Beijing Development (Hong Kong) Limited

(Stock Code 154)

Annual Report 2012

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Corporate Information

Board of Directors

Executive directors:
Mr. E Meng *(Chairman)*
Mr. Zhang Honghai
Mr. Wang Yong *(President)*
Mr. Yan Qing
Ms. Sha Ning *(Vice President)*
Mr. Ng Kong Fat, Brian

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

Audit Committee

Dr. Huan Guocang *(Chairman)*
Dr. Jin Lizuo
Dr. Wang Jianping

Remuneration Committee

Dr. Jin Lizuo *(Chairman)*
Mr. E Meng
Dr. Huan Guocang
Dr. Wang Jianping

Nomination Committee

Mr. E Meng *(Chairman)*
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

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18 Harbour Road
Wanchai
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

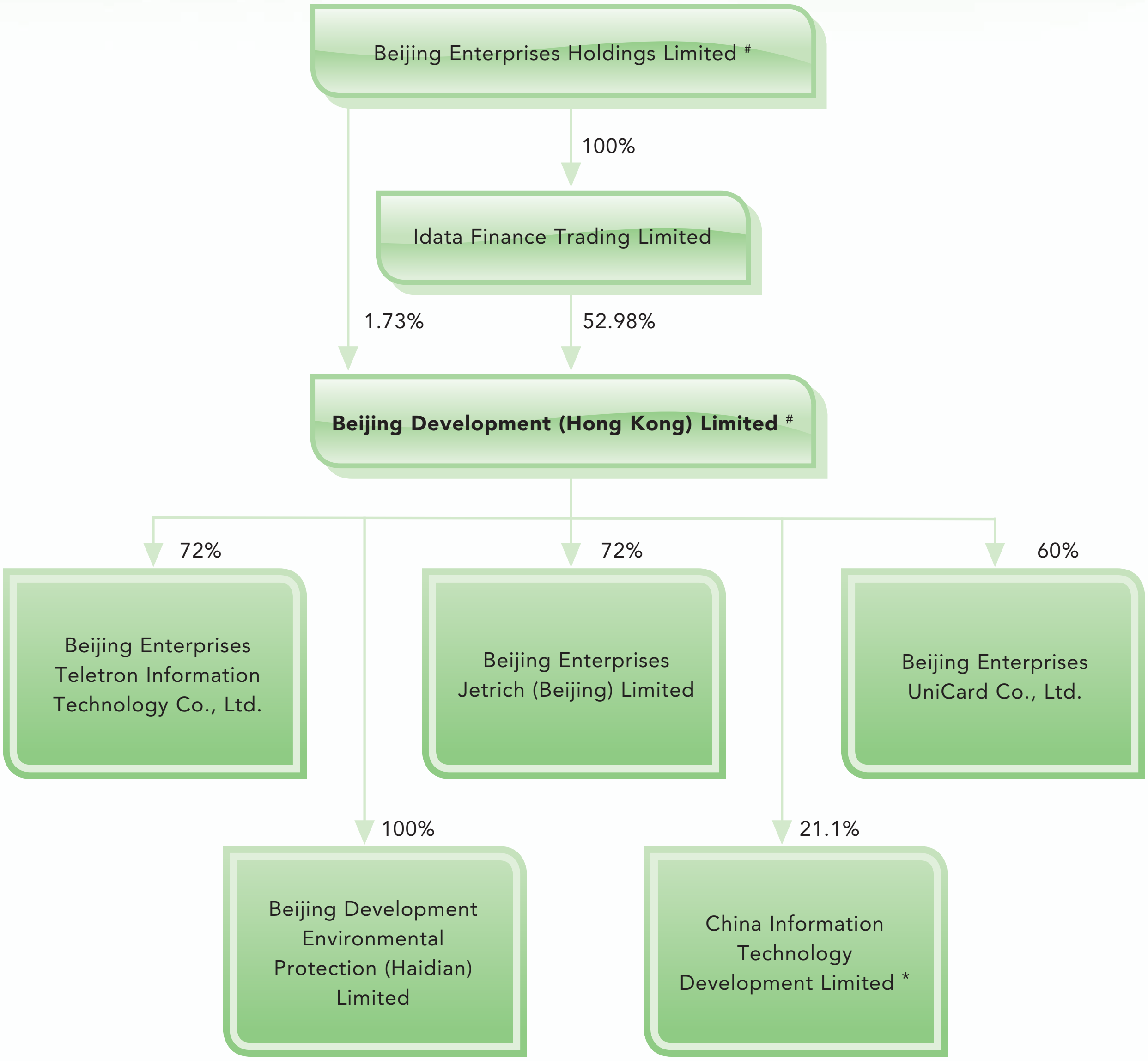
Principal Bankers

In Hong Kong:
Bank of China (Hong Kong)

In Mainland China:
Bank of Beijing
Bank of China
China Construction Bank
China Minsheng Bank
Huaxia Bank
The Industrial and Commercial Bank of China
Industrial Bank

Corporate Structure

27 March 2013



\# 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

Information technology service has been the principal business segment of the Group over the past decade. Despite years of operation and development, the businesses of the Group were shrinking and had been continuously operating at loss for the recent years due to weak profitability and limited asset scale, especially after the disposal of its investment in Beijing Municipal Administration & Communication Cards Co., Ltd. in 2011.

In order to enhance shareholders' return as well as to achieve a turnaround of the business, the Group, with the unprecedented substantial support from its holding company, Beijing Enterprises Holdings Limited ("BEHL"), has decided to restructure its current business portfolio and make a strategic transition into the environmental protection and solid waste treatment industry, especially in the waste-to-energy sector, and aims to become an industry leader through investments in and acquisitions of waste-to-energy projects.

Waste-to-energy industry is characterised by growth prospects, government policy support, sustainable returns, steady and strong cash flows, which will effectively enhance the operational and financial performance of the Group. Furthermore, the Group will benefit from BEHL's extensive experience and leading position in utilities businesses and capital market, solid operation and financial track record and strong government support.

During the year of 2012, the Company has announced three transactions in relation to the investment and acquisition of waste-to-energy business, that is, the Framework Agreements for Shanxi and Hangzhou projects and the Increase in Capital Contract for Haidian project. In addition, the Company is in the process of identifying other potential waste-to-energy projects and exploring new investment opportunities.

