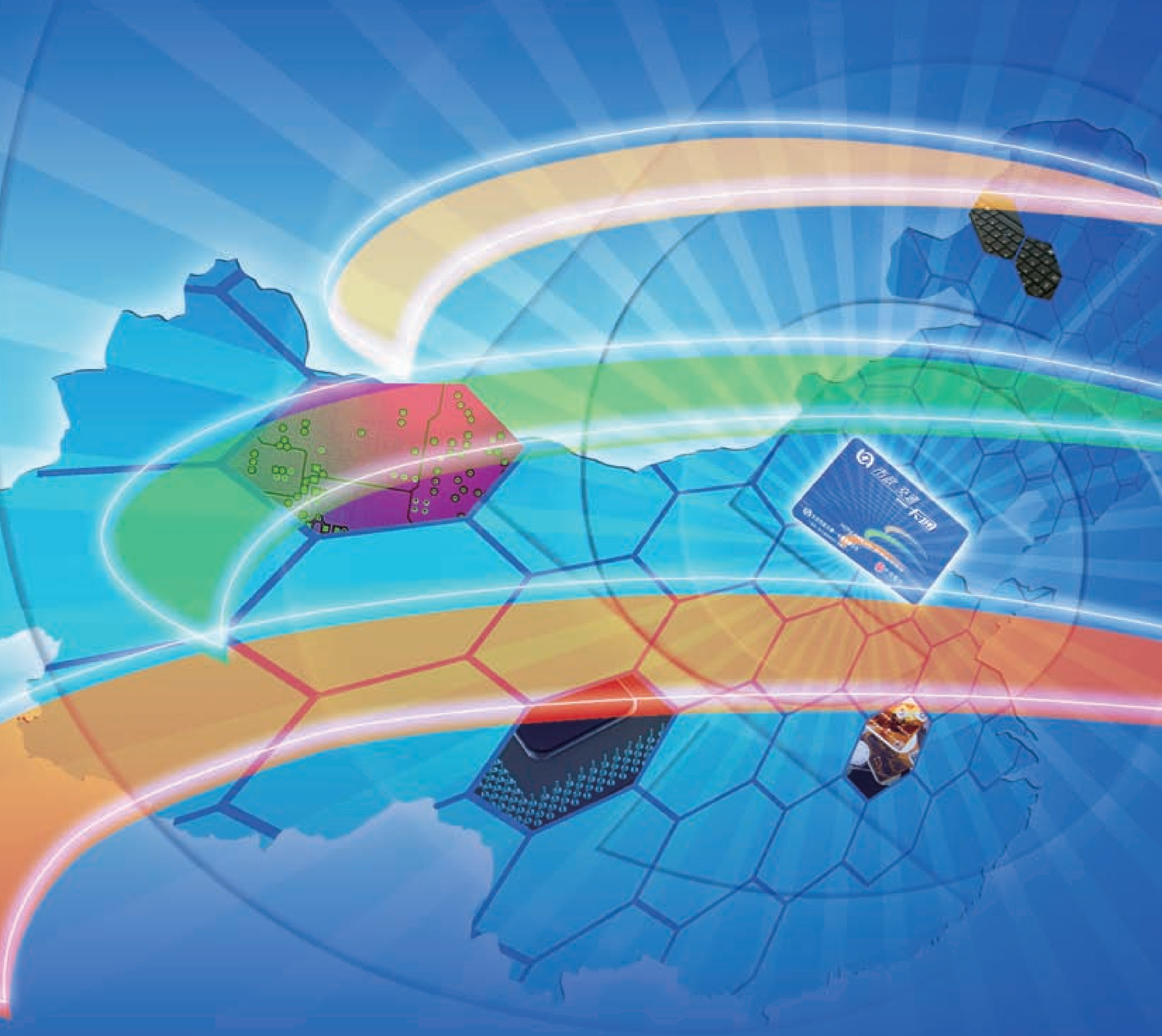
Beijing Development (Hong Kong) Limited

(Stock Code 154)



2009

Annual Report

Contents

Corporate Information

Directors

Executive directors:
Mr. E Meng *(Chairman)*
Mr. Zhang Honghai
Mr. Wang Yong
Mr. Cao Wei
Mr. Yan Qing
Mr. Ng Kong Fat, Brian

Independent non-executive directors:
Dr. Jin Lizuo
Dr. Huan Guocang
Dr. Wang Jianping

Company Secretary

Mr. Wong Kwok Wai, Robin

Authorised Representatives

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

Registered Office

Room 3401, West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

Website

http://www.bdhk.com.hk

Stock Code

154

Share Registrars

Tricor Tengis Limited
Level 25, Three Pacific Place
1 Queen's Road East
Hong Kong

Auditors

Ernst & Young

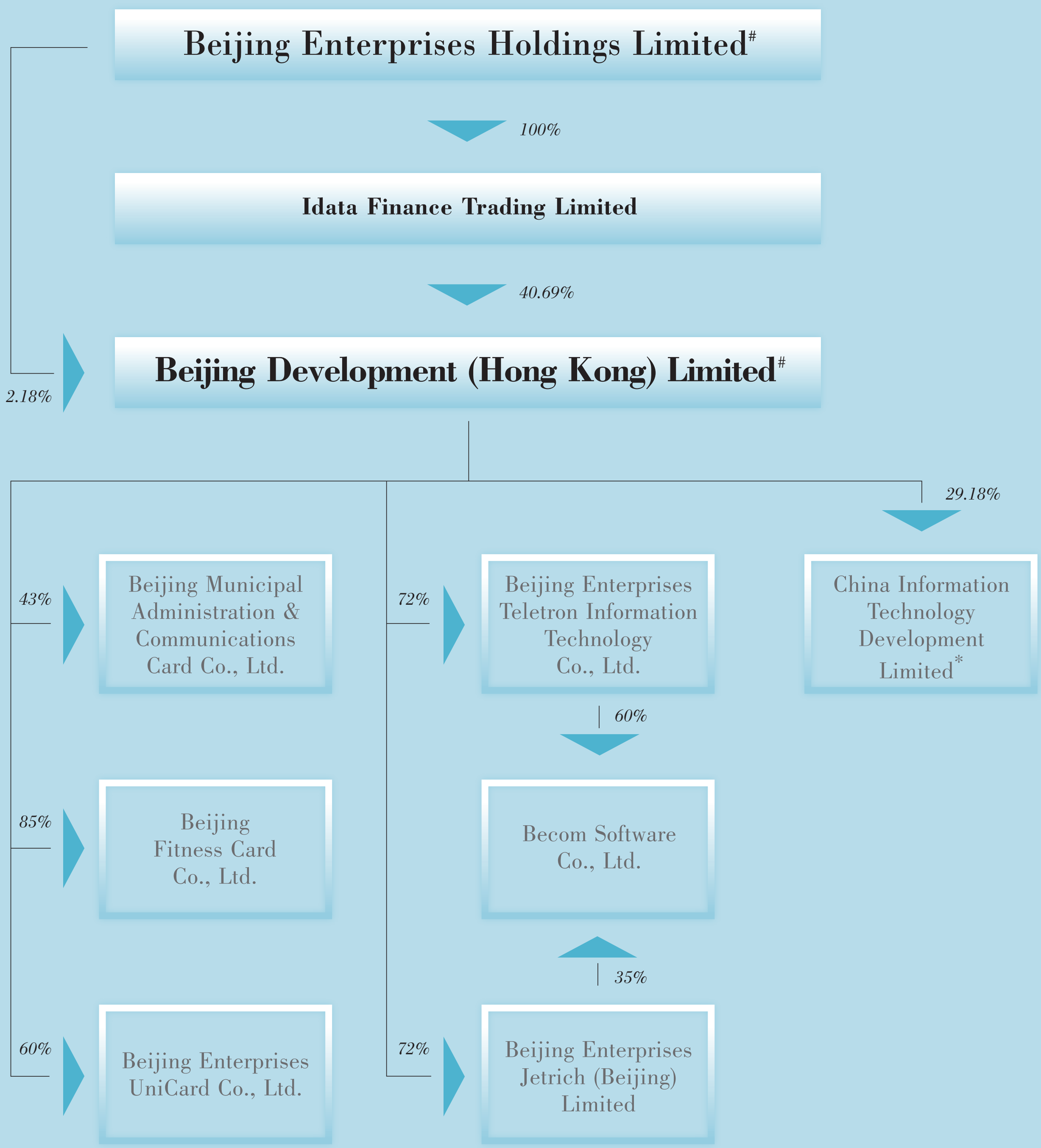
Principal Bankers

In Hong Kong:
Bank of China (Hong Kong) Limited

In Mainland China:
Bank of Beijing
Bank of Communications
China CITIC Bank
China Construction Bank
China Minsheng Banking Corp., Ltd.
Huaxia Bank

Corporate Structure

31 March 2010



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

Chairman's Statement

For the year ended 31 December 2009, the Group recorded revenue of HK$225 million, a decline of 23% from HK$293 million for last year; the loss attributable to shareholders of the Company amounted to HK$158 million, narrowed by 62% from the loss of HK$415 million for last year. Non-operating loss comprised of impairment of goodwill of a subsidiary of HK$59 million and impairment of interest in an associate of HK$19 million, which had no material impact on the day-to-day business operation and cash flows of the Group.

The electronic payment and settlement segment is our core business with promising prospects in urban information-based construction, while a vast user base of Beijing Municipal Administration & Communications Card is a cornerstone for the development of other value-added businesses. Penetration in the non-transportation sectors remained at a relatively low level for the time being, representing ample room for future growth. The Group gained vast experience in various government and infrastructure projects in the rail transportation and education sectors in Beijing and developed a team of high-calibre professionals and sound capability in market development. Capitalising on its well-established resources and advantages, the Group will endeavour to enhance the profitability of its existing business segments on the one hand and proactively develop new profitable businesses on the other.

China Information Technology Development Limited ("CITD", stock code: 8178), a 29.18% owned associate of the Group, announced its 2008 and 2009 annual results on the same day after the completion of its internal investigation during the past few months. As disclosed in the announcement, its net assets slumped by HK$1.17 billion. As the Group recognised an impairment loss for the investment of HK$328 million in 2008, the financial impact on the Group reduced significantly in 2009. CITD has made significant progress in respect of its rectification of the corporate governance and internal control systems. The Group will adjust its investment strategy in line with the future business development plan of CITD.

The Group will capitalise on its sufficient working capital reserve to fund significant investment should opportunities arise, and will align its capital structure to the market environment by leveraging on its investment and financing platform so as to maximise return to shareholders.

On behalf of the Board, I would like to express my gratitude to all employees and partners from different sectors for their support to the Group over the past year.

E Meng
Chairman

Hong Kong
31 March 2010

Management Discussion And Analysis

Business Review

1. Electronic Payment and Settlement Business

During the year under review, Beijing Municipal Administration & Communications Card Co. Ltd. ("BMAC") witnessed a steady growth in both the number of cards issued and the transaction volume of the system. With over 25 million cards in issue, a total of 4.93 billion transactions were made with ordinary cards and amounted to RMB3.74 billion (RMB0.76 per transaction on the average) during the year, increased by 6.5% and 18.1% year-on-year respectively. Under the public transportation system in Beijing, 90% of the total passenger traffic volume on public buses and 78% of the total passenger traffic volume on subways were processed by the Smart Card system, making the system an electronic payment platform with the largest market share in Beijing. The commercial use of the Smart Card in the non-transportation areas was on steady increase, where a total of 18.78 million transactions were made with ordinary cards and amounted to RMB185 million (RMB9.85 per transaction on the average), increased by 1.6 times and 1.9 times year-on-year respectively.

As the service charges for public transport settlements, being the primary income stream of the Smart Card system, have not been effected, no profit was contributed to the Group by BMAC despite the receipt of government subsidy of RMB130 million (2008: RMB100 million) in 2009.

2. Rail Transportation and System Integration Business

During the year under review, Beijing Enterprises Teletron Information Technology Co., Ltd. ("BETIT"), a major subsidiary of the Group, completed the project for the supply and installation of safety doors on Line 4 of the Beijing Subway as scheduled, which commenced operation in late September. The Group recognised revenue from this project of HK$112 million, representing 50% of the total revenue of the Group for 2009. During the year, BETIT performed maintenance work for projects completed in previous years, including the Automated Fare Collection and Clearing Centre ("ACC"), the Automated Fare Collection ("AFC") System for Lines 1, 2 and the Batong Line, the safety door system and installation project for Lines 5 and 10, and the Building Automation System ("BAS") for Lines 1 and 5. Meanwhile, BETIT has been proactively participating in tenders for new projects of the Beijing Subway, and won the bids for the safety door projects for Line 9 and the Daxing Line, and the AFC project phase II for Line 8.

Given the year-on-year decrease in revenue from projects of BETIT and a loss before tax of HK$34 million for 2009 and in view of the intensifying market competition in the future, the Group recognised an impairment loss for goodwill of HK$59 million and wrote off certain deferred tax assets of HK$9 million in 2009.

Management Discussion And Analysis

3. Other Businesses

The Group began to restructure its education segment in 2008, the result of which requires a longer time to reveal. In 2009, the Group recognised an operating loss totalling HK$4.73 million arising from the education segment in 2009.

As disclosed in the 2008 and 2009 annual results announcements of China Information Technology Development Limited ("CITD"), CITD recorded losses of HK$1.212 billion and HK$57 million for 2008 and 2009 respectively. As at the end of 2009, the net assets of CITD amounted to HK$119 million. The Group has shared the loss of CITD of HK$17 million for 2009. As the CITD's independent auditors did not express an opinion as to the truth and fairness on the CITD's 2008 financial statements, the Group recognised a further impairment loss of HK$19 million in addition to the aggregate impairment losses of HK$328 million against its interests in CITD recognised in 2008. As a result, the carrying amount of the Group's interests in CITD as at the end of 2009 was HK$21 million.

Prospects

The settlement service for the public transportation system is the Group's primary business in the electronic payment and settlement sector. The Group will work together with the relevant government departments with respect to the execution of the Smart Card business agreements with public transport and subway operators so as to secure the revenue from the Smart Card system and make the service charges for public transport settlements a stable source of revenue. The Group will further explore the application of Smart Card in non-transportation sectors to expand value-added services in the industry.

BETIT will fully capitalise on its market expansion capability and proven track records in the rail transportation sector, actively participate in tenders for new lines of the Beijing Subway and exercise stringent control over costs, with an aim to make a turnaround from loss. 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.

Financial Review

Revenue

The Group's revenue in 2009 was HK$225.38 million, dropped by 23.1% as compared with HK$293.22 million in 2008. Revenue from the "Beijing Subway Line No.4 Platform Safety Door System" project recognised during the year amounted to HK$111.58 million.

Cost of sales

The Group's cost of sales in 2009 was HK$230.01 million, dropped by 21.8% as compared with HK$293.97 million in 2008.

Management Discussion And Analysis

Gross loss

Due to the surge in raw materials price and the keen competition in tendering the IT construction contracts, the Group suffered an overall gross loss of HK$4.63 million in 2009, comparing with the gross loss of HK$0.75 million in 2008.

