Company, as vendor, entered into a conditional equity transfer agreement with Beijing Enterprises Group Company Limited ("BEGCL"), a substantial shareholder of the Company, as purchaser, pursuant to which BNL conditionally agreed to sell and BEGCL conditionally agreed to purchase 43% equity interest of Beijing Municipal Administration & Communications Card Co., Ltd., a jointly-controlled entity of the Group, for a total cash consideration of Renminbi 96,380,000 (equivalent to approximately HK\$116,120,000), which will be settled in cash by instalments up to 31 December 2012. Up to the date of this announcement, the disposal transaction has not yet been completed.

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

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Due from:		
Jointly-controlled entities	2,951	2,457
A non-controlling equity holder	1,807	1,765
Due to:		
A jointly-controlled entity	12	12
Associates	11,494	29,568
A non-controlling shareholder	20,000	-
	<u>20,000</u>	<u>-</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 2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Short term employee benefits	2,460	2,876
Post-employment benefits	151	201
Equity-settled share option expense	26,004	-
	<u>26,004</u>	<u>-</u>
Total compensation paid to key management personnel	<u>28,615</u>	<u>3,077</u>

INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As Beijing Municipal Administration & Communications Card Co., Ltd. (“BMAC”) has failed to generate profit contribution to the Group over the years, it has been passed at the Company’s general meeting that the entire 43% equity interest in BMAC would be disposed of at a cash consideration of RMB96,380,000. It is expected that the relevant review and approval procedures in the PRC will be completed within the second half of the year, realising significant extraordinary gain for the Group.

During the period under review, the Group continued to provide cross-sector information technology services with a focus on three major segments of intellectualisation projects, IT service, as well as electronic payment and settlement. With regard to the rail transportation sector in Beijing, the safety door project for Line 9 and the automated fare collection system phase II for Line 8 under construction for the Beijing subway are projected to open for traffic and operation by the end of December this year. For the non-rail transportation sector, the Company has proactively solicited a number of intellectualisation works and services projects in Beijing and the peripheral areas with a view to gradually expand its business realm.

As to the IT service segment, the Company continued to focus on the cores, namely the Beijing Education Information Network, CMIS/EBI studentship management system and student cards for primary and secondary schools in Beijing. We will proactively pursue R&D, work project and services for the IT related services on education sector in Beijing. In respect of the electronic payment and settlement segment, the Company continued to promote the business of fitness card value-adding business, while at the same time strived to explore the business of self-serviced buying of welfare lottery tickets.

Prospects

The Group is close to completing the disposal and realisation of BMAC. It will continue to closely assess its assets portfolio in order to further adjust its business structure, enhance and realise any remaining non-performing assets and provide sustainable operating profit contributions. Under appropriate market environment and with abundant liquidity, the Group will leverage on the investment and finance platform to strengthen its assets structure through mergers and acquisition activities, with the aim of creating reasonable return for the shareholders.

Financial Review

Revenue

The Group's revenue in the first half of 2011 was HK\$45,690,000, dropped 23% as compared with HK\$59,022,000 in the first half of 2010. This was mainly caused by the decrease in the volume of large-scale IT construction contracts in rail transportation sector.

Cost of Sales

The Group's cost of sales in the first half of 2011 was HK\$43,723,000, dropped 22% as compared with HK\$56,336,000 in the first half of 2010.

Gross Profit

The Group's gross profit in the first half of 2011 was HK\$1,967,000, and the overall gross profit margin slightly decreased to 4.3%.

Other Income, Net

The Group's other income in the first half of 2011 amounted to HK\$15,316,000 (2010: HK\$7,015,000), mainly comprised of bank interest income of HK\$2,469,000 and imputed interest on interest-free trade receivables with extended credit periods of HK\$12,289,000.

Selling and Distribution Costs

The Group's selling and distribution costs in the first half of 2011 increased by 18% to HK\$5,308,000.

Administrative Expenses

Excluding the share option expense of HK\$27,882,000 (2010: Nil) incurred during the current period, the Group's administrative expenses in the first half of 2011 decreased by 7% to HK\$28,456,000.

Other Expenses, Net

The Group's other expenses in the first half of 2011 amounted to HK\$335,000 (2010: credit balance of HK\$3,916,000).

Finance Costs

The Group's finance costs of HK\$4,428,000 (2010: HK\$690,000) in the first half of 2011 wholly represented the imputed interest on interest-free trade payables with extended credit periods.

Share of Profits and Losses of Jointly-controlled Entities

The Group's share of results of jointly-controlled entities in the first half of 2011 wholly represented the 50% share of net loss of Beijing Education Information Network Services Center Co., Ltd. of HK\$2,665,000.

Share of Profits and Losses of Associates

The Group's share of results of associates in the first half of 2011 substantially represented the 29.18% share of net loss of China Information Technology Development Limited of HK\$3,473,000.

Income Tax

The Group's income tax in the first half of 2011 comprised current tax charge in Mainland China of HK\$59,000 and deferred tax charge of HK\$507,000.

Loss for the Period

Based on the foregoing, the Group's loss for the six months ended 30 June 2011 was HK\$55,771,000, increased by HK\$29,803,000 or 115% as compared with the loss of HK\$25,968,000 in the corresponding period of last year, which was mainly caused by the share option expenses of HK\$27,882,000 incurred during the current period. The loss attributable to shareholders of the Company was HK\$50,311,000, increased by HK\$31,110,000 or 162% as compared with the loss of HK\$19,201,000 in the corresponding period of last year.

Financial Position

During the period under review, there was no change in the capital structure of the Company. As at 30 June 2011, the Group had total assets and total liabilities of HK\$909,914,000 and HK\$281,473,000, respectively, decreased by HK\$15,476,000 from HK\$925,390,000 and increased by HK\$251,000 from HK\$281,222,000, respectively, as at 31 December 2010. The Group's net assets decreased by HK\$15,727,000 from HK\$644,168,000 to HK\$628,441,000, of which equity attributable to shareholders of the Company amounted to HK\$606,475,000 as at 30 June 2011.

As at 30 June 2011, the cash and bank balances held by the Group amounted to HK\$608,657,000, which were denominated as to approximately 34% in Hong Kong dollars and 66% in Renminbi. The Group did not have any bank borrowings, nor did it hold any financial derivatives. As at 30 June 2011, the Group had a strong net working capital of HK\$572,075,000 and its current ratio and the total liabilities to assets ratio remained steady at 3.59 times and 31%, respectively. The Group has sufficient cash resources to finance its operations and capital expenditures in the foreseeable future.

During the period under review, the Group had capital expenditures of HK\$1,575,000. As at 30 June 2011, the Group's capital commitment amounted to HK\$48,193,000. The Group did not have any material contingent liabilities.

Employees

At 30 June 2011, the Group had approximately 310 employees. The Group's employee remuneration policy and package are periodically reviewed by the management based on the employees' work performance, professional experiences and prevailing market practices. Discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance. The Group's total expenses on employee benefits, excluding share option expenses, in the first half of 2011 amounted to HK\$21,174,000, comparing to HK\$21,960,000 in the first half of 2010.

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 2011.

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.

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.

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 2011.

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 2011.

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 2011, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2011 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, 25 August 2011

As at the date of this announcement, the Board comprises Mr. E Meng, Mr. Zhang Honghai, Mr. Wang Yong, Mr. Yan Qing, Ms Sha Ning 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.