Under the Subscription Agreement dated 15 September 2011, BEHL has completed the subscription for new shares and convertible bonds of the Company of an aggregate amount of HK$500 million by the end of February 2013. The additional standby convertible bonds of an aggregate amount of HK$3 billion will help the Company achieve its business transformation and be well positioned and equipped to enter into the waste-to-energy industry and to further capture attractive growth opportunities in the future.

In the development of the waste-to-energy projects, the Company will consistently adhere to the development strategy focused on economic benefits with scrupulous and conscientious selection for the projects. Rapid development will be based on the prerequisite of securing the rate of return.

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 difficult years and looking forward all shareholders will benefit from the result of the Group's business transformation in the future.

E Meng
Chairman

Hong Kong
27 March 2013

Business Review and Prospects

During the year under review, the Group is engaged in two principal business areas – system integration and information technology services.

During the year, the Group has fully completed the safety door project for Line 9 and automated fare collection system phase II for Line 8 of Beijing Subway. Due to the decline in the profit margins of the system integration projects and the volume of successful bids in Beijing rail transportation sector, the Group has strived to redevelop its intelligent building construction business, explore the new outsourcing services and establish the rail transportation spare parts selling agent platform. During the year, the Group has contracted for the construction and maintenance of 12333 Hotline Calling Centre of Beijing Municipal Human Resources and Social Security Bureau.

In respect of other information technology services, the Group continuously focused on Beijing education sector and responsible for the construction and maintenance of Beijing education information network, e-schools and teacher/student IC cards. During the year, the Group also participated into the automatic welfare lottery ticket point-of-sale terminal market in Beijing.

The Group has decided to restructure its current business portfolio and make a strategic business transformation into the environmental protection and solid waste treatment industry.

Firstly, the Company had entered into a framework agreement for the investment and cooperation in Shanxi domestic waste-to-energy projects on 30 May 2012. The Group will have 33% equity interest in the proposed strategic cooperation partnership.