Other income and gain

The Group's other income and gain mainly comprised bank interest income of HK$5.52 million and imputed interest on interest-free trade receivables with extended credit periods of HK$2.38 million in 2009.

Selling and distribution costs

The Group's selling and distribution costs in 2009 decreased by 7.2% to HK$7.82 million.

Administrative expenses

Excluding the share option expenses amortised during the year of HK$8.62 million (2008: HK$52.3 million), the Group's administrative expenses in 2009 increased by 5.5% to HK$55.23 million as compared with HK$52.35 million in 2008.

Other expenses

The Group's other expenses mainly comprised an impairment of goodwill arising on the acquisition of a subsidiary, BETIT, of HK$58.63 million and impairment of trade receivables of HK$5.7 million in 2009.

Share of profits and losses of jointly-controlled entities and associates

The Group's share of net profits of jointly-controlled entities amounted to HK$1.03 million and the Group's share of net losses of associates amounted to HK$16.72 million in 2009. A further impairment of HK$18.7 million (2008: HK$310.46 million) was made against the Group's interests in an associate, CITD, in 2009.

Income tax

The Group's income tax comprised current tax charge of HK$1.12 million and derecognition of deferred tax assets of HK$9.19 million in 2009.

Loss for the year

Based on the foregoing, the loss for the year ended 31 December 2009 was HK$176.85 million, decreased by 58% from HK$420.69 million in 2008. The loss attributable to the shareholders of the Company was HK$158.42 million, decreased by 61.8% from HK$414.6 million in 2008.

Management Discussion And Analysis

Financial position

During the year under review, there was no movement in the issued capital of the Company. As at the end of 2009, the Group had total assets of HK$933.16 million, decreased by HK$145.41 million from HK$1,078.57 million as at the end of 2008; whilst total liabilities increased by HK$18.17 million from HK$265.12 million to HK$283.29 million. Total equity decreased by HK$163.58 million from HK$813.45 million to HK$649.87 million, of which shareholders equity amounted to HK$622.77 million as at the end of 2009.

The Group's cash and bank balances amounted to HK$633.78 million as at 31 December 2009, which were denominated as to approximately 37% in Hong Kong dollars and 63% in Renminbi. The Group did not have any bank borrowings, nor did it hold any financial derivatives. As at the end of 2009, the Group had a strong net working capital of HK$567.79 million and its current ratio and the total liabilities to assets ratio were calculated at 3.43 times and 30.4%, respectively. The Group has sufficient cash resources to finance its operations and capital expenditures in the foreseeable future.

During the year under review, the Group had capital expenditures of HK$3.21 million. As at 31 December 2009, the Group's capital commitment amounted to HK$34.09 million. The Group did not have any material contingent liabilities.

Employees

At the end of 2009, the Group had approximately 320 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 the share options expenses) in 2009 amounted to HK$34.57 million, comparing to HK$40.93 million in last year.

Biographical Information Of Directors And Senior Management

Executive Directors

Mr. E Meng, aged 51, is the chairman of the Company. Mr. E also serves as an executive director and executive vice president of Beijing Enterprises Holdings Limited ("BEHL", stock code: 392), an executive director of Beijing Enterprises Water Group Limited ("BE Water Group", stock code: 371) and an independent non-executive director of JLF Investment Company Limited (stock code: 472). Mr. E graduated from China Science and Technology University with a master degree in engineering. He is a PRC senior accountant with the qualifications of PRC certified accountant, asset appraiser, certified real estate appraiser and tax appraiser. From 1988 to 1997, he was the deputy director of Beijing New Technology Development Zone and concurrently acting as the director of the Department of Financial Auditing, the general manager of Investment Operation Company, the chief accountant of Beijing Tianping Accounting Firm and the deputy director of the State-owned Assets Management Office of Beijing Haidian District. Mr. E has extensive experience in economics, finance and enterprise management. Mr. E joined the Group in April 2001.

Mr. ZHANG Honghai, aged 57, also serves as a vice chairman, an executive director and the chief executive officer of BEHL, the chairman and an executive director of BE Water Group and the chairman and a non-executive director of China Information Technology Development Limited (stock code: 8178). Mr. Zhang graduated from Peking University in 1982 and subsequently completed a postgraduate programme at the International Business School of Hunan University and was awarded a master degree and the title of senior economist. Mr. Zhang also obtained an EMBA degree from Guanghua School of Management, Peking University. Mr. Zhang has worked for the Beijing Municipal Government for many years. Prior to joining the Company, Mr. Zhang was the director of the Foreign Affairs Office of the People's Government of Beijing Municipality and Hong Kong and Macao Affairs Office of the People's Government of Beijing Municipality. Mr. Zhang currently is the vice president of the Beijing Chinese Overseas Friendship Association. Mr. Zhang initially worked as deputy general manager and was then promoted to vice chairman and general manager of Beijing International Trust Investment Limited during the period from 1990 to 1998, and has accumulated extensive experience in corporate management. Mr. Zhang joined the Group in March 2004.

Mr. WANG Yong, aged 56, is the president of the Company and also serves as the chairman of Beijing Municipal Administration & Communications Card Co., Ltd. (a jointly-controlled entity of the Company). Mr. Wang graduated from the Chinese Faculty of Lanzhou University. From 1969 to 1989, Mr. Wang worked for the Chinese People's Liberation Army (Force 84501). From 1989 to 1993, Mr. Wang worked for the Office of Beijing Haidian District Government. From 1993 to 1998, Mr. Wang served as the secretary to the General Office of Beijing People's Municipal Government. Since 1998, Mr. Wang has been the assistant to general manager of Beijing Holdings Limited and the assistant to president of BEHL. Mr. Wang has extensive experience in investment, corporate finance and management. Mr. Wang joined the Group in March 2005.

Mr. CAO Wei, aged 46, is a vice president of the Company. Mr. Cao graduated from Harbin Industrial University and was awarded the title of senior engineer. Mr. Cao has extensive experience in the telecommunications and information technology field. He is the president of Union of Network Beijing and is one of the founders of Beijing Enterprises Teletron Information Technology Co., Ltd. (a subsidiary of the Company). From 1988 to 1993, Mr. Cao worked as the general manager of Beijing Hehai Technology Development Co., Ltd. From 1993 to 1996, Mr. Cao worked as the general manager of Beijing Enyi Technology Development Co., Ltd. Mr. Cao joined the Group in October 2001.

Biographical Information Of Directors And Senior Management

Executive Directors (continued)

Mr. YAN Qing, aged 49, is a vice president of the Company. Mr. Yan graduated from Renmin University of China in 1985 with a bachelor degree in Business, and obtained a master degree from Graduate School of Research Institute of the Ministry of Finance in 2000. Mr. Yan has extensive experience in finance and management. Mr. Yan joined the Group in February 2005.

Mr. NG Kong Fat, Brian, aged 54, graduated from the University of Stirling in Scotland in 1983 and is a member of the Institute of Chartered Accountants of Scotland. Mr. Ng has extensive experience in corporate, investment and financial management. Mr. Ng joined the Group in July 1993.

Independent Non-executive Directors

Dr. JIN Lizuo, aged 52, holds a doctorate degree in Economics from Oxford University and has been the chief councillor of Shanghai Institute of Law & Economics, the chairman of Zhonghe Yingtai Management Consultancy Co., Ltd., the specialist committee member of China Xinda Assets Management Corporation. Dr. Jin graduated from Peking University School of Economics in 1982 and has been teaching in the university. From 1983 to 1988, Dr. Jin served as the member of State Economic Structure Reforms Committee and was the First President (1988-89) of Chinese Economic Association (UK). From 1993 to 1995, Dr. Jin has worked for N.M. Rothschild and Morgan Stanley and thereafter accumulated extensive experience in investment banking and financial management. Dr. Jin joined the Group in September 2004.

Dr. HUAN Guocang, aged 60, is currently the chief executive officer of Primus Pacific Partners Limited ("Primus"). Dr. Huan holds master degrees in arts from the Graduate School of International Studies of the University of Denver in 1982 and Columbia University in 1983, a PhD degree from Princeton University in 1987 and John Olin post doctorial fellow from the Centre for International and Strategic Studies of Harvard University in 1987. Before the set-up of Primus in 2005, Dr. Huan has been the Head of Investment Banking (Asia Pacific) of HSBC, the co-Head of Investment Banking (Asia Pacific) of Citigroup, the managing director and Head of China of BZW Asia Limited, a senior economist and vice president of J.P. Morgan, an assistant professor of Columbia University and an economist of Deutsche Bank. Dr. Huan joined the Group in January 2008.

Dr. WANG Jianping, aged 52, is currently a senior partner of King & Wood, a law firm in China and a full-time member of the IPO Review Committee for the Growth Enterprise Board of China Securities Regulatory Commission. Dr. Wang holds a bachelor degree in law from the Law School of Peking University in 1982, a master degree in law from the Law School of Harvard University in 1984 and a doctorate degree in law from the Law School of Washington University in Missouri in 1991. Before being admitted as a Chinese lawyer and joining King & Wood in 1998, Dr. Wang was further admitted to the Missouri Bar in 1991 and then practiced in St. Louis, Missouri from 1991 to 1997. From 1984 to 1988, Dr. Wang worked with the Legislative Affairs Committee of the Standing Committee of National People's Congress and has participated in the legislation of the Grassland Law, Fishery Law, Bankruptcy Law, Law of Chinese-foreign Cooperative Joint Venture, and Customs Law, etc. Dr. Wang joined the Group in January 2008.

Biographical Information Of Directors And Senior Management

Senior Management

Ms. SHA Ning, aged 39, is a vice president of the Company. Ms. Sha graduated from the Business Faculty of Heilongjiang University, majored in Business and Economic Studies, and subsequently obtained second degree in foreign trade accounting in Beijing School of Business and Capital University of Economics and Business. Ms. Sha was awarded the EMBA degree from The Hong Kong University of Science and Technology in 2008 and the title of PRC senior accountant. Ms. Sha joined BEHL in 2001 and has extensive working experience in finance. From 2001 to 2008, Ms. Sha successively worked as the financial controller of BES ELECOM Inc. and Beijing Enterprises Ever Source (Beijing) Co., Ltd. and is currently the manager of audit department of BEHL. Ms. Sha joined the Group in March 2009.

Mr. WONG Kwok Wai, Robin, aged 43, is the financial controller and company secretary of the Company. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has been worked for a major international accounting firm and has extensive experience in administration, auditing, accounting and corporate finance. Mr. Wong joined the Group in July 1993.

Mr. WU Miaolin, aged 47, is an assistant to president of the Company. Mr. Wu graduated from Peking University in 1984 with a bachelor degree in Law and was awarded the title of economist. Since 1984, Mr. Wu served as a committee member in Peking University. From 1987, Mr. Wu worked as the operation director of Software Laboratory of China Science Academy, the deputy general manager of Beijing United Software Company, the general manager of Dalu Computer Company of China Science Academy, the chairman of Top Computer Company. From 1989, Mr. Wu set up and served as the chairman and general manager of Beijing Gaoli Computer Co., Ltd. Mr. Wu joined the Group in September 2005.

Mr. LI Chunli, aged 38, is an assistant to president of the Company. Mr. Li graduated from the School of Business of University of Science and Technology of China in 1993. From 1995 to 2005, Mr. Li worked in Beijing Escom Photoelectricity Technology Co., Ltd. Mr. Li joined the Group in February 2005.

Ms. SUN Ling, aged 51, is an assistant to president of the Company. Ms. Sun graduated from Beijing Institute of Technology with a master degree in Business Administration. Ms. Sun has been worked for large state-owned enterprises and Beijing Municipal Government and has extensive operation and management experience in the field of information technology. Ms. Sun joined the Group in February 2002.

Mr. HUANG Minghui, aged 44, is an assistant to president of the Company. Mr. Huang graduated from the Automation Faculty of Beijing University of Aeronautics & Astronautics ("BUAA") in 1988 with a bachelor degree in engineering and obtained a master degree in business administration from Tulane University, USA in 2005. Mr. Huang has been worked as a lecturer in BUAA. From 1997 to 2003, Mr. Huang was the chief engineer of Beijing Education Network and Information Centre. Mr. Huang joined the Group in June 2003.

Corporate Governance Report

Corporate Governance Practices

Save as disclosed below, in the opinion of the directors, the Company has complied with all the applicable code provisions (the "Code Provisions") of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2009.

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, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2009.

Board of Directors

The board of directors (the "Board") currently comprises of six executive directors and three independent non-executive directors. The Board is mainly accountable to the shareholders and is also in charge of the management, business, strategy, annual and interim results, risk management, major acquisitions, disposals and capital transactions and other major operation and financial aspects of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Details of backgrounds and qualifications of the directors are set out on pages 9 and 10. All directors have given sufficient time and attention to the affairs of the Group. Each executive director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the Board.

The Board fulfilled the requirement under rules 3.10(1) and (2) of the Listing Rules and have three independent non-executive directors and have an independent non-executive director with appropriate professional accounting or financial management expertise. They have appropriate and sufficient experience and qualification to carry out their duties so as to fully represent the interests of the shareholders. The Company has received annual confirmations of independence from all independent non-executive directors and as at the date of this report still considers them to be independent.

Corporate Governance Report

Board Meeting

The Board held two regular meetings during the year under review, which constitutes a deviation from Code Provision A.1.1 which 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. Sufficient measures have been taken to ensure that there is efficient communication among the directors.

Details of the attendance of the regular board meetings are as follows:

Name of Director	Positions	Attendance
Mr. E Meng	Chairman and executive director	2/2
Mr. Zhang Honghai	Executive director	0/2
Mr. Wang Yong	Executive director	2/2
Mr. Cao Wei	Executive director	2/2
Mr. Yan Qing	Executive director	2/2
Mr. Ng Kong Fat, Brian	Executive director	2/2
Dr. Jin Lizuo	Independent non-executive director	2/2
Dr. Huan Guocang	Independent non-executive director	0/2
Dr. Wang Jianping	Independent non-executive director	1/2

Chairman and President

The Company has complied with Code Provision A.2.1 which stipulates that the roles of chairman and president should be separated and should not be performed by the same individual. Mr. E Meng, the chairman of the Company, is responsible for the approval and supervision of the overall strategies and policies of the Group, approval of annual budgets and business plans, evaluation of the Company's performance and oversight of the management. Mr. Wang Yong, the president of the Company, is responsible for the day-to-day operations of the Group.

Non-executive Directors

None of the existing non-executive directors is appointed for a specific term, which constitutes a deviation from Code Provision A.4.1 which stipulates non-executive directors should be appointed for a specific term, subject to re-election. However, in view of the fact that all non-executive directors are subject to retirement by rotation in accordance with the Company's articles of association, the Company considers that there are sufficient measures to ensure that the corporate governance standard of the Company is not less exacting than that of the Code.

Corporate Governance Report

Remuneration of Directors

The remuneration committee of the Company was established in 2006 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. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. Details of directors' remuneration are set out in note 8 to the financial statements.

The remuneration committee did not hold any meeting during the year under review.

Nomination of Directors

The Board is empowered under the Company's articles of association to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experiences. The Board selects and recommends candidates for directorship having regard to the skills and experience appropriate to the Group's business.

Auditors' Remuneration

The audit committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, auditors' remuneration for audit services was HK$2,340,000 and for non-audit service assignment was HK$440,000, which represented an agreed-upon procedures engagement in connection with the Group's interim financial report.

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.

Corporate Governance Report

Audit Committee (continued)

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 held two meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Name of member	Attendance
Dr. Huan Guocang	2/2
Dr. Jin Lizuo	2/2
Dr. Wang Jianping	1/2

The audit committee has reviewed the interim and annual results, financial positions, internal control and the management issues of the Company during the year under review.

Directors' and Auditors' Responsibilities for Accounts

The directors' responsibilities for preparing the accounts and the responsibilities of the auditors to the shareholders are set out on page 25. The directors have confirmed that the Group's financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, accounting principles generally accepted in Hong Kong and the Companies Ordinance.

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

Report Of The Directors

The directors present their report and the audited financial statements of Beijing Development (Hong Kong) Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2009.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 17(d) to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results

The Group's loss for the year ended 31 December 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 111.

Summary Financial Information

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the annual reports or audited financial statements, as appropriate, is set out on page 112. This summary does not form part of the audited financial statements.

Equipment and Investment Properties

Details of movements in the equipment and investment properties of the Company and the Group during the year are set out in notes 13 and 14 to the financial statements, respectively.

Share Capital and Share Options

There were no movements in either the Company's authorised or issued share capital during the year. Details of movements in the Company's share options during the year are set out in note 31 to the financial statements.

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 year.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 32(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Report Of The Directors

Distributable Reserves

At 31 December 2009, the Company had no reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance. However, the Company's share premium account, in the amount of HK$170,319,000, may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for 56% of the total sales for the year and sales to the largest customer included therein amounted to 50%. Purchases from the Group's five largest suppliers accounted for 48% of the total purchases for the year and purchases from the largest supplier included therein amounted to 21%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

Directors

The directors of the Company during the year were:

Executive directors:
Mr. E Meng
Mr. Zhang Honghai
Mr. Wang Yong
Mr. Cao Wei
Mr. Yan Qing
Mr. Ng Kong Fat, Brian

Independent non-executive directors:
Dr. Jin Lizuo
Dr. Huan Guocang
Dr. Wang Jianping

Report Of The Directors

Directors (continued)

In accordance with articles 95 and 104(a) of the Company's articles of association, Messrs. Zhang Honghai, Cao Wei, and Huan Guocang will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

None of the existing non-executive directors of the Company is appointed for a specific term.

The Company has received annual confirmations of independence from each of the three independent non-executive directors of the Company and, as at the date of this report, still considers them to be independent.

Directors' and Senior Management's Biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 to 11 of the annual report.

Directors' Service Contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee. Further details of the Company's remuneration committee are set out in the corporate governance report on page 14 of the annual report.

Directors' Interests in Contracts

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 was a party during the year.

Report Of The Directors

Directors' Interests and Short Positions in Shares and Underlying Shares

At 31 December 2009, the interests and short positions 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	Number of ordinary shares held, capacity and nature of interest			Percentage of
Name of director	Directly beneficially owned	Through a controlled corporation	Total	the Company's issued share capital
Mr. E Meng	601,000	–	601,000	0.09
Mr. Zhang Honghai	4,000,000	–	4,000,000	0.59
Mr. Cao Wei	190,000	–	190,000	0.03
Mr. Yan Qing	4,000	–	4,000	–
Mr. Ng Kong Fat, Brian	1,600,000	8,792,755#	10,392,755	1.53
	6,395,000	8,792,755	15,187,755	2.24

\# The 8,792,755 ordinary shares are held by Sunbird Holdings Limited, a company beneficially owned by Mr. Ng Kong Fat, Brian.

Long positions in share options of the Company:

The interests of the directors in the share options of the Company are separately disclosed in the section "Share Option Scheme" below.

Report Of The Directors

Directors' Interests and Short Positions in Shares and Underlying Shares (continued)

Long positions in share options of an associated corporation:

At 31 December 2009, Mr. Zhang Honghai directly beneficially owned 20,000,000 share options of China Information Technology Development Limited ("CITD"), an associate of the Group. These share options were granted on 11 February 2008 at an exercise price of HK$0.53 per ordinary share of CITD which is subject to adjustment in the case of rights or bonus issues, or other similar changes in CITD's share capital. The share options may be exercised at any time commencing on 11 August 2008 and, if not otherwise exercised, will lapse on 10 February 2013. The exercise of the share option is subject to an annual cap of 25% of the share options granted. Subject to the approval of the share option committee and the remuneration committee of CITD, Mr. Zhang is entitled to exercise all the share options within three months from the date of termination of his employment with CITD.

Save as disclosed above, as at 31 December 2009, none of the directors had registered an interest or a 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 in the section "Share Option Scheme" below, at no time during the year 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 spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Report Of The Directors

Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 31 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the year:

		Number of share options		
Name or category of participant	Notes	**At 1 January 2009**	**Forfeited during the year**	**At 31 December 2009**
Executive directors:				
Mr. E Meng	(a)	4,500,000	–	4,500,000
	(b)	1,500,000	–	1,500,000
	(d)	3,000,000	–	3,000,000
		9,000,000	–	9,000,000
Mr. Zhang Honghai	(a)	6,800,000	–	6,800,000
Mr. Wang Yong	(a)	6,000,000	–	6,000,000
	(d)	1,000,000	–	1,000,000
		7,000,000	–	7,000,000
Mr. Cao Wei	(a)	4,000,000	–	4,000,000
	(d)	2,300,000	–	2,300,000
		6,300,000	–	6,300,000
Mr. Yan Qing	(a)	3,200,000	–	3,200,000
	(d)	1,500,000	–	1,500,000
		4,700,000	–	4,700,000
Mr. Ng Kong Fat, Brian	(a)	4,000,000	–	4,000,000
	(d)	1,500,000	–	1,500,000
		5,500,000	–	5,500,000
Mr. Li Kangying*	(a)	2,250,000	(2,250,000)	–
	(d)	2,800,000	(2,800,000)	–
		5,050,000	(5,050,000)	–

Report Of The Directors

Share Option Scheme (continued)

Name or category of participant	Notes	Number of share options: At 1 January 2009	Forfeited during the year	At 31 December 2009
Independent non-executive directors:				
Dr. Jin Lizuo	(a)	680,000	–	680,000
Dr. Huan Guocang	(c)	680,000	–	680,000
Dr. Wang Jianping	(c)	680,000	–	680,000
Other employees:				
In aggregate	(a)	26,300,000	–	26,300,000
	(d)	900,000	–	900,000
		27,200,000	–	27,200,000
		73,590,000	(5,050,000)	68,540,000

* Mr. Li Kangying resigned as an executive director of the Company on 17 October 2008 and the 5,050,000 share options held by him as at 31 December 2008 were forfeited in January 2009 upon the expiry of his three-month post-resignation exercisable period.

Notes:

(a) These share options were granted on 30 October 2007 at an exercise price of HK$4.03@ per ordinary share of the Company. The closing price of the Company's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK$4.07. The share options may be exercised in two equal portions. The first portion is exercisable at any time commencing on 1 May 2008, and the other portion is exercisable from 1 May 2009 and, if not otherwise exercised, will lapse on 17 June 2011. The vesting periods of each of the portion is from the date of grant to the respective commencement dates of the exercise periods. Subject to the approval of the remuneration committee of the Company, directors of the Company are entitled to exercise all the share options within three months from the date of termination of their employment with the Company.

(b) These share options were granted on 4 February 2008 at an exercise price of HK$3.17@ per ordinary share of the Company. The closing price of the Company's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK$3.11. The share options may be exercised at any time commencing on 1 May 2008, and if not otherwise exercised, will lapse on 17 June 2011. The vesting period is from the date of grant to the commencement date of the exercise period.

Report Of The Directors

Share Option Scheme (continued)

Notes: (continued)

(c) These share options were granted on 4 February 2008 at an exercise price of HK$3.17@ per ordinary share of the Company. The closing price of the Company's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK$3.11. The share options may be exercised in two equal portions. The first portion is exercisable at any time commencing on 1 May 2008, and the other portion is exercisable from 1 May 2009 and, if not otherwise exercised, will lapse on 17 June 2011. The vesting periods of each of the portion is from the date of grant to the respective commencement dates of the exercise periods. Subject to the approval of the remuneration committee of the Company, directors of the Company are entitled to exercise all the share options within three months from the date of termination of their employment with the Company.

(d) These share options were granted on 9 July 2008 at an exercise price of HK$2.07@ per ordinary share of the Company. The closing price of the Company's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK$2.06. The share options may be exercised at any time commencing on 11 August 2008, and if not otherwise exercised, will lapse on 17 June 2011. The vesting period is from the date of grant to the commencement date of the exercise period.

@ The exercise price of these share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the share capital of the Company.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

At 31 December 2009, 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:

		Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
Name	Notes	**Directly beneficially owned**	**Through controlled corporations**	**Total**	
Idata Finance Trading Limited ("Idata")		275,675,000	–	275,675,000	40.69
Beijing Enterprises Holdings Limited ("BEHL")	(a)	14,784,000	275,675,000	290,459,000	42.87
Beijing Enterprises Group (BVI) Company Limited ("BEBVI")	(b)	–	290,459,000	290,459,000	42.87
北京控股集團有限公司 ("BEGCL")	(b)	–	290,459,000	290,459,000	42.87

Report Of The Directors

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares (continued)

Notes:

(a) The interest disclosed includes the ordinary shares owned by Idata. Idata is a wholly-owned subsidiary of BEHL. Accordingly, BEHL is deemed to be interested in the ordinary shares owned by Idata.

(b) The interests disclosed include the ordinary shares owned by BEHL and Idata. BEBVI and BEGCL are the immediate holding company and the ultimate holding company of BEHL, respectively. Accordingly, each of BEBVI and BEGCL is deemed to be interested in the ordinary shares owned by each of BEHL and Idata.

Save as disclosed above, as at 31 December 2009, no person, other than the directors of the Company, whose interests are set out in the section "Directors' Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

E Meng

Chairman

Hong Kong

31 March 2010

Independent Auditors' Report

Ernst & Young
安永

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To the shareholders of Beijing Development (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Beijing Development (Hong Kong) Limited set out on pages 27 to 111, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report (continued)

To the shareholders of Beijing Development (Hong Kong) Limited (continued)
(Incorporated in Hong Kong with limited liability)

Basis for Qualified Opinion

As further explained in note 19(b) to the financial statements, the Group did not equity account for any operating results of China Information Technology Development Limited ("CITD", a 29.18% indirectly-owned associate of the Company) for the year ended 31 December 2008 in accordance with Hong Kong Accounting Standard 28 *Investments in Associates* as no relevant and reliable financial information of CITD had been made available to the Group. In the absence of appropriate financial information relating to CITD for the year ended 31 December 2008, there were no other satisfactory audit procedures that we could adopt to quantify the financial impact and our report dated 30 March 2009 in respect of the financial statements for the year ended 31 December 2008 was qualified in respect thereof.

In respect to the above, our opinion on the current year's financial statements is qualified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures that are relevant to the operating results of CITD.

Qualified Opinion on Corresponding Figures

In our opinion, except for the possible effects on the corresponding figures of the matter described in the "Basis for qualified opinion" section above, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
31 March 2010

Consolidated Income Statement

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
REVENUE	5	**225,376**	293,223
Cost of sales		**(230,010)**	(293,972)
Gross loss		**(4,634)**	(749)
Other income and gain	5	**8,537**	12,699
Selling and distribution costs		**(7,821)**	(8,426)
Administrative expenses		**(63,848)**	(104,652)
Losses on deemed disposal of a partial interest in an associate	6	**–**	(2,394)
Other expenses, net		**(64,388)**	(193)
Share of profits and losses of:			
Jointly-controlled entities	18(a)	**1,033**	889
Associates	19(a)	**(16,718)**	(17,982)
Impairment of interest in an associate	19(a)	**(18,703)**	(310,459)
LOSS BEFORE TAX	7	**(166,542)**	(431,267)
Income tax	10	**(10,312)**	10,576
LOSS FOR THE YEAR		**(176,854)**	(420,691)
Attributable to:			
Shareholders of the Company	11	**(158,418)**	(414,598)
Minority interests		**(18,436)**	(6,093)
		(176,854)	(420,691)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
– Basic and diluted *(HK cents)*	12	**(23.38)**	(60.62)

Consolidated Statement Of Comprehensive Income

Year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
LOSS FOR THE YEAR	**(176,854)**	(420,691)
OTHER COMPREHENSIVE INCOME:		
Share of exchange reserve movements of an associate	**3,796**	–
Exchange differences on translating foreign operations	**108**	18,723
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX OF NIL	**3,904**	18,723
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(172,950)**	(401,968)
Attributable to:		
Shareholders of the Company	**(154,529)**	(396,914)
Minority interests	**(18,421)**	(5,054)
	(172,950)	(401,968)

Consolidated Statement Of Financial Position

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Equipment	13	**10,559**	11,290
Investment properties	14	**43,764**	43,730
Goodwill	15	**10,000**	68,625
Other intangible assets	16	**5,110**	6,878
Interests in jointly-controlled entities	18	**12,562**	13,842
Interests in associates	19	**23,259**	54,034
Trade receivables	23	**23,440**	24,941
Deferred tax assets	20	**3,023**	12,211
Total non-current assets		**131,717**	235,551
CURRENT ASSETS			
Inventories	21	**7,749**	29,664
Amounts due from contract customers	22	**6,866**	32,592
Trade receivables	23	**94,585**	91,668
Prepayments, deposits and other receivables	24	**56,844**	66,570
Available-for-sale investment	25	**–**	3,977
Income tax recoverable		**1,627**	1,073
Pledged deposits	26	**4,489**	5,057
Cash and cash equivalents	26	**629,287**	612,414
Total current assets		**801,447**	843,015
CURRENT LIABILITIES			
Trade and bills payables	27	**134,618**	146,215
Amounts due to contract customers	22	**9,503**	10,854
Income tax payable		**239**	153
Other payables and accruals	28	**89,300**	73,808
Total current liabilities		**233,660**	231,030
NET CURRENT ASSETS		**567,787**	611,985
TOTAL ASSETS LESS CURRENT LIABILITIES		**699,504**	847,536

Consolidated Statement Of Financial Position (continued)

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT LIABILITIES			
Trade and bills payables	27	**15,544**	–
Deferred income	29	**34,091**	34,091
Total non-current liabilities		**49,635**	34,091
Net assets		**649,869**	813,445
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	30	**677,460**	677,460
Reserves	32(a)(i)	**(54,690)**	90,366
		622,770	767,826
Minority interests		**27,099**	45,619
Total equity		**649,869**	813,445