Secondly, the Company had entered into a framework agreement for the proposed acquisition of 100% equity interest in Green Energy Holding Company Limited in Hangzhou on 17 September 2012. The total consideration payable for the proposed acquisition is preliminary estimated to be ranged from US$530 million to US$535 million and will be settled by issuing consideration shares and/or convertible bonds of the Company.

As at the date of this report, the concrete investment and cooperation arrangements of the above framework agreements are subject to further negotiations, due diligence and definitive agreements to be entered into by the relevant parties.

Thirdly, the Group had entered into an increase of capital contract in relation to the proposed formation of an equity joint venture for investing, constructing and operating the Beijing Haidian District Cyclic Economy Industrial Park Renewable Energy Power Generation Project on 28 June 2012. Pursuant to the contract, the Group will (i) inject RMB256 million and a maximum amount of RMB27.55 million to the joint venture as an additional registered capital and equity premium of the joint venture, respectively; and (ii) make available shareholder's loans of an aggregate amount of RMB644 million to the joint venture. As at the date of this report, these transactions are subject to, inter alia, approvals from The Stock Exchange of Hong Kong Limited and the shareholders of the Company and have not yet been completed.

Further details of the above proposed waste-to-energy projects may refer to the section headed "Use of Proceeds" in the "Letter from the Board" of the Company's circular dated 21 December 2012. In addition, the Company is in the process of identifying other potential waste-to-energy projects and exploring new investment opportunities.

Financial Review

Revenue

The Group's revenue in 2012 was HK$208.39 million, increased 12.5% as compared with HK$185.18 million in 2011. This was mainly driven by the increase in revenue from system integration contracts of HK$33.68 million recognised during the year.

Cost of sales

The Group's cost of sales in 2012 was HK$187.86 million, increased 18.2% as compared with HK$158.99 million in 2011.

Gross profit

The Group achieved a gross profit of HK$20.53 million in 2012, dropped 21.6% as compared with HK$26.20 million in 2011. The overall gross profit margin reduced from 14.1% to 9.9%. The decrease was mainly due to the increase in proportion of system integration contracts which contributed lower profit margins.

Other income and gains

The Group's other income and gains in 2012 amounted to HK$31.99 million, mainly comprised of bank interest income of HK$11.59 million, imputed interest on interest-free trade receivables with extended credit periods of HK$5.15 million and gains on deemed partial disposals of interests in an associate, China Information Technology Development Limited ("CITD"), of HK$9.59 million.

Selling and distribution expenses

The Group's selling and distribution expenses in 2012 decreased by 38.6% to HK$5.92 million, as compared with HK$9.64 million in 2011.

Administrative expenses

The Group's administrative expenses in 2012 increased by 5.8% to HK$65.17 million, as compared with HK$61.57 million (excluding the equity-settled share option expense of HK$27.88 million) in 2011.

Other expenses, net

The Group's other expenses in 2012 amounted to HK$1.15 million, mainly comprised of impairment of trade and other receivables of HK$1.05 million in aggregate.

Finance costs

The Group's finance costs in 2012, wholly represented the imputed interest on interest-free trade payables with extended credit periods, increased by 10.3% to HK$4.51 million.

Share of profits and losses of jointly-controlled entities

The Group's share of profits and losses of jointly-controlled entities in 2012 wholly represented its 50% share of net profit of Beijing Education Information Network Services Center Co., Ltd. of HK$0.68 million (2011: HK$0.11 million).

Financial Review *(continued)*

Share of profits and losses of associates

The Group's share of profits and losses of associates of HK$2.96 million in 2012 (2011: HK$0.52 million) substantially represented its share of net loss of CITD.

Income tax

The Group's income tax in 2012 amounted to HK$0.14 million.

Profit/(loss) for the year

The loss for the year ended 31 December 2012 was HK$26.65 million, as compared with the profit of HK$48.94 million in 2011. Taking out the effect of exceptional one-off items including (i) gain (net of tax) on disposal of a jointly-controlled entity, Beijing Municipal Administration & Communication Cards Co., Ltd., of HK$115.45 million, (ii) equity-settled share option expense of HK$27.88 million and (iii) impairment of goodwill of HK$10 million in 2011, the loss for the year ended 31 December 2012 reduced by HK$1.98 million as compared with the adjusted operating loss of HK$28.63 million in 2011.