E Meng
Director

Wang Yong
Director

Consolidated Statement Of Changes In Equity

Year ended 31 December 2009

		Attributable to shareholders of the Company											
	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000 (note 32(a)(ii))	Share option reserve HK$'000 (note 32(a)(iii))	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC reserve funds HK$'000 (note 32(a)(iv))	Accu-mulated losses HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
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
Total comprehensive income/(loss) for the year		–	–	–	–	–	17,684	–	(414,598)	–	(396,914)	(5,054)	(401,968)
Exercise of share options	30(a)	5,700	1,039	–	(1,039)	–	–	–	–	–	5,700	–	5,700
Repurchase and cancellation of shares	30(b)	(9,721)	–	9,721	–	–	–	–	(10,604)	–	(10,604)	–	(10,604)
Equity-settled share option arrangements	31(a)	–	–	–	52,301	–	–	–	–	–	52,301	–	52,301
Capital contribution from a minority shareholder		–	–	–	–	–	–	–	–	–	–	1,705	1,705
Deemed disposal of a partial interest in an associate	6	–	–	–	–	(4,567)	(137)	(234)	4,938	–	–	–	–
Transfer to accumulated losses		–	–	–	–	(310,459)	–	–	310,459	–	–	–	–
Transfer to PRC reserve funds		–	–	–	–	–	–	446	(446)	–	–	–	–
Final 2007 dividend		–	–	–	–	–	–	–	(272)	(54,702)	(54,974)	–	(54,974)
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	–	(91)	(91)
At 31 December 2008 and 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**
Total comprehensive income/(loss) for the year		**-**	**-**	**-**	**-**	**-**	**3,889**	**-**	**(158,418)**	**-**	**(154,529)**	**(18,421)**	**(172,950)**
Equity-settled share option arrangements	31(a)	**-**	**-**	**-**	**8,623**	**-**	**-**	**-**	**-**	**-**	**8,623**	**-**	**8,623**
Transfer to accumulated losses		**-**	**-**	**-**	**(3,674)**	**(20,474)**	**-**	**-**	**24,148**	**-**	**-**	**-**	**-**
Transfer to PRC reserve funds		**-**	**-**	**-**	**-**	**-**	**-**	**624**	**(624)**	**-**	**-**	**-**	**-**
Share of reserves of an associate		**-**	**-**	**-**	**-**	**850**	**-**	**-**	**-**	**-**	**850**	**-**	**850**
Dividends paid to minority shareholders		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(99)**	**(99)**
At 31 December 2009		**677,460**	**170,319***	**9,721***	**71,069***	**850***	**45,705***	**41,455***	**(393,809)***	**-**	**622,770**	**27,099**	**649,869**

* These reserve accounts comprise the negative reserves of HK$54,690,000 (2008: reserves of HK$90,366,000) in the consolidated statement of financial position.

Consolidated Statement Of Cash Flows

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(166,542)**	(431,267)
Adjustments for:			
Share of profits and losses of jointly-controlled entities	18(a)	**(1,033)**	(889)
Share of profits and losses of associates	19(a)	**16,718**	17,982
Bank interest income	5	**(5,524)**	(10,378)
Imputed interest on interest-free trade and other receivables with extended credit periods	5	**(2,381)**	(1,094)
Losses on deemed disposal of a partial interest in an associate	6	**–**	2,394
Fair value loss/(gain) on investment properties	7	**(34)**	1,326
Provision against inventories, net	7	**1,106**	1,008
Loss on disposal of items of equipment, net	7	**37**	2
Loss on disposal of interests in a subsidiary	7	**–**	470
Depreciation	7	**3,345**	2,487
Amortisation of other intangible assets	7	**2,411**	2,730
Impairment of goodwill	15	**58,625**	–
Impairment of interest in an associate	19(a)	**18,703**	310,459
Impairment of amount due from an associate	7	**30**	33
Impairment/(reversal of impairment) of trade receivables, net	7	**5,697**	(1,656)
Reversal of impairment of other receivables, net	7	**–**	(1,150)
Employee share option expense	7	**8,623**	52,301
		(60,219)	(55,242)
Decrease in inventories		**20,809**	6,422
Decrease/(increase) in amounts due from contract customers		**25,726**	(675)
Decrease/(increase) in trade receivables		**(4,732)**	5,860
Decrease in prepayments, deposits and other receivables		**9,726**	19,568
Increase/(decrease) in trade and bills payables		**3,947**	(84,083)
Decrease in amounts due to contract customers		**(1,351)**	(5,689)
Increase in other payables and accruals		**15,492**	36,772
Cash generated from/(used in) operations		**9,398**	(77,067)
Interest received		**5,524**	10,378
Overseas and Mainland China corporate income taxes paid		**(1,592)**	(3,927)
Dividends paid to minority shareholders		**(99)**	(91)
Net cash flows from/(used in) operating activities		**13,231**	(70,707)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of equipment	13	**(3,210)**	(5,121)
Proceeds from disposal of items of equipment		**559**	29
Purchases of other intangible assets	16	**(643)**	(479)
Disposal of a subsidiary	33	**–**	12,318
Decrease in amount due from a jointly-controlled entity		**2,313**	38
Increase in amount due from an associate		**(30)**	(33)
Purchase of an available-for-sale investment		**–**	(3,977)
Proceeds from disposal of an available-for-sale investment		**3,977**	–
Increase in time deposits with maturity of more than three months when acquired		**(31,819)**	(126,136)
Decrease in pledged deposits		**568**	5,507
Net cash flows used in investing activities		**(28,285)**	(117,854)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	30(a)	**–**	5,700
Repurchase of shares	30(b)	**–**	(10,604)
Dividend paid		**–**	(54,974)
Capital contributions from minority shareholders		**–**	1,705
Net cash flows used in financing activities		**–**	(58,173)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(15,054)**	(246,734)
Cash and cash equivalents at beginning of year		**486,278**	718,373
Effect of foreign exchange rate changes, net		**108**	14,639
CASH AND CASH EQUIVALENTS AT END OF YEAR		**471,332**	486,278
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**633,776**	617,471
Less: Pledged deposits	26	**(4,489)**	(5,057)
Cash and cash equivalents as stated in the consolidated statement of financial position		**629,287**	612,414
Less: Time deposits with maturity of more than three months when acquired		**(157,955)**	(126,136)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**471,332**	486,278

Statement Of Financial Position

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Equipment	13	**221**	252
Interests in subsidiaries	17	**216,086**	532,899
Total non-current assets		**216,307**	533,151
CURRENT ASSETS			
Prepayments, deposits and other receivables	24	**26,916**	25,007
Cash and cash equivalents	26	**395,467**	210,181
Total current assets		**422,383**	235,188
CURRENT LIABILITIES			
Other payables and accruals	28	**7,894**	8,934
NET CURRENT ASSETS		**414,489**	226,254
Net assets		**630,796**	759,405
EQUITY			
Issued capital	30	**677,460**	677,460
Reserves	32(b)	**(46,664)**	81,945
Total equity		**630,796**	759,405

E Meng
Director

Wang Yong
Director

Notes To Financial Statements

31 December 2009

1. Corporate Information

Beijing Development (Hong Kong) Limited (the "Company") is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at Room 3401, 34th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally involved in the provision of information technology ("IT") related services, which included: (i) system integration; (ii) the construction of information networks and sale of related equipment; (iii) the provision of IT technical support and consultation services; (iv) the development and sale of software; and (v) the implementation of smart card systems.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries in prior years had been accounted for using the purchase method of accounting. This method involved allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition was measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

Notes To Financial Statements

31 December 2009

2.2 Changes in Accounting Policy and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKFRS 8 Amendment*	Amendment to HKFRS 8 *Operating Segments – Disclosure of Information about Segment Assets* (early adopted)
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining Whether an Entity is Acting as a Principal or as an Agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in Improvements to HKFRSs 2009 (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*, which is effective for annual periods beginning on or after 1 July 2009.

Notes To Financial Statements

31 December 2009

2.2 Changes in Accounting Policy and Disclosures (continued)

Other than as further explained below regarding the impact of HKFRS 1 and HKAS 27 Amendments, HKFRS 8 and HKAS 1 (Revised), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

(a) Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The HKAS 27 Amendment requires all dividends from subsidiaries, jointly-controlled entities or associates to be recognised in the income statement in the parent's separate financial statements. The distinction between pre and post acquisition profits is no longer required. However, the payment of such dividends requires the Group to consider whether there is an indicator of impairment. The amendment is applied prospectively. HKAS 27 has also been amended to deal with the measurement of the cost of investments where a parent reorganises the structure of its group by establishing a new entity as its parent. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

(b) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, 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.

HKFRS 8 Amendments clarifies that segment assets and liabilities need only to be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

(c) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes 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 two statements.

Notes To Financial Statements

31 December 2009

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters* [2]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

Notes To Financial Statements

31 December 2009

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (continued)

Further information about those changes that are expected to be relevant to the Group is as follows:

The HKFRS 2 Amendments provide guidance on how to account for cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods and services when the entity has no obligation to settle the share-based payment transactions. The amendments also incorporate guidance that was previously included in HK(IFRIC)-Int 8 *Scope of HKFRS 2* and HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions*. The Group expects to adopt the HKFRS 2 Amendments from 1 January 2010. The amendments are unlikely to have any significant implications on the Group's accounting for share-based payments.

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised HKAS 27 changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*. The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect the accounting of future acquisitions, loss of control and transactions with minority interests.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39. HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety by the end of 2010. The Group expects to adopt HKFRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and is in the process of making an assessment of the impact upon the adoption of the revised standard on the Group's related party disclosures.

Notes To Financial Statements

31 December 2009

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (continued)

The HKAS 32 Amendment revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The Group expects to adopt the HKAS 32 Amendment from 1 January 2011. As the Group currently has no rights, options or warrants issued pro rata to all of its existing owners, the amendment is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Group expects to apply the interpretation from 1 January 2010 prospectively. The interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in the income statement. Other consequential amendments were made to HKAS 10 *Events after the Reporting Period* and HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any significant financial impact on the Group.

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* in May 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKAS 18 and the amendment to HKFRS 8, the Group expects to adopt the amendments from 1 January 2010. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to be relevant to the Group are as follows:

(a) HKFRS 2 *Share-based Payment*: Clarifies that a contribution of a business on the formation of a joint venture and combination of entities or businesses under common control is not within the scope of HKFRS 2 even though it is outside the scope of HKFRS 3.

(b) HKAS 1 *Presentation of Financial Statements*: States that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

(c) HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

(d) HKAS 36 *Impairment of Assets*: Clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in HKFRS 8 before aggregation for financial reporting purposes.

Notes To Financial Statements

31 December 2009

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any accumulated impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Group has a contractual right to exercise a dominant influence with respect to the joint venture's financial and operating policies;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39 if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Notes To Financial Statements

31 December 2009

2.4 Summary of Significant Accounting Policies (continued)

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Goodwill arising from the acquisition of a jointly-controlled entity is included as part of the Group's interests in jointly-controlled entities.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Goodwill arising from the acquisition of an associate is included as part of the Group's interests in associates and is not individually tested for impairment.

Notes To Financial Statements

31 December 2009

2.4 Summary of Significant Accounting Policies (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a jointly-controlled entity;

(c) the party is an associate;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Goodwill

Goodwill arising on the acquisition of subsidiaries, a jointly-controlled entity and an associate represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of a jointly-controlled entity and an associate, goodwill is included in the carrying amount thereof, rather than as a separately identified asset in the consolidated statement of financial position.

Notes To Financial Statements

31 December 2009

2.4 Summary of Significant Accounting Policies (continued)

Goodwill (continued)

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Equipment and depreciation

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Notes To Financial Statements

31 December 2009

2.4 Summary of Significant Accounting Policies (continued)

Equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 10 years
Furniture, fixtures and office equipment	10% to 20%
Motor vehicles	12.5% to 50%

Where parts of an item of equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the period of the retirement or disposal.

Notes To Financial Statements

31 December 2009

2.4 Summary of Significant Accounting Policies (continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

Management information systems

Management information systems are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful life of 10 years.

Licences

Licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful life of 5 years.

Computer software

Computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

Notes To Financial Statements

31 December 2009

2.4 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, goodwill, deferred tax assets, financial assets, inventories and amounts due from contract customers), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior periods. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables and available-for-sale investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Notes To Financial Statements

31 December 2009

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Other income and gain" in the income statement. The loss arising from impairment is recognised in "Other expenses, net" in the income statement.

(b) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in "Other expenses, net" and removed from the investment valuation reserve. Dividends earned are reported as investment income and are recognised in "Other income and gain" in the income statement in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for those investments or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any accumulated impairment losses.

Notes To Financial Statements

31 December 2009

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to "Other expenses, net" in the income statement.

Notes To Financial Statements

31 December 2009

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Available-for-sale investments carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity investment that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities of the Group within the scope of HKAS 39 are all classified as loans and borrowings, which are recognised initially at fair value less directly attributable transaction costs.

Notes To Financial Statements

31 December 2009

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Subsequent measurement

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. The effective interest rate amortisation is included in "Finance costs" in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Treasury shares

The Company's own ordinary shares which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Company's own ordinary shares.

Upon repurchase and cancellation of the Company's own ordinary shares, the issued share capital of the Company is reduced by the nominal value thereof and the premium paid on repurchase of the Company's own ordinary shares is charged to the retained profits/accumulated losses of the Company. Pursuant to Section 49H of the Hong Kong Companies Ordinance, an amount equivalent to nominal value of the shares cancelled upon repurchase is transferred from the retained profits/accumulated losses of the Company to the capital redemption reserve.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Notes To Financial Statements

31 December 2009

2.4 Summary of Significant Accounting Policies (continued)

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage-of-completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Notes To Financial Statements

31 December 2009

2.4 Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Finance costs" in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes To Financial Statements

31 December 2009

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes To Financial Statements

31 December 2009

2.4 Summary of Significant Accounting Policies (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;

(c) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" above;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(f) investment income, when the right to receive payment has been established.

Notes To Financial Statements

31 December 2009

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits

Share-based payment transactions

The Company and China Information Technology Development Limited ("CITD"), an associate of the Company, each operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's and CITD group's operations, respectively. Employees (including directors) of the respective groups receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair values are determined by external valuers using a Black-Scholes-Merton option pricing model, further details of which are given in note 31(a) to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the share option reserve, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's and CITD group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group, CITD group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

Notes To Financial Statements

31 December 2009

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

The dilutive effect of outstanding options, if any, is reflected as additional share dilution in the computation of earnings per share.

Upon the exercise of share options, the resulting shares issued are recorded by the Company or CITD as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company or CITD in their respective share premium accounts.

In addition, at the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to the share premium account. Options which are cancelled prior to their exercise date or lapse are deleted from the register of outstanding options. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits/accumulated losses.

Pension schemes

Certain companies within the Group have participated in a number of defined contribution retirement benefit schemes required by the respective governments of the places in which they operate for their employees, the assets of the schemes are held separately from those of the Group in independently administered funds. Contributions are made based on a certain percentage of the covered payroll and are charged to the income statement as they become payable in accordance with the rules of the schemes. The Group's employer contributions vest fully with the employees when contributed into the schemes.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred.

Notes To Financial Statements

31 December 2009

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas and Mainland China subsidiaries, jointly-controlled entities and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of the exchange fluctuation reserve relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas and Mainland China subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas and Mainland China subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Notes To Financial Statements

31 December 2009

3. Significant Accounting Judgements and Estimates (continued)

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Useful lives and residual values of equipment and intangible assets (other than goodwill)

The Group's management determines the useful lives, residual values and related depreciation/amortisation charges for the Group's equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives and residual values of equipment and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation/amortisation charges where useful lives or residual values are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable/amortisable lives and therefore depreciation/amortisation in the future periods. The carrying amounts of equipment and intangible assets (other than goodwill) carried as assets in the consolidated statement of financial position as at 31 December 2009 were HK$10,559,000 (2008: HK$11,290,000) and HK$5,110,000 (2008: HK$6,878,000), respectively, details of which are set out in notes 13 and 16 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill in aggregate carried as an asset in the consolidated statement of financial position as at 31 December 2009 was HK$10,000,000 (2008: HK$68,625,000), details of which are set out in note 15 to the financial statements.

Impairment of equipment and intangible assets (other than goodwill)

The carrying amounts of items of equipment and intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in note 2.4 to the financial statements. The recoverable amount of an item of equipment is the higher of its fair value less costs to sell and value in use, and calculations of which involve the use of estimates. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

Notes To Financial Statements

31 December 2009

3. Significant Accounting Judgements and Estimates (continued)

Provision against obsolete and slow-moving inventories

Management reviews the condition of inventories of the Group and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation by the end of each reporting period.

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed. The carrying amount of inventories carried as assets in the consolidated statement of financial position as at 31 December 2009 was HK$7,749,000 (2008: HK$29,664,000), details of which are set out in note 21 to the financial statements.

Provision for impairment of trade receivables and other receivables

The policy for provision for impairment of trade receivables and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors are to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of trade receivables and other receivables carried as assets in the consolidated statement of financial position as at 31 December 2009 were HK$118,025,000 (2008: HK$116,609,000) and HK$55,948,000 (2008: HK$66,199,000), respectively, details of which are set out in notes 23 and 24 to the financial statements.

Percentage of completion of construction work and service contracts

The Group recognises revenue according to the percentage of completion of the individual contract of construction work and services. The Group's management estimates the percentage of completion of construction work and service contracts based on the actual cost incurred over the total budgeted cost, where corresponding contract revenue is also estimated by management. Because of the nature of the activity undertaken in construction contracts and service contracts, the date at which the activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each construction contract and service contract as the contract progresses.

Notes To Financial Statements

31 December 2009

3. Significant Accounting Judgements and Estimates (continued)

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong, Mainland China and overseas jurisdictions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact on the recognition of deferred tax assets and tax in the periods in which such estimates have been changed. The carrying amount of deferred tax assets carried as assets in the consolidated statement of financial position as at 31 December 2009 was HK$3,023,000 (2008: HK$12,211,000), details of which are set out in note 20 to the financial statements.

4. Operating Segment Information

Over 90% of the Group's revenue, expenses and assets are generated from the provision of 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 results 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 5 to the 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 year, 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 this customer amounted to HK$112,952,000 (2008: HK$126,913,000 from two customers in aggregate).

Notes To Financial Statements

31 December 2009

5. Revenue and Other Income and Gain

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 received and receivable from investment properties during the year.

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

	Group	
	2009	2008
	HK$'000	HK$'000
Revenue		
Construction contracts	**132,452**	210,045
Sale of software	**62,496**	59,799
Rendering of services	**28,659**	20,467
Gross rental income	**1,769**	2,912
	225,376	293,223
Other income		
Bank interest income	**5,524**	10,378
Imputed interest on interest-free trade receivables with extended credit periods	**2,381**	1,094
Investment income	**407**	837
Others	**191**	390
	8,503	12,699
Gain		
Fair value gain on investment properties (note 14)	**34**	–
Other income and gain	**8,537**	12,699

Notes To Financial Statements

31 December 2009

6. 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 year ended 31 December 2008 arose from the conversion of convertible bonds of CITD by a bondholder for 261,000,000 new ordinary shares of CITD in aggregate during the period from February to April 2008. As further explained in note 19(b) to the financial statements, no relevant and reliable financial information had been made available to enable the Group to account for its interests in CITD for the year ended 31 December 2008. Accordingly, the losses on deemed disposal of CITD recognised during the year ended 31 December 2008 were determined based on the carrying amount of the Group's interest in CITD as at 31 December 2007.

7. Loss Before Tax

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

		Group	
	Notes	**2009 HK$'000**	2008 HK$'000
Cost of inventories sold		**204,560**	277,836
Cost of services provided		**21,933**	12,398
Provision against inventories, net		**1,106**	1,008
Depreciation	13	**3,345**	2,487
Minimum lease payments under operating leases of land and buildings		**7,177**	8,475
Amortisation of other intangible assets[@]	16	**2,411**	2,730
Fair value loss/(gain) on investment properties	14	**(34)**	1,326
Impairment of goodwill[#]	15, 19(d)	**58,625**	17,983
Impairment of amount due from an associate	19(f)	**30**	33
Impairment/(reversal of impairment) of trade receivables, net	23(b)	**5,697**	(1,656)
Reversal of impairment of other receivables, net	24(b)	**–**	(1,150)
Loss on disposal of items of equipment, net		**37**	2
Loss on disposal of interest in a subsidiary	33	**–**	470
Auditors' remuneration:			
Current year's provision		**2,340**	2,580
Prior year's overprovision		**(20)**	(142)
		2,320	2,438

Notes To Financial Statements

31 December 2009

7. Loss Before Tax (continued)

		Group	
	Note	**2009** **HK$'000**	2008 HK$'000
Employee benefit expense (including directors' remuneration – note 8):			
Wages and salaries		**33,096**	39,078
Pension scheme contributions		**1,470**	1,852
Equity-settled share option expense	31(a)	**8,623**	52,301
		43,189	93,231
Rental income on investment properties		**(1,769)**	(2,912)
Less: Direct operating expenses		**1,698**	2,068
		(71)	(844)
Foreign exchange differences, net		**89**	390

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

The impairment of goodwill recognised in the income statement for the year ended 31 December 2009 is an impairment provision against the goodwill arising on the acquisition of a subsidiary (note 15), which is included in "Other expenses, net" in the consolidated income statement.

The impairment of goodwill recognised in the income statement for the year ended 31 December 2008 is an impairment provision against the goodwill arising on the acquisition of CITD (notes 19(b) and (d)), which is included in "Share of profits and losses of associates" in the consolidated income statement.

Notes To Financial Statements

31 December 2009

8. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Fees:		
Executive directors	**600**	585
Independent non-execution directors	**360**	360
	960	945
Other emoluments:		
Salaries, allowances and benefits in kind	**1,745**	1,709
Pension scheme contributions	**198**	193
Equity-settled share option expense	**4,624**	28,965
	6,567	30,867
	7,527	31,812

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

Notes To Financial Statements

31 December 2009

8. Directors' Remuneration (continued)

(a) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
2009					
Mr. E Meng	**100**	**–**	**–**	**684**	**784**
Mr. Zhang Honghai	**100**	**–**	**–**	**1,034**	**1,134**
Mr. Wang Yong	**100**	**561**	**65**	**912**	**1,638**
Mr. Cao Wei	**100**	**592**	**66**	**608**	**1,366**
Mr. Yan Qing	**100**	**592**	**66**	**487**	**1,245**
Mr. Ng Kong Fat, Brian	**100**	**–**	**1**	**608**	**709**
	600	**1,745**	**198**	**4,333**	**6,876**
2008					
Mr. E Meng	100	–	–	6,062	6,162
Mr. Zhang Honghai	100	–	–	5,118	5,218
Mr. Wang Yong	100	522	60	5,116	5,798
Mr. Cao Wei	100	538	60	4,390	5,088
Mr. Yan Qing	21	111	12	306	450
Mr. Ng Kong Fat, Brian	100	–	1	3,910	4,011
Mr. Li Kangying#	64	538	60	2,637	3,299
Dr. Yu Xiaoyang#	–	–	–	–	–
	585	1,709	193	27,539	30,026

Mr. Li Kangying and Dr. Yu Xiaoyang resigned as executive directors of the Company on 17 October 2008 and 4 February 2008, respectively.

Notes To Financial Statements

31 December 2009

8. Directors' Remuneration (continued)

(b) Independent non-executive directors

	Fees	Equity-settled share option expense	Total remuneration
	HK$'000	HK$'000	HK$'000
2009			
Dr. Jin Lizuo	**120**	**103**	**223**
Dr. Huan Guocang	**120**	**94**	**214**
Dr. Wang Jianping	**120**	**94**	**214**
	360	**291**	**651**
2008			
Dr. Jin Lizuo	120	512	632
Dr. Huan Guocang	120	457	577
Dr. Wang Jianping	120	457	577
Mr. Cao Guixing#	–	–	–
Prof. Liu Wei#	–	–	–
	360	1,426	1,786

Mr. Cao Guixing and Prof. Liu Wei resigned as independent non-executive directors of the Company on 31 January 2008.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes To Financial Statements

31 December 2009

9. Five Highest Paid Employees

The five highest paid employees during the year included four (2008: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2008: one) non-director, highest paid employee for the year are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,078**	1,078
Discretionary bonuses	**–**	20
Pension scheme contributions	**12**	12
Equity-settled share option expense	**775**	4,198
	1,865	5,308

In prior years, share options were granted to the non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 31 to the financial statements. The fair value of such options, which has been recognised to the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

Notes To Financial Statements

31 December 2009

10. Income tax

No provision for Hong Kong profits tax has been made for the year ended 31 December 2009 as the Group did not generate any assessable profits arising in Hong Kong during the year (2008: 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.

	Group	
	2009	2008
	HK$'000	HK$'000
Current – Elsewhere		
Charge for the year	**1,048**	403
Underprovision in prior years	**76**	479
Deferred (note 20)	**9,188**	(11,458)
Total tax charge/(credit) for the year	**10,312**	(10,576)

A reconciliation of the tax expense/(credit) applicable to loss before tax at the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Notes To Financial Statements

31 December 2009

10. Income tax (continued)

Group

	Hong Kong HK$'000	Hong Kong %	Mainland China HK$'000	Mainland China %	Overseas HK$'000	Overseas %	Total HK$'000	Total %
2009								
Loss before tax	(115,912)		(50,603)		(27)		(166,542)	
Tax at the statutory tax rate	(19,124)	16.5	(12,652)	25.0	(5)	18.0	(31,781)	19.1
Lower tax rate for specific provinces or local authority	–	–	(304)	0.6	–	–	(304)	0.2
Profits and losses attributable to jointly-controlled entities	–	–	(258)	0.5	–	–	(258)	0.2
Profits and losses attributable to associates	–	–	(8)	–	–	–	(8)	–
Income not subject to tax	(17)	–	(59)	0.1	–	–	(76)	–
Expenses not deductible for tax	17,266	(14.9)	173	(0.3)	5	(18.0)	17,444	(10.5)
Tax losses not recognised	1,875	(1.6)	23,420	(46.3)	–	–	25,295	(15.2)
Tax charge at the Group's effective rate	–	–	10,312	(20.4)	–	–	10,312	(6.2)
2008								
Loss before tax	(393,430)		(37,100)		(737)		(431,267)	
Tax at the statutory tax rate	(64,916)	16.5	(9,275)	25.0	(221)	30.0	(74,412)	17.3
Effect on opening deferred tax of increase in rates	–	–	(469)	1.3	–	–	(469)	0.1
Adjustments in respect of current tax of previous periods	–	–	475	(1.3)	4	(0.5)	479	(0.1)
Profits and losses attributable to jointly-controlled entities	–	–	(222)	0.6	–	–	(222)	–
Profits and losses attributable to associates	2,967	(0.8)	–	–	–	–	2,967	(0.7)
Income not subject to tax	(1,456)	0.4	(314)	0.8	–	–	(1,770)	0.4
Expenses not deductible for tax	60,995	(15.5)	536	(1.4)	221	(30.0)	61,752	(14.3)
Tax losses not recognised	2,410	(0.6)	3,737	(10.1)	–	–	6,147	(1.4)
Other previously unrecognised deferred tax assets recognised during the year	–	–	(5,048)	13.6	–	–	(5,048)	1.2
Tax charge/(credit) at the Group's effective rate	–	–	(10,580)	28.5	4	(0.5)	(10,576)	2.5

Notes To Financial Statements

31 December 2009

11. Loss for the Year Attributable to Shareholders of the Company

The consolidated loss attributable to shareholders of the Company for the year ended 31 December 2009 includes a loss of HK$137,232,000 (2008: HK$167,924,000) which has been dealt with in the financial statements of the Company (note 32(b)).

12. Loss per Share Attributable to Shareholders of the Company

The calculation of the basic loss per share amount is based on the loss for the year attributable to shareholders of the Company and the weighted average of 677,460,150 (2008: 683,962,150) ordinary shares in issue during the year.

In respect of the diluted loss per share amounts presented, no adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2009 and 2008 as (i) the share options of the Company outstanding during these years have an anti-dilutive effect on the respective basic loss per share amounts for these years; 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 respective basic loss per share amounts for these years.

Notes To Financial Statements

31 December 2009

13. Equipment

Group

	Leasehold improve-ments HK$'000	Furniture fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2009				
At 31 December 2008 and 1 January 2009:				
Cost	**3,482**	**23,995**	**6,641**	**34,118**
Accumulated depreciation	**(2,540)**	**(17,137)**	**(3,151)**	**(22,828)**
Net carrying amount	**942**	**6,858**	**3,490**	**11,290**
Net carrying amount:				
At 1 January 2009	**942**	**6,858**	**3,490**	**11,290**
Additions	**–**	**2,336**	**874**	**3,210**
Depreciation provided during the year	**(731)**	**(1,574)**	**(1,040)**	**(3,345)**
Disposals	**–**	**(440)**	**(156)**	**(596)**
At 31 December 2009	**211**	**7,180**	**3,168**	**10,559**
At 31 December 2009:				
Cost	**2,742**	**24,931**	**7,014**	**34,687**
Accumulated depreciation	**(2,531)**	**(17,751)**	**(3,846)**	**(24,128)**
Net carrying amount	**211**	**7,180**	**3,168**	**10,559**
31 December 2008				
At 1 January 2008:				
Cost	3,055	20,567	4,106	27,728
Accumulated depreciation	(2,462)	(14,835)	(2,282)	(19,579)
Net carrying amount	593	5,732	1,824	8,149
Net carrying amount:				
At 1 January 2008	593	5,732	1,824	8,149
Additions	739	2,275	2,107	5,121
Depreciation provided during the year	(422)	(1,500)	(565)	(2,487)
Disposals	–	(31)	–	(31)
Exchange realignment	32	382	124	538
At 31 December 2008	942	6,858	3,490	11,290

Notes To Financial Statements

31 December 2009

13. Equipment (continued)

Company

	Leasehold improvements HK$'000	Furniture fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2009				
At 31 December 2008 and 1 January 2009:				
Cost	**344**	**469**	**161**	**974**
Accumulated depreciation	**(324)**	**(312)**	**(86)**	**(722)**
Net carrying amount	**20**	**157**	**75**	**252**
Net carrying amount:				
At 1 January 2009	**20**	**157**	**75**	**252**
Additions	**–**	**53**	**–**	**53**
Depreciation provided during the year	**(20)**	**(57)**	**(7)**	**(84)**
At 31 December 2009	**–**	**153**	**68**	**221**
At 31 December 2009:				
Cost	**344**	**522**	**161**	**1,027**
Accumulated depreciation	**(344)**	**(369)**	**(93)**	**(806)**
Net carrying amount	**–**	**153**	**68**	**221**
31 December 2008				
At 1 January 2008:				
Cost	811	365	–	1,176
Accumulated depreciation	(669)	(248)	–	(917)
Net carrying amount	142	117	–	259
Net carrying amount:				
At 1 January 2008	142	117	–	259
Additions	–	125	161	286
Depreciation provided during the year	(122)	(85)	(86)	(293)
At 31 December 2008	20	157	75	252

Notes To Financial Statements

31 December 2009

14. Investment Properties

	Group	
	2009	2008
	HK$'000	HK$'000
Carrying amount at 1 January	**43,730**	42,180
Fair value gain/(loss) on revaluation	**34**	(1,326)
Exchange realignment	**–**	2,876
Carrying amount at 31 December	**43,764**	43,730

The Group's investment properties are situated in Mainland China and are held under medium term leases. As the investment properties are situated in a location under a proposed redevelopment plan of the Beijing Municipal Government and the investment properties may be subject to demolishment in the near future, at 31 December 2009, the investment properties were revalued by 北京中立華資產評估有限責任公司, independent professionally qualified valuers registered in the PRC, in accordance with the relevant rules and regulations applicable to the demolishment. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 35(a) to the financial statements.