The loss attributable to shareholders of the Company was HK$18.83 million, as compared with the profit of HK$54.85 million in 2011.

Financial Position

During the year ended 31 December 2012, there was no movement in the capital structure of the Company. As at 31 December 2012, the Group had total assets and total liabilities of HK$965.53 million and HK$250.35 million, respectively, decreased by HK$75.94 million and HK$52.98 million, respectively, as compared with 31 December 2011. The net assets of the Group decreased by HK$22.96 million from HK$738.14 million to HK$715.18 million, of which equity attributable to shareholders of the Company amounted to HK$699.80 million as at 31 December 2012.

As at 31 December 2012, the cash and bank balances held by the Group amounted to HK$652.83 million, of which HK$5.78 million were pledged as tender deposits to secure certain system integration contracts of the Group. The Group did not have any bank borrowings, nor did it hold any financial derivatives. As at 31 December 2012, the Group had a net current assets of HK$630.04 million and its current ratio was increased from 3.86 times to 4.22 times and total liabilities to assets ratio was reduced from 29.1% to 25.9%.

The Group's cash and bank balances were denominated as to 32% in Hong Kong dollars and 68% in Renminbi. The Group's businesses are principally located in Mainland China and the majority of its transactions are conducted in Renminbi. As the financial statements of the Group are presented in Hong Kong dollars, which is the Group's functional and presentation currency, the Group will be subject to translational foreign exchange risk. All differences arising on settlement or translation of monetary items are taken to the income statement and the gains or losses arising on retranslation of foreign operations are recognised in the exchange fluctuation reserve.

During the year ended 31 December 2012, the Group had capital expenditures of HK$39.16 million. As at 31 December 2012, save as the potential investment in the environmental protection business, the Group had capital commitment of HK$35.61 million for property, equipment and intangible assets. The Group did not have any material contingent liabilities.

On 6 February 2013, the Group's investment in 59.5% equity interest in 北京北控文化體育有限公司 was disposed to its substantial shareholder at a cash consideration of HK$8.5 million. Saved as disclosed above, the Group had made no material investment, acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2012.

Financial Position *(continued)*

Subsequent to the end of 2012, the entering into by the Company of the conditional subscription agreement dated 15 September 2011 (as amended by the supplemental agreements in relation thereto) with Idata Finance Trading Limited (as "Subscriber") and BEHL (as "Guarantor") was approved, ratified and confirmed by the shareholders at the extraordinary general meeting of the Company held on 11 January 2013. On 11 January 2013, the authorised share capital of the Company was increased from HK$1 billion to HK$5 billion by the creation of an additional 4 billion ordinary shares of HK$1 each. On 28 February 2013, 177 million new ordinary shares of HK$1 each were issued at a price of HK$1.13 per share and convertible bonds of an aggregate principal of HK$300.58 million and an initial conversion price of HK$1.13 per share were issued to the Subscriber. The aggregate gross proceeds (before expenses) from the new ordinary shares issued and the convertible bonds were HK$500.59 million. Subject to the satisfaction of certain pre-conditions by the Company, the Company shall have the right to notify the Subscriber and require the Subscriber to subscribe such amount of standby convertible bonds of an aggregate principal amount of HK$3 billion as the Company may, from time to time, consider appropriate.

Employees

As at 31 December 2012, the Group had approximately 330 employees. There was no material fluctuation in the number of employees over the year. The Group's total expenses on employee benefits in 2012 amounted to HK$45.79 million, increased by 4.1% as compared with HK$43.98 million (excluding share option expense) in 2011. 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 Company has operated a share option scheme for the Group's employees and directors. No share option was granted, exercised, forfeited or lapsed during the year ended 31 December 2012. As at 31 December 2012, the Company had 51,420,000 share options outstanding, which were granted on 21 June 2011 at an exercise price of HK$1.25 per share and represented 7.6% of the Company's ordinary shares in issue at that date.