Notes To Financial Statements

31 December 2009

15. Goodwill

The amount of the goodwill capitalised as an asset in the consolidated statement of financial position, arising on the acquisition of a subsidiary, is as follows:

	Group	
	2009 **HK$'000**	2008 HK$'000
At 1 January:		
Cost	**103,970**	103,970
Accumulated impairment	**(35,345)**	(35,345)
Net carrying amount	**68,625**	68,625
Net carrying amount:		
At 1 January	**68,625**	68,625
Impairment during the year recognised in the income statement	**(58,625)**	–
At 31 December	**10,000**	68,625
At 31 December:		
Cost	**103,970**	103,970
Accumulated impairment	**(93,970)**	(35,345)
Net carrying amount	**10,000**	68,625

The Group's goodwill as at 31 December 2009 and 2008 arose from the acquisition of Beijing Enterprises Teletron Information Technology Co., Ltd. ("BETIT"), a 72% owned subsidiary of the Group, which was defined as a single cash-generating unit.

The recoverable amount of the cash-generating unit as at 31 December 2009 is determined by reference to a business valuation performed by the directors of the Company (2008: CB Richard Ellis Limited, independent professionally qualified valuers), based on a value in use calculation. The calculation used cash flow projections based on financial budgets covering a five-year period as approved by senior management. The discount rate applied to the cash flow projections is 14% (2008: 14%), which is before tax and reflects specific risk relating to the relevant units. Budgeted gross margins are based on both the historical gross margin of the information technology and the expected market growth rate of 10% (2008: 10% to 20%). The values assigned to the key assumptions are consistent with external information sources.

An impairment provision of HK$58,625,000 (2008: Nil) was recognised in the income statement for the year with respect to the goodwill attributable to the cash-generating unit, as the senior management of the Group is of the opinion that the recoverable amount of the relevant business unit is less than its respective carrying amount with reference to the business valuation.

Notes To Financial Statements

31 December 2009

16. Other Intangible Assets

Group

	Management information systems HK$'000	Licences HK$'000	Computer software HK$'000	Total HK$'000
31 December 2009				
At 31 December 2008 and 1 January 2009:				
Cost	**22,727**	**2,273**	**479**	**25,479**
Accumulated amortisation	**(16,288)**	**(2,273)**	**(40)**	**(18,601)**
Net carrying amount	**6,439**	**–**	**439**	**6,878**
Net carrying amount:				
At 1 January 2009	**6,439**	**–**	**439**	**6,878**
Additions	**–**	**–**	**643**	**643**
Amortisation provided during the year	**(2,272)**	**–**	**(139)**	**(2,411)**
At 31 December 2009	**4,167**	**–**	**943**	**5,110**
At 31 December 2009:				
Cost	**22,727**	**2,273**	**1,122**	**26,122**
Accumulated amortisation	**(18,560)**	**(2,273)**	**(179)**	**(21,012)**
Net carrying amount	**4,167**	**–**	**943**	**5,110**
31 December 2008				
At 1 January 2008:				
Cost	21,277	2,128	–	23,405
Accumulated amortisation	(13,121)	(1,738)	–	(14,859)
Net carrying amount	8,156	390	–	8,546
Net carrying amount:				
At 1 January 2008	8,156	390	–	8,546
Additions	–	–	479	479
Amortisation provided during the year	(2,273)	(417)	(40)	(2,730)
Exchange realignment	556	27	–	583
At 31 December 2008	6,439	–	439	6,878

Notes To Financial Statements

31 December 2009

17. Interests in Subsidiaries

	Notes	Company 2009 HK$'000	2008 HK$'000
Unlisted investments, at cost		**235,413**	235,413
Due from subsidiaries	(a)	**418,091**	618,315
		653,504	853,728
Accumulated impairment of unlisted investments	(b)	**(51,599)**	(24,412)
Accumulated impairment of amounts due from subsidiaries	(c)	**(385,819)**	(296,417)
		(437,418)	(320,829)
		216,086	532,899

Notes:

(a) The amounts due from subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment.

(b) Included in the impairment during the year recognised in the income statement of the Company is an amount of HK$27,187,000 (2008: Nil) made against the Company's interest in BE Information Technology Group Limited, which holds a 72% equity interest in BETIT.

(c) The movement in the provision for impairment of the amounts due from subsidiaries during the year is as follows:

	Company 2009 HK$'000	2008 HK$'000
At 1 January	**296,417**	159,566
Impairment during the year recognised in the income statement	**89,402**	136,851
At 31 December	**385,819**	296,417

Notes To Financial Statements

31 December 2009

17. Interests in Subsidiaries (continued)

Notes: (continued)

(c) (continued)

Included in the impairment during the year recognised in the Company's separate income statement are:

(i) an aggregate amount of HK$30,809,000 (2008: HK$133,983,000) made against the Company's amounts of HK$177,908,000 (2008: HK$177,551,000) in aggregate due from Prime Technology Group Limited ("Prime") and E-tron Limited (collectively referred to as the "CITD Holding Subsidiaries") which hold a total of 29.18% equity interest in CITD, an associate of the Group listed on the Growth Enterprise Market of the Stock Exchange. The impairment loss was recognised following an impairment assessment carried out by the directors of the Company in response to, inter alia, the prolonged and significant decline in the market value of the shares of CITD held by the CITD Holding Subsidiaries at below their investment costs and the findings of the Special Investigation (as defined in note 19(b)). Further details about CITD and the impairment assessment are set out in note 19(b) to the financial statements; and

(ii) an aggregate amount of HK$58,593,000 (2008: Nil) made against the Company's amount due from certain subsidiaries.

(d) Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital/ registered capital	Percentage of attributable equity interest held by Company	Percentage of attributable equity interest held by Group	Principal activities
Beijing Enterprises Teletron Information Technology Co., Ltd.#	PRC/Mainland China	RMB100,000,000	–	72	System integration and provision of IT technical support and consultation services
北京北控電信通資訊科技有限公司#	PRC/Mainland China	RMB20,000,000	100	100	Office management
Beijing Enterprises Jetrich (Beijing) Limited#	PRC/Mainland China	US$2,450,000	–	72	Provision of total education solutions
Beijing Development Property Investment and Management Co., Ltd.*	PRC/Mainland China	US$4,000,000	–	85.5	Property investment

Notes To Financial Statements

31 December 2009

17. Interests in Subsidiaries (continued)

Notes: (continued)

(d) (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital/ registered capital	Percentage of attributable equity interest held by Company	Group	Principal activities
北京捷通瑞奇信息技術有限公司Ω	PRC/Mainland China	RMB5,000,000	–	63	System integration and provision of IT technical support services
北控軟件有限公司Ω	PRC/Mainland China	RMB50,000,000	–	68.4	Provision of management information system services
Beijing Enterprises UniCard Co., Ltd. ("BE UniCard")Ω	PRC/Mainland China	HK$50,000,000	–	71.7	Operation of electronic payment cards
Beijing Fitness Card Co., Ltd. ("Beijing Fitness Card")Ω	PRC/Mainland China	RMB10,000,000	–	85	Operation of electronic payment cards

\# Registered as wholly-foreign-owned enterprises under the PRC law

Ω Registered as limited liability companies under the PRC law

* Registered as a Sino-foreign joint venture under the PRC law

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes To Financial Statements

31 December 2009

18. Interests in Jointly-controlled Entities

	Notes	Group 2009 HK$'000	Group 2008 HK$'000
Share of net assets	(a)	**12,562**	12,365
Due from a jointly-controlled entity	(b)	**–**	1,477
		12,562	13,842

Notes:

(a) The following tables illustrate the summarised financial information of the Group's jointly-controlled entities:

	Group 2009 HK$'000	Group 2008 HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**81,855**	135,909
Current assets	**506,753**	368,410
Current liabilities	**(614,671)**	(520,752)
Minority interests	**(868)**	–
Losses in excess of investment cost not absorbed by the Group	**39,493**	28,798
Net assets	**12,562**	12,365
Share of the jointly-controlled entities' results:		
Revenue	**53,681**	86,122
Other income	**68,199**	50,555
Total revenue	**121,880**	136,677
Total expenses	**(131,552)**	(137,371)
Income tax	**(174)**	(397)
Minority interests	**184**	–
Loss for the year	**(9,662)**	(1,091)
Loss in excess of investment cost not absorbed by the Group	**10,695**	1,980
Profit for the year shared by the Group	**1,033**	889

Notes To Financial Statements

31 December 2009

18. Interests in Jointly-controlled Entities (continued)

Notes: (continued)

(b) The balance with the jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment.

(c) The amount of goodwill included in the interests in jointly-controlled entities of the Group, arising on the acquisition of 北京市政交通一卡通有限公司 ("BMAC"), is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
At 1 January and 31 December:		
Cost	**23,067**	23,067
Accumulated impairment	**(23,067)**	(23,067)
	–	–

(d) Particulars of the jointly-controlled entities, which are all indirectly held by the Company and registered/operated in the PRC, are as follows:

Name	Paid-up and registered capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
BMAC	RMB100,000,000	43	44.4	43	Operations of contactless multi-purpose electronic payment cards
北京教育信息網服務中心有限公司	RMB12,000,000	36	50	36	Provision of information network services

Notes To Financial Statements

31 December 2009

19. Interests in Associates

	Notes	Group 2009 HK$'000	2008 HK$'000
Share of net assets	(a)	**23,259**	364,493
Due from an associate	(c)	**15,673**	15,643
		38,932	380,136
Impairment of an associate	(e)	**–**	(310,459)
Impairment of the amount due from an associate	(f)	**(15,673)**	(15,643)
		23,259	54,034

Notes:

(a) The following tables illustrate the summarised financial information of the Group's associates:

	Group 2009 HK$'000	2008 HK$'000
Share of the associates' assets and liabilities:		
Non-current assets	**11,154**	323,892
Current assets	**68,239**	119,620
Current liabilities	**(28,549)**	(36,456)
Non-current liabilities	**(23,433)**	(38,827)
Minority interests	**(4,152)**	(3,736)
Net assets	**23,259**	364,493
Share of the associates' results:		
Revenue	**41,236**	5,861
Profit/(loss) for the year	**(16,718)**	1
Impairment of goodwill during the year recognised in the income statement (notes (b) and (d))	**–**	(17,983)
Total loss for the year shared by the Group	**(16,718)**	(17,982)
Impairment of interest in an associate (note (b))	**(18,703)**	(310,459)

Notes To Financial Statements

31 December 2009

19. Interests in Associates (continued)

Notes: (continued)

(b) As further explained in the financial statements of the Company for the year ended 31 December 2008, on 6 February 2009, each of CITD (an associate held as to 29.18% by the Group and listed on the Growth Enterprise Market of the Stock Exchange) and the Company made a public announcement to advise their respective shareholders and potential investors that, in the course of auditing CITD's financial statements for the year ended 31 December 2008, the auditors of CITD were aware of unusual transaction data being recorded in the revenue recording system in Mingsuo (an Internet platform which provides corporate information enquiry services to its members) and a special committee had been established by CITD to investigate into the matter (the "Special Investigation"). The directors of the Company were advised by the management of CITD that, since the revenue of Mingsuo represented a significant part of the overall revenue of the CITD group, any significant findings of the Special Investigation might have a correspondingly significant impact on the CITD group's operational and financial performance. The trading of the shares of CITD has been suspended since 29 January 2009.

When the financial statements of the Company for the year ended 31 December 2008 were approved for issue on 30 March 2009, the Special Investigation had not yet been completed and no further information or pronouncement had been made by CITD in respect of the Special Investigation by that date.

Since no relevant and reliable financial information had been made available to enable the Group to account for its interests in CITD for the year ended 31 December 2008 in accordance with HKAS 28 *Investments in Associates*, the Group did not equity account for any operating results of CITD for the year ended 31 December 2008 in the preparation of the consolidated financial statements of the Company for that year.

In view of (1) the prolonged decline in the market value of the shares of CITD held by the Group during the year ended 31 December 2008 which was materially below the Group's interest in CITD as at 31 December 2007; (2) the downturn in the stock market and global economy at that time; and (3) the uncertainty as to the ultimate findings of the Special Investigation, in the opinion of the directors of the Company, a full impairment provision in respect of the Group's share of the goodwill standing in the books of CITD was required. Therefore, impairment provisions of HK$310,459,000 (note (e)) and HK$17,983,000 (note (d)) against the Group's interests in CITD and the goodwill arising on the acquisition of CITD and its subsidiaries in prior years were recognised in the consolidated income statement for the year ended 31 December 2008, respectively.

On 19 May 2009, CITD made a further public announcement to disclose the findings from the Special Investigation (the "Findings") which is summarised below:

- doubtful or questionable genuineness as to certain transaction records in Mingsuo system;
- doubtful or questionable genuineness as to certain transactions of Huayuan Run Tong (Beijing) Sci-Tech Co., Ltd. ("Run Tong"), a CITD's subsidiary and the operator of Mingsuo system;
- doubtful or questionable genuineness as to certain assets of Run Tong;
- agents, suppliers and customers which might be controlled by Run Tong; and
- suspicious agents and suppliers of Run Tong.

Notes To Financial Statements

31 December 2009

19. Interests in Associates (continued)

Notes: (continued)

(b) (continued)

On 31 March 2010, CITD has published its consolidated financial statements for the years ended 31 December 2008 and 2009. As disclosed in the CITD's independent auditors' report for the year ended 31 December 2008, the independent auditors of CITD do not express an opinion as to whether the consolidated financial statements of CITD for the year ended 31 December 2008 give a true and fair view of the state of affairs of the CITD group as at 31 December 2008 and of the loss and cash flows of the CITD group for the year then ended in accordance with the HKFRSs. In the absence of reliable and relevant financial information relating to the operating results of CITD for the year ended 31 December 2008, in the opinion of the directors, it is more appropriate for the Group to continue not to equity account for any operating results of CITD for the year ended 31 December 2008 and hence the comparative financial statements were not restated. Accordingly, any difference between the Group's share of the audited results of CITD for the year ended 31 December 2008 and the amount previously recognised in the Group's consolidated financial statements for the year ended 31 December 2008 in respect of impairment of the Group's interests in CITD would be recognised as an additional impairment provision in the current year's income statement.

For the year ended 31 December 2009, the Group has equity accounted for the interest in CITD in accordance with HKAS 28, and made an additional provision of impairment against its carrying value for HK$18,703,000.

Included in the analysis of the share of assets and liabilities, and results of associates attributable to the Group in note (a) above are the following balances attributable to CITD:

	Group	
	2009 HK$'000	2008 HK$'000
Share of CITD's assets and liabilities:		
Non-current assets	**10,953**	323,859
Current assets	**57,936**	112,228
Current liabilities	**(20,536)**	(31,488)
Non-current liabilities	**(23,433)**	(38,827)
Minority interests	**(4,152)**	(3,736)
Net assets	**20,768**	362,036
Share of CITD's results:		
Revenue	**33,329**	–
Loss for the year	**(16,752)**	–
Impairment of goodwill during the year recognised in the income statement (note (d))	**–**	(17,983)
Total loss for the year shared by the Group	**(16,752)**	(17,983)
Impairment of interest in an associate	**(18,703)**	(310,459)

Notes To Financial Statements

31 December 2009

19. Interests in Associates (continued)

Notes: (continued)

(c) The balance with the associate is unsecured, interest-free and has no fixed terms of repayment. The Group's trade payable balance with associates is disclosed in note 27 to the financial statements.

(d) The amount of the goodwill capitalised as an asset included in the interests in associates, arising on the acquisition of CITD and its subsidiaries, is as follows:

	Group	
	2009 HK$'000	2008 HK$'000
At 1 January:		
Cost	**17,983**	18,735
Accumulated impairment	**(17,983)**	–
	–	18,735
Net carrying amount:		
At 1 January	**–**	18,735
Impairment during the year recognised in the income statement (note (b))	**–**	(17,983)
Derecognition upon deemed disposal of a partial interest in an associate @	**–**	(752)
At 31 December	**–**	–
At 31 December:		
Cost	**17,983**	17,983
Accumulated impairment	**(17,983)**	(17,983)
	–	–

@ Goodwill of HK$752,000 in aggregate was derecognised during the year ended 31 December 2008 upon the dilution of the Group's effective equity interest in CITD following the conversion of convertible bonds of CITD by a bondholder for 261,000,000 ordinary shares of CITD in aggregate during the period from February to April 2008.

Notes To Financial Statements

31 December 2009

19. Interests in Associates (continued)

Notes: (continued)

(e) The movements in the provision for impairment of an associate during the year are as follows:

	Group	
	2009 HK$'000	2008 HK$'000
At 1 January	**310,459**	–
Impairment during the year recognised in the income statement (note (b))	**18,703**	310,459
Reclassification to share of net assets	**(329,162)**	–
At 31 December	**–**	310,459

(f) The movements in the provision for impairment of the amount due from an associate during the year are as follows:

	Group	
	2009 HK$'000	2008 HK$'000
At 1 January	**15,643**	15,610
Impairment during the year recognised in the income statement (note 7)	**30**	33
At 31 December	**15,673**	15,643

(g) Particulars of the principal associates, which are all indirectly held by the Company, are as follows:

Name	Nominal value of issued and paid-up capital/ registered capital	Place of registration/ incorporation and operations	Percentage of ownership interest attributable to the Group	Principal activities
CITD*	HK$64,969,064	Cayman Islands/ Hong Kong	29.18	Investment holding
Overseas Union Investments Limited	HK$10,000	Hong Kong	50	Investment holding
北京北控電信通智能科技有限公司	RMB10,000,000	PRC	25	Provision for system integration services

Notes To Financial Statements

31 December 2009

19. Interests in Associates (continued)

Notes: (continued)

(g) (continued)

* Shares of CITD are listed on the Growth Enterprises Market of the Stock Exchange. The fair value of the ordinary shares of CITD held by the Group as at 31 December 2009 cannot be reasonably determined as the trading of the shares of CITD has been suspended since 29 January 2009.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

20. Deferred Tax Assets

The components of deferred tax assets and the movements during the year are as follows:

Group

	Decelerated/ (accelerated) tax depreciation	Impairment of trade receivables	Impairment of other receivables	Impairment of interests in associates	Impairment of inventories	Fair value adjustments of trade payables	Tax loss	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	(165)	869	–	–	–	–	–	704
Deferred tax credited to the income statement during the year (note 10)	269	2,381	835	819	256	–	6,898	11,458
Exchange realignment	(11)	60	–	–	–	–	–	49
At 31 December 2008 and 1 January 2009	**93**	**3,310**	**835**	**819**	**256**	**–**	**6,898**	**12,211**
Deferred tax charged to the income statement during the year (note 10)	**(80)**	**(2,174)**	**(721)**	**(707)**	**(256)**	**(398)**	**(4,852)**	**(9,188)**
At 31 December 2009	**13**	**1,136**	**114**	**112**	**–**	**(398)**	**2,046**	**3,023**

Notes To Financial Statements

31 December 2009

20. Deferred Tax Assets (continued)

At 31 December 2009, the Group has tax losses arising in Hong Kong and Singapore of approximately HK$149,038,000 (2008: HK$139,335,000) in aggregate that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of approximately HK$22,502,000 (2008: HK$21,613,000) as at 31 December 2009 that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in entities that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and jurisdiction of the foreign investors. For the Group, the applicable rates are 5% and 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries, jointly-controlled entities and associates established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2009, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries, jointly-controlled entities and associates established in Mainland China (2008: Nil). In the opinion of the directors, it is not probable that these subsidiaries, jointly-controlled entities and associates will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries, jointly-controlled entities and associates in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$507,000 (2008: HK$317,000) as at 31 December 2009.

21. Inventories

Inventories of the Group are materials and equipment held for construction contracts.

Notes To Financial Statements

31 December 2009

22. Amounts Due from/to Contract Customers

	Group	
	2009	2008
	HK$'000	HK$'000
Amounts due from contract customers	**6,866**	32,592
Amounts due to contract customers	**(9,503)**	(10,854)
	(2,637)	21,738
Contract costs incurred plus recognised profits less recognised losses to date	**9,018**	63,460
Less: Progress billings	**(11,655)**	(41,722)
	(2,637)	21,738

At 31 December 2009, retentions held by customers for contract work included in trade receivables amounted to HK$23,440,000 (2008: HK$24,941,000).

23. Trade Receivables

		Group	
		2009	2008
	Notes	**HK$'000**	HK$'000
Trade receivables due from:			
Third parties		**143,048**	138,101
A substantial shareholder	(a)	**–**	1,086
A jointly-controlled entity	(a)	**3**	–
		143,051	139,187
Impairment	(b)	**(25,026)**	(22,578)
	(c)	**118,025**	116,609
Portion classified as current assets		**(94,585)**	(91,668)
Non-current portion		**23,440**	24,941

Notes To Financial Statements

31 December 2009

23. Trade Receivables (continued)

Notes:

(a) The balances with the substantial shareholder and the jointly-controlled entity are unsecured, interest-free and have no fixed terms of repayment.

(b) The movements in the provision for impairment of trade receivables are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**22,578**	23,876
Impairment/(reversal of impairment) during the year recognised in the income statement, net (note 7)	**5,697**	(1,656)
Amount written off as uncollectible	**(3,249)**	(1,270)
Exchange realignment	**–**	1,628
At 31 December	**25,026**	22,578

The above provision for impairment of trade receivables is a provision for individually impaired trade receivables. The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

(c) 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:

	Group	
	2009	2008
	HK$'000	HK$'000
Neither past due nor impaired	**23,440**	24,941
Past due but not impaired:		
Current or within 3 months	**92,849**	77,037
4 to 6 months	**534**	236
7 to 12 months	**665**	1,544
Over 1 year	**537**	12,851
	94,585	91,668
	118,025	116,609

Notes To Financial Statements

31 December 2009

23. Trade Receivables (continued)

Notes: (continued)

(c) (continued)

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

24. Prepayments, Deposits and Other Receivables

		Group		Company	
		2009	2008	2009	2008
	Notes	HK$'000	HK$'000	HK$'000	HK$'000
Prepayments		**896**	371	**32**	5
Deposits and other receivables		**53,833**	67,195	**294**	307
Loan to a subsidiary	(a)	**–**	–	**6,818**	6,818
Due from subsidiaries	(a)	**–**	–	**17,644**	17,454
Due from jointly-controlled entities	(a)	**6,251**	3,144	**2,927**	2,927
Due from associates	(a)	**427**	423	**423**	423
Due from minority shareholders	(a)	**3,302**	3,302	**1,705**	–
		64,709	74,435	**29,843**	27,934
Impairment	(b)	**(7,865)**	(7,865)	**(2,927)**	(2,927)
		56,844	66,570	**26,916**	25,007

Notes To Financial Statements

31 December 2009

24. Prepayments, Deposits and Other Receivables (continued)

Notes:

(a) The balances with subsidiaries, jointly-controlled entities, associates and minority shareholders are unsecured, interest-free and have no fixed terms of repayment.

(b) The movements in the provision for impairment of other receivables are as follows:

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
At 1 January	**7,865**	9,839	**2,927**	11,207
Reversal of impairment during the year recognised in the income statement, net (note 7)	**–**	(1,150)	**–**	(8,280)
Amount written off as uncollectible	**–**	(1,277)	**–**	–
Exchange realignment	**–**	453	**–**	–
At 31 December	**7,865**	7,865	**2,927**	2,927

25. Available-for-sale Investment

The Group's available-for-sale investment as at 31 December 2008 represented an investment in an unlisted equity investment fund, which was stated at cost because it did not have a quoted market price in an active market, the range of reasonable fair value estimates was so significant and the probabilities of the various estimates could not be reasonably assessed that the directors are of the opinion that its fair value could not be measured reliably. The available-for-sale investment was disposed of by the Group during the year.

26. Pledged Deposits and Cash and Cash Equivalents

		Group		Company	
	Notes	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Cash and bank balances	(a), (b)	**633,776**	617,471	**395,467**	210,181
Less: Pledged deposits	(c)	**(4,489)**	(5,057)	**–**	–
Cash and cash equivalents		**629,287**	612,414	**395,467**	210,181

Notes To Financial Statements

31 December 2009

26. Pledged Deposits and Cash and Cash Equivalents (continued)

Notes:

(a) At 31 December 2009, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$397,338,000 (2008: HK$359,297,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and one year depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

(c) The Group's pledged deposits as at 31 December 2009 and 2008 served as tender deposits to secure certain construction contracts of the Group.

27. 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:

	Group	
	2009	2008
	HK$'000	HK$'000
Within 3 months	**7,374**	71,115
4 to 6 months	**315**	4,460
7 to 12 months	**570**	25,638
Over 1 year	**9,471**	45,002
Balances with extended credit period	**132,432**	–
	150,162	146,215
Portion classified as current liabilities	**(134,618)**	(146,215)
Non-current portion	**15,544**	–
Comprising amounts payable to:		
Third parties	**140,601**	140,328
Associates	**9,561**	5,887
	150,162	146,215

Notes To Financial Statements

31 December 2009

28. Other Payables and Accruals

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**56,195**	38,218	**813**	751
Accruals	**6,882**	9,343	**2,891**	3,941
Temporary receipts	**2,406**	2,406	**2,406**	2,406
Due to a subsidiary	**–**	–	**1,781**	1,833
Due to a jointly-controlled entity	**12**	29	**–**	–
Due to associates	**23,805**	23,812	**3**	3
	89,300	73,808	**7,894**	8,934

The balances with the subsidiary, the jointly-controlled entity and the associates are unsecured, interest-free and have no fixed terms of repayment.

Other payables are non-interest-bearing and have an average term of 3 to 6 months.

29. Deferred income

Deferred income of the Group as at 31 December 2009 and 2008 represented subsidies received during the year ended 31 December 2008 from a government authority in Mainland China in respect of the fitness card system business carried out by Beijing Fitness Card, a 85% indirectly owned subsidiary of the Company. The subsidies are interest-free, have to be applied to the development of the Group's fitness card system business and have been recognised in accordance with the accounting policy for "Government grants" set out in note 2.4 to the financial statements.

Notes To Financial Statements

31 December 2009

30. Share Capital

Shares

	2009 HK$'000	2008 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$1 each	**1,000,000**	1,000,000
Issued and fully paid:		
677,460,150 ordinary shares of HK$1 each	**677,460**	677,460

There was no movement in the share capital of the Company during the current year.

A summary of the movements in the Company's issued ordinary share capital during the years ended 31 December 2009 and 2008 is as follows:

	Notes	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)	5,700,000	5,700	1,039	6,739
Repurchase and cancellation of shares	(b)	(9,721,000)	(9,721)	–	(9,721)
At 31 December 2008, 1 January 2009 and 31 December 2009		**677,460,150**	**677,460**	**170,319**	**847,779**

Notes To Financial Statements

31 December 2009

30. Share Capital (continued)

Shares (continued)

Notes:

(a) During the year ended 31 December 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 these share options, their fair value of HK$1,039,000 previously recognised in the share option reserve was transferred to the share premium account.

(b) During the year ended 31 December 2008, the Company repurchased a total of 9,721,000 ordinary shares of the Company on the Stock Exchange and these shares were subsequently cancelled by the Company. The summary details of those transactions are as follows:

Month of repurchase	Number of ordinary shares repurchased and cancelled	Price per ordinary share Highest	Lowest	Total consideration paid
		HK$	HK$	HK$'000
August 2008	1,902,000	1.72	1.47	3,081
September 2008	247,000	1.08	0.99	257
October 2008	2,378,000	1.12	0.74	2,211
November 2008	3,307,000	1.00	0.85	3,194
December 2008	1,887,000	1.05	0.90	1,861
	9,721,000			10,604

The repurchased shares were cancelled during the year ended 31 December 2008 and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares of HK$883,000 was charged to the then retained profits of the Company. Pursuant to Section 49H of the Hong Kong Companies Ordinance, an amount of HK$9,721,000 equivalent to the par value of the shares cancelled was transferred from the accumulated losses of the Company to the capital redemption reserve.

The repurchase of the Company's shares during the prior year was effected by the directors, pursuant to the mandate from shareholders received at the annual general meeting held on 20 May 2008, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Share options

Details of the Company's share option scheme (the "Scheme") and the share options issued under the Scheme are included in note 31 to the financial statements.

Notes To Financial Statements

31 December 2009

31. Share Option Scheme

The Company operates 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 number of ordinary shares of the Company in issue at any time. The maximum number of ordinary shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the ordinary shares of the Company in issue at any time. Any further grant of share options in excess of these limits is subject to shareholders' approval in a general meeting.

Share options granted to a director or chief executive of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the ordinary shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's ordinary shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

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

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

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. The share options are non-transferrable and lapsed when expired or the grantee ceased to be an employee of the Group.