Executive Directors

Mr. E Meng, aged 54, is the chairman of the Company. Mr. E also serves as the vice general manager and the chief financial officer of Beijing Enterprises Group Company Limited ("BEGCL"), an executive director and the executive vice president of Beijing Enterprises Holdings Limited ("BEHL", stock code: 392), the vice chairman and 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 60, also serves as a director of BEGCL, the vice chairman and an executive director of BEHL, and the chairman and an executive director of BE Water Group. 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 59, is the president 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 ("BHL") 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. YAN Qing, aged 52, also serves as the office manager of BEGCL. 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.

Ms. SHA Ning, aged 42, is a vice president of the Company and also serves as an assistant to president and a manager of finance department of BEHL. Ms. Sha graduated from the Business Faculty of Heilongjiang University in 1992, majored in Business and Economic Studies, and holds a second degree in Foreign Trade Accounting in Beijing School of Business and Capital University of Economics and Business, an EMBA degree from The Hong Kong University of Science and Technology and the title of PRC Senior Accountant. Ms. Sha joined BEHL in 2001 and has extensive working experience in financial management. From 2001 to 2008, Ms. Sha has been assigned as the financial controller of certain subsidiaries of BEHL. Ms. Sha joined the Group in March 2009.

Mr. NG Kong Fat, Brian, aged 57, 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 55, 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 currently serves as an independent non-executive director of Huabao International Holdings Limited (stock code: 336) and has resigned as an independent director of Cosco Shipping Co., Ltd. (listed in Shanghai stock exchange) upon expiry of term in March 2012. Dr. Jin joined the Group in September 2004.

Dr. HUAN Guocang, aged 63, 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 55, is currently a senior partner of King & Wood Mallesons, a law firm in China. 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.

Senior Management

Mr. LI Chunli, aged 41, is a vice 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.

Mr. WONG Kwok Wai, **Robin**, aged 46, is the financial controller and the 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 50, 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.

Ms. SUN Ling, aged 54, 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 47, 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 Practices

Save as disclosed below, the Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and all the applicable revised code provisions (the "Code Provisions") of the Corporate Governance Code (effective from 31 March 2012) 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 2012.

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 director(s) of the Company (the "Director(s)"). All Directors have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2012.

Board of Directors

The board of 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.

There was no change in the Board composition during the year ended 31 December 2012. The Board comprises six executive Directors and three independent non-executive Directors. Details of backgrounds and qualifications of Directors are set out on pages 9 and 10. There is no relationship (including financial, business, family or other material/relevant relationship) between the Board members. 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.

The Board has complied with rules 3.10(1) and (2) and 3.10A of the Listing Rules which comprises three independent non-executive Directors, representing one-third of the Board, and has two independent non-executive Directors with appropriate 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 each of the independent non-executive Directors and still considers them to be independent.

The Directors are regularly briefed and updated with written materials on the latest developments of the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged trainings for Directors in the form of seminar and provision of training materials.

Board of Directors *(continued)*

According to the records maintained by the Company, the Directors received the training on disclosure requirements and principal directors' responsibilities under the Listing Rules in compliance with the Code Provisions on continuous professional development during the year ended 31 December 2012:

Name of Director	Position	Reading materials	Attended seminar
Mr. E Meng	Chairman and executive Director	✓	✓
Mr. Zhang Honghai	Executive Director	✓	✓
Mr. Wang Yong	Executive Director	✓	✓
Mr. Yan Qing	Executive Director	✓	
Ms. Sha Ning	Executive Director	✓	✓
Mr. Ng Kong Fat, Brian	Executive Director	✓	✓
Dr. Jin Lizuo	Independent non-executive Director	✓	
Dr. Huan Guocang	Independent non-executive Director	✓	
Dr. Wang Jianping	Independent non-executive Director	✓	

The Board held two regular meetings during the year ended 31 December 2012. Details of attendance of each Director at the regular Board meetings and a general meeting are as follows:

		Attendance	
Name of Director	Position	Regular Board meetings	General meeting
Mr. E Meng	Chairman and executive Director	2/2	0/1
Mr. Zhang Honghai	Executive Director	2/2	0/1
Mr. Wang Yong	Executive Director	2/2	1/1
Mr. Yan Qing	Executive Director	1/2	0/1
Ms. Sha Ning	Executive Director	2/2	0/1
Mr. Ng Kong Fat, Brian	Executive Director	2/2	0/1
Dr. Jin Lizuo	Independent non-executive Director	2/2	0/1
Dr. Huan Guocang	Independent non-executive Director	0/2	0/1
Dr. Wang Jianping	Independent non-executive Director	2/2	0/1

Under Code Provision A.1.1, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular board meetings will normally involve the active participation of a majority of directors entitled to present. 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.

Under Code Provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. However, the Company considers it is more effective for non-executive directors to voice their views by individual communication with the chairman of the Board (the "Chairman").

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. However, the three independent non-executive Directors were unable to attend the annual general meeting of the Company held on 25 May 2012 (the "2012 AGM") due to other business engagements.

Board of Directors *(continued)*

Under Code Provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairman of the audit, remuneration and nomination committees to attend. However, the Chairman was unable to attend the 2012 AGM and has appointed an executive Director and the president of the Company to chair the meeting on his behalf. The chairman of audit, remuneration and nomination committees were also unable to attend the 2012 AGM and have appointed the company secretary of the Company to attend the meeting and to answer questions at the meeting.

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, 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 Provisions.

Board Committees

Remuneration Committee

The Remuneration Committee was established with terms of reference in accordance with rule 3.25 of the Listing Rules and Code Provision B.1. The members of the Remuneration Committee comprise three independent non-executive Directors, namely Dr. Jin Lizuo (committee chairman), Dr. Huan Guocang and Dr. Wang Jianping and the Chairman, Mr. E Meng. The Remuneration Committee performs an advisory role to the Board, with the Board retaining the final authority to approve executive Directors' and senior management's remuneration.

The role and function of the Remuneration Committee include (i) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; (iii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management; (iv) to make recommendations to the Board on the remuneration packages of non-executive Directors; (v) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; (vi) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with relevant contractual terms and is otherwise fair and not excessive; (vii) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and (viii) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

Board Committees *(continued)*

Remuneration Committee *(continued)*

The Remuneration Committee held a meeting during the year under review and has adopted the revised terms of reference of the committee and reviewed the current remuneration packages of individual executive Directors and senior management. Details of the attendance of the Remuneration Committee meeting are as follows:

Name of member	Attendance
Dr. Jin Lizuo *(Chairman)*	1/1
Mr. E Meng	1/1
Dr. Huan Guocang	0/1
Dr. Wang Jianping	1/1

Details of the Directors' remuneration are set out in note 8 to the financial statements.

Remuneration payable to members of senior management as named on page 11 fell within the following bands:

	Number
Nil – HK$500,000	1
HK$500,001 – HK$1,000,000	3
HK$1,000,001 – HK$1,500,000	1
	5

Nomination Committee

The Nomination Committee was established in March 2012 with terms of reference in accordance with Code Provision A.5. The members of the Nomination Committee comprise the Chairman, Mr. E Meng (committee chairman), and three independent non-executive Directors, namely Dr. Jin Lizuo, Dr. Huan Guocang and Dr. Wang Jianping.

The role and function of the Nomination Committee include (i) review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of independent non-executive Directors; and (iv) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee held a meeting during the year under review and has adopted the terms of reference of the committee and reviewed the current structure, size and composition of the Board. Details of the attendance of the Nomination Committee meeting are as follows:

Name of member	Attendance
Mr. E Meng *(Chairman)*	1/1
Dr. Jin Lizuo	1/1
Dr. Huan Guocang	0/1
Dr. Wang Jianping	1/1

Board Committees *(continued)*

Audit Committee

The Audit Committee was established with written terms of reference in accordance with rule 3.21 of the Listing Rules and Code Provision C.3. The current members of the Audit Committee comprise three independent non-executive Directors, namely Dr. Huan Guocang (committee chairman), Dr. Jin Lizuo and Dr. Wang Jianping.

The role and function of the Audit Committee include (i) maintenance of the relationship with the Company's auditors; (ii) review of the Company's financial information; and (iii) oversight of the Company's financial reporting system and internal control procedures.