The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

Notes To Financial Statements

31 December 2009

31. Share Option Scheme (continued)

The following table sets out the movements in the share options granted under the Scheme during the years ended 31 December 2009 and 2008:

	Notes	2009 Weighted average exercise price (HK$ per share)	2009 Number of share options	2008 Weighted average exercise price (HK$ per share)	2008 Number of share options
At 1 January		**3.64**	**73,590,000**	3.77	65,680,000
Granted during the year	(a)	**–**	**–**	2.24	15,860,000
Exercised during the year	(b)	**–**	**–**	1.00	(5,700,000)
Forfeited during the year	(c)	**2.94**	**(5,050,000)**	4.03	(2,250,000)
At 31 December	(d)	**3.70**	**68,540,000**	3.64	73,590,000

Notes:

(a) No share option was granted during the year. The fair value of the 15,860,000 share options granted during the year ended 31 December 2008 was HK$9,774,000, which was estimated as at the date of grant, using the Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the input to the model used:

	2008
Dividend yield (%)	–
Expected volatility (%)	54.87 to 59.05
Risk-free interest rate (%)	1.44 to 2.22
Expected life of share options (months)	9 to 28

The expected life of the share options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the volatility for the last 208 weeks is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the share options granted was incorporated into the measurement of fair value.

Equity-settled share option expense of HK$8,623,000 (2008: HK$52,301,000) was recognised in the income statement during the year in respect of the share options granted in prior years.

Notes To Financial Statements

31 December 2009

31. Share Option Scheme (continued)

Notes: (continued)

(b) No share option was exercised during the year. In respect of the year ended 31 December 2008, the weighted average share price at the date of exercise for the 5,700,000 share options exercised during that year was HK$3.02. The exercise of these share options resulted in the issue of 5,700,000 ordinary shares of the Company and new share capital of HK$5,700,000 and share premium of HK$1,039,000 (before issue expenses), as further detailed in note 30(a) to the financial statements.

(c) 5,050,000 (2008: 2,250,000) share options were forfeited in January 2009 upon the expiry of the three-month post-resignation exercisable period of a director who resigned as an executive director of the Company during the year ended 31 December 2008.

(d) At 31 December 2009, the Company had 68,540,000 (2008: 73,590,000) share options outstanding under the Scheme, which represented approximately 10.1% (2008: 10.9%) of the Company's ordinary shares in issue at that date.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

		Number of share options outstanding	
Exercise period	**Exercise price** HK$ per share	**2009**	2008
30 October 2007 – 17 June 2011	4.03	**55,480,000**	57,730,000
1 May 2008 – 17 June 2011	3.17	**2,860,000**	2,860,000
11 August 2008 – 17 June 2011	2.07	**10,200,000**	13,000,000
		68,540,000	73,590,000

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 68,540,000 (2008: 73,590,000) additional ordinary shares of the Company and additional share capital of HK$68,540,000 (2008: HK$73,590,000) and share premium of HK$185,225,000 (2008: HK$195,038,000), before any issuance expenses.

Notes To Financial Statements

31 December 2009

32. Reserves

(a) Group

(i) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 31 of the financial statements.

(ii) The capital redemption reserve represents par value of ordinary shares of the Company which had been repurchased and cancelled.

(iii) The share option reserve comprises the fair value of share options vested which are yet to be exercised, as further explained in the accounting policy of share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related share options are exercised, or transferred to retained profits/accumulated losses should the related share options expire or be forfeited.

(iv) PRC reserve funds are reserves set aside in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's PRC subsidiaries, jointly-controlled entities and associates. None of the Group's PRC reserve funds as at 31 December 2009 was distributable in the form of cash dividends.

Notes To Financial Statements

31 December 2009

32. Reserves (continued)

(b) Company

	Notes	Share premium account HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2008		169,280	–	14,858	14,585	198,723
Loss for the year and total comprehensive loss for the year	11	–	–	–	(167,924)	(167,924)
Exercise of share options	30(a)	1,039	–	(1,039)	–	–
Repurchase and cancellation of shares	30(b)	–	9,721	–	(10,604)	(883)
Equity-settled share option arrangements	31(a)	–	–	52,301	–	52,301
Final 2007 dividend		–	–	–	(272)	(272)
At 31 December 2008 and 1 January 2009		**170,319**	**9,721**	**66,120**	**(164,215)**	**81,945**
Loss for the year and total comprehensive loss for the year	11	**–**	**–**	**–**	**(137,232)**	**(137,232)**
Equity-settled share option arrangements	31(a)	**–**	**–**	**8,623**	**–**	**8,623**
Transfer to accumulated losses		**–**	**–**	**(3,674)**	**3,674**	**–**
At 31 December 2009		**170,319**	**9,721**	**71,069**	**(297,773)**	**(46,664)**

Notes To Financial Statements

31 December 2009

33. Disposal of a Subsidiary

During the year ended 31 December 2008, the Group disposed of all its entire 100% interest in 北京北控電信通技術服務有限公司 ("BE Teletron Technical") for a cash consideration of RMB1,000,000 (equivalent to approximately HK$1,136,000). At the date of the disposal, BE Teletron Technical was an investment holding company and held a 51% equity interest in 北京地鐵信息發展有限公司, a former jointly-controlled entity of the Group, which is engaged in the provision of communication platform for the subway in Beijing.

	Group	
	2009	2008
	HK$'000	HK$'000
Net assets disposed of:		
Interests in a jointly-controlled entity	–	18,756
Cash and bank balances	–	1,131
Other payables and accruals	–	(18,181)
	–	1,706
Exchange fluctuation reserve realised	–	(100)
Loss on disposal of interest in a subsidiary (note 7)	–	(470)
	–	1,136
Satisfied by cash consideration, at fair value	–	1,136

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Cash and bank balances disposed of	–	(1,131)
Cash consideration, at fair value	–	1,136
Considerations receivable at beginning of year	–	12,313
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	–	12,318

Notes To Financial Statements

31 December 2009

34. Contingent Liabilities

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

At 31 December 2009, contingent liabilities of the Company not provided for in the financial statements comprised guarantees of HK$227,273,000 (2008: HK$227,273,000) in aggregate given to banks in connection with the banking facilities granted to a subsidiary, which had not been utilised as at 31 December 2009 (2008: Nil).

35. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with the leases negotiated for terms ranging from one to five years (2008: one to five years). The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

At 31 December 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Within one year	**548**	2,913
In the second to fifth years, inclusive	**127**	663
After five years	**–**	144
	675	3,720

Notes To Financial Statements

31 December 2009

35. Operating Lease Arrangements (continued)

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements, with the leases negotiated for terms ranging from one to two years (2008: one to two years).

At 31 December 2009, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**2,215**	4,039	**16**	128
In the second to fifth years, inclusive	**1,814**	–	**–**	–
	4,029	4,039	**16**	128

36. Capital Commitments

At 31 December 2009, the Group had capital commitments in respect of plant and machinery of HK$34,091,000 (2008: HK$34,091,000), which are authorised, but not contracted for.

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

	Group	
	2009	2008
	HK$'000	HK$'000
Contracted, but not provided for	**620**	1,037
Authorised, but not contracted for	**4,277**	4,987
	4,897	6,024

Notes To Financial Statements

31 December 2009

37. Related Party Disclosures

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Group 2009 HK$'000	2008 HK$'000
Purchase of goods from associates	**8,784**	17,316
Service fees paid to associates	**7,928**	10,132
Purchase of goods from a jointly-controlled entity	**2,818**	–
Service fee paid to a jointly-controlled entity	**741**	–
Sale of products to a jointly-controlled entity	**265**	1,620
Sub-contracting fee paid to an associate	**128**	–
Management fee income received from an associate	**–**	1,034
Rental expenses paid to a related company	**658**	–

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

(b) Other transactions with related parties:

(i) Pursuant to an instrument of transfer dated 18 March 2008, the Group disposed of 40% equity interest in Business Net (Hong Kong) Limited ("Business Net HK"), a former indirectly wholly-owned subsidiary of the Company, to China Luck International Limited, a wholly-owned subsidiary of CITD, at a cash consideration of HK$40. During the year ended 31 December 2008, Business Net HK established BE UniCard, a limited liability company established in the PRC with a registered capital of HK$50,000,000.

(ii) On 24 June 2008, Prime, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "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 BE UniCard, a 71.1% indirectly owned subsidiary of the Company, to dispose of 600 million 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 dated 14 August 2008, the Company had agreed to extend the completion date of the Agreement to a date on or before 19 December 2008. Pursuant to a further supplemental deed dated 19 December 2008 (the "Extension Deed"), the Company had further agreed to extend the completion date of the Agreement to a date on or before 30 September 2009, on the condition that Mr. Wang shall pay HK$10,000,000 (the "Security Money") in cash to Prime within 30 days of the signing of the Extension Deed. As Mr. Wang had not paid up the Security Money up to 25 September 2009, the Company then considered the Extension Deed has lapsed.

Notes To Financial Statements

31 December 2009

37. Related Party Disclosures (continued)

(c) Outstanding balances with related parties:

(i) Details of the Group's amounts due from/to a jointly-controlled entity and an associate as at the end of the reporting period are disclosed in notes 18 and 19 to the financial statements, respectively;

(ii) Details of the Group's trade receivables and other receivables due from a substantial shareholder, jointly-controlled entities, an associate and minority shareholders as at the end of the reporting period are disclosed in notes 23 and 24 to the financial statements, respectively; and

(iii) Details of the Group's trade and bills payables and other payables due to a jointly-controlled entity and associates as at the end of the reporting period are disclosed in notes 27 and 28 to the financial statements, respectively.

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

	2009 HK$'000	2008 HK$'000
Short term employee benefits	**5,567**	5,759
Post-employment benefits	**453**	459
Equity-settled share option expense	**6,738**	42,969
Total compensation paid to key management personnel	**12,758**	49,187

Further details of directors' emoluments are included in note 8 to the financial statements.

Notes To Financial Statements

31 December 2009

38. Financial Instruments by Category

All financial assets and liabilities of the Group and the Company as at 31 December 2009 and 2008, except for the unlisted equity investment fund being classified as an available-for-sale investment as at 31 December 2008 which is stated at cost, were loans and receivables and financial liabilities stated at amortised cost, respectively.

39. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and short term deposits. These financial instruments are used for the Group's working capital. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The carrying amounts of the Group's financial instruments approximated to their fair values as at the end of each reporting period. Fair value estimates are made on a specific point in time and based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The main risks arising from the Group's financial instruments are business risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Business risk

The Group conducts most of its operations in Mainland China, and accordingly, it is subject to special considerations and significant risks. These include risks associated with, inter alia, changes in the political, economic and legal environment in Mainland China.

Notes To Financial Statements

31 December 2009

39. Financial Risk Management Objectives and Policies (continued)

(b) Interest rate risk

The following tables set out the carrying amounts, by maturity, of the Group's financial instruments as at the end of the reporting period that are exposed to interest rate risk:

	Within 1 year	Effective interest rate
	HK$'000	%
At 31 December 2009		
Floating rate:		
Pledged deposits	**4,489**	**0.37**
Bank balances	**402,242**	**0.25**
Fixed rate:		
Time deposits	**227,045**	**1.83**
At 31 December 2008		
Floating rate:		
Pledged deposits	5,057	1.08
Bank balances	230,596	0.47
Fixed rate:		
Time deposits	381,818	2.18

Notes To Financial Statements

31 December 2009

39. Financial Risk Management Objectives and Policies (continued)

(c) Foreign currency risk

The Group's businesses are mainly located in Mainland China and the majority of its transactions are conducted in RMB.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax and of the Group's equity due to changes in fair value of monetary assets and liabilities.

	Increase/ (decrease) in RMB rate	**(Increase)/ decrease in loss before tax**	**Increase/ (decrease) in equity**
	%	HK$'000	HK$'000
2009			
If HK$ weakens against RMB	**5**	**(4,482)**	**6,825**
If HK$ strengthens against RMB	**(5)**	**4,482**	**(6,825)**
2008			
If HK$ weakens against RMB	5	(2,105)	6,044
If HK$ strengthens against RMB	(5)	2,105	(6,044)

Notes To Financial Statements

31 December 2009

39. Financial Risk Management Objectives and Policies (continued)

(d) Credit risk

The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amounts due from jointly-controlled entities, associates and minority shareholders and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The carrying amount of trade receivables, other receivables and cash included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

The Group places its cash deposits with major international banks in Hong Kong and state-owned banks in Mainland China. This investment policy limits the Group's exposure to the concentration of credit risk.

(e) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of available bank facilities.

The liquidity risk of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations.

Financial liabilities of the Group and the Company included in current liabilities as at the end of the reporting period either had no fixed terms of repayment or were due for repayment within one year.

39. Financial Risk Management Objectives and Policies (continued)

(f) Capital management

The Group's objective for managing capital is to maintain a strong capital base to support the development of its business. The Group recognises the impact on shareholder returns by the level of equity capital employed within the Group and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity possibly with greater leverage.

An annual Group capital plan is prepared and approved by the board of directors with the objective of maintaining both the optimal amount of capital and the mix between the different components of capital. The Group manages its own capital within the context of the approved annual Group capital plan, which determines the level of risk-weighted asset growth and the optimal amount and mix of capital required to support the planned business growth. As part of the Group's capital management policy, capital generated by subsidiaries in excess of planned requirement will return to the Group, normally by way of dividends.

The Group is primarily a provider of equity capital to its subsidiaries. These investments are substantially funded by the Group's own capital issuance and profit retentions. The Group seeks to maintain a prudent balance between the composition of its capital and that of its investments in subsidiaries.

The principal forms of capital are included in issued capital and reserves on the consolidated statement of financial position.

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

40. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 31 March 2010.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the Company's annual reports or audited financial statements, as appropriate, is set out below:

	Year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
Revenue	**225,376**	293,223	358,412	292,419	277,890
Profit/(loss) before tax	**(166,542)**	(431,267)	304,460	24,290	(41,704)
Income tax	**(10,312)**	10,576	(2,080)	(4,757)	(867)
Profit/(loss) for the year from continuing operations	**(176,854)**	(420,691)	302,380	19,533	(42,571)
DISCONTINUED OPERATION					
Profit for the year from discontinued operation	**–**	–	16,251	8,932	14,033
Profit/(loss) for the year	**(176,854)**	(420,691)	318,631	28,465	(28,538)
Attributable to:					
Shareholders of the Company	**(158,418)**	(414,598)	317,480	12,080	(35,042)
Minority interests	**(18,436)**	(6,093)	1,151	16,385	6,504
	(176,854)	(420,691)	318,631	28,465	(28,538)

	31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS, LIABILITIES AND MINORITY INTERESTS					
Total assets	**933,164**	1,078,566	1,539,345	1,025,319	855,033
Total liabilities	**(283,295)**	(265,121)	(317,969)	(360,279)	(338,473)
Net assets	**649,869**	813,445	1,221,376	665,040	516,560
Represented by:					
Equity attributable to shareholders of the Company	**622,770**	767,826	1,172,317	565,335	436,017
Minority interests	**27,099**	45,619	49,059	99,705	80,543
	649,869	813,445	1,221,376	665,040	516,560