The Audit Committee held two meetings during the year under review and has reviewed the interim and annual results, financial positions, internal control, impacts of the new accounting standards and management issues of the Group. Details of the attendance of the Audit Committee meetings are as follows:

Name of member	**Attendance**
Dr. Huan Guocang *(Chairman)*	0/2
Dr. Jin Lizuo	2/2
Dr. Wang Jianping	2/2

Auditors' Remuneration

An analysis of remuneration in respect of services provided by the auditors, Ernst and Young, of the Group is as follows:

	HK$'000
Annual audit services	2,080
Acting as the reporting accountants in respect of the Group's potential acquisitions	1,150
Agreed-upon procedures on interim financial statements and the circular in respect of the subscription of new shares and convertible bonds	480
	3,710

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 Hong Kong 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 compliance controls and risk management functions. During the year ended 31 December 2012, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.

Company Secretary

The company secretary of the Company is Mr. Wong Kwok Wai, Robin, who is also the financial controller of the Company and 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 served the Company for 19 years and has complied with rule 3.29 of the Listing Rules for taking not less than 15 hours of relevant professional training during the year.

Shareholders' Rights

The Company recognises the importance of good communications with shareholders and investors and also recognises the value of providing current and relevant information to shareholders and investors. Annual and interim reports offer comprehensive operational and financial performance information to shareholders and the annual and extraordinary general meetings of the Company provide a forum for shareholders to exchange views directly with the Board, which together help enhance and facilitate communication with shareholders. All registered shareholders are entitled to attend the general meetings and notices of meeting are served by post. Shareholders who are unable to attend a general meeting may complete and return to the Company's share registrar the proxy form enclosed with notice of meeting to give proxy to their representatives or chairman of the meeting.

Convening of Extraordinary General Meeting on Requisition by Shareholders

In accordance with Section 113 of the Hong Kong Companies Ordinance, shareholder(s) holding at the date of the deposit of the requisition not less than one-twentieth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, may require the Directors to convene an extraordinary general meeting ("EGM"). The written requisition must state the objects of the meeting, and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company at 66/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for the attention of the company secretary. The requisition may consist of several documents in like form, each signed by one or more shareholders concerned.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening an EGM is given, the shareholder(s) concerned or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of 3 months from such date.

The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the Directors.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary at the registered office of the Company at 66/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, or by fax (+852 2529 3725) or by email (general@bdhk.com.hk). The company secretary will forward the shareholders' enquiries and concerns to the Board and/or relevant board committees of the Company, where appropriate, to answer the shareholders' questions.

Shareholders' Rights *(continued)*

Putting Forward Proposal at Annual General Meeting

In accordance with Section 115A of the Hong Kong Companies Ordinance, the following shareholders namely:

(a) any number of members representing not less than one-fortieth of the total voting rights of the Company on the date of the requisition; or

(b) not less than 50 members holding shares in the Company on which there has been paid up on average sum, per member, of not less than HK$2,000;

are entitled to submit a requisition in writing requesting the Company:

(a) to give to members of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and/or

(b) to circulate to members entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

A requisition signed by the shareholders concerned (or 2 or more copies which between them containing signatures of all the shareholders concerned) must be deposited at the registered office of the Company at 66/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for the attention of the company secretary not less than 6 weeks before an annual general meeting in the case of a requisition requiring notice of a resolution and not less than 1 week before an annual general meeting in case of any other requisition. In addition, the concerned shareholders must deposit with the requisition a sum reasonably sufficient to meet the expenses in giving effect the above.

Investor Relations

There is no change in the Company's memorandum and articles of association during the year. Subsequent to the year end, on 11 January 2013, the authorised share capital of the Company has been increased to HK$5,000,000,000 divided into 5,000,000,000 ordinary shares of HK$1 each by the creation of an additional 4,000,000,000 unissued ordinary shares of HK$1 each, which will rank pari passu with all existing ordinary shares of the Company.

The directors present their report and the audited financial statements of Beijing Development (Hong Kong) Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2012.

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 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Dividends

The Group's loss for the year ended 31 December 2012 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 89.

The directors do not recommend the payment of any dividend in respect of the year.

Summary Financial Information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 90. This summary does not form part of the audited financial statements.

Property and Equipment and Investment Properties

Details of movements in the property and 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 or share options during the year.

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 31(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2012, 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 55% of the total sales for the year and sales to the largest customer included therein amounted to 20%. Purchases from the Group's five largest suppliers accounted for 36% of the total purchases for the year and purchases from the largest supplier included therein amounted to 13%.

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 *(Chairman)*
Mr. Zhang Honghai
Mr. Wang Yong *(President)*
Mr. Yan Qing
Ms. Sha Ning *(Vice President)*
Mr. Ng Kong Fat, Brian

Independent non-executive directors:

Dr. Jin Lizuo
Dr. Huan Guocang
Dr. Wang Jianping

In accordance with article 104(a) of the Company's articles of association, Mr. Zhang Honghai, Ms. Sha Ning and Dr. 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.

During the year, Dr. Jin Lizuo resigned as an independent director of Cosco Shipping Co., Ltd. (listed in Shanghai stock exchange) upon expiry of term in March 2012.

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 pages 14 to 15 of the annual report.

Directors' Interests in Contracts and Contract of Significance

Save as the transactions with 北京控股集團有限公司 ("BEGCL") and its subsidiaries, further details of which are set out in note 35 to the financial statements, no contracts of significance in relation to the Group's business in which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at any time during the year or at the end of the year.

Directors' Interests and Short Positions in Shares and Underlying Shares

At 31 December 2012, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	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. Yan Qing	4,000	—	4,000	—
Mr. Ng Kong Fat, Brian	1,600,000	8,792,755#	10,392,755	1.53
	6,205,000	8,792,755	14,997,755	2.21

\# 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.

Save as disclosed above, as at 31 December 2012, none of the directors had registered an interest or a short position in the shares or underlying shares 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.

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 30 to the financial statements.

Share Option Scheme *(continued)*

No share option was granted, exercised, forfeited or lapsed during the year. At 1 January 2012 and 31 December 2012, the following share options were outstanding under the Scheme:

Name or category of participant	Number of share options
Executive directors:	
Mr. E Meng	6,770,000
Mr. Zhang Honghai	6,770,000
Mr. Wang Yong	6,770,000
Mr. Yan Qing	4,700,000
Mr. Ng Kong Fat, Brian	5,500,000
Independent non-executive directors:	
Dr. Jin Lizuo	670,000
Dr. Huan Guocang	670,000
Dr. Wang Jianping	670,000
Other employees:	
In aggregate	18,900,000
	51,420,000

The outstanding share options were granted on 21 June 2011 at an exercise price of HK$1.25 (subject to adjustment in the case of rights or bonus issues, or other similar changes in the share capital of the Company) 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$1.19. The share options may be exercised at any time commencing on 21 June 2011, and if not otherwise exercised, will lapse on 20 June 2021.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in 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.

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

At 31 December 2012, the following interests and short positions 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
BEGCL	*(b)*	—	290,459,000	290,459,000	42.87

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 2012, 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.

Connected Transaction and Continuing Connected Transactions

During the year, the Company and the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Connected transaction

On 14 February 2012, the Company entered into a property transfer agreement with 北京北控宏創科技有限公司 ("Hong Chuang"), a wholly-owned subsidiary of BEHL, pursuant to which the Company agreed to purchase a property situated in Mainland China (the "Property") at a cash consideration of RMB32,000,000 (equivalent to HK$39,507,000). The Group intends to acquire the Property partially for investment purpose and partially as office premises to support the Group's current and future operations in Beijing. Further details of the transaction are set out in the Company's announcement dated 14 February 2012. At the date of approval of these financial statements, this transaction has not yet been completed.

Continuing connected transactions

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.33 of the Listing Rules) during the year:

(a) On 30 March 2012, the Company entered into a framework agreement (the "Framework Agreement") with 北京市政交通一卡通有限公司 ("BMAC"), which is held as to 43% by BEGCL), regarding the supplies of merchandise and related services of municipal administration and communications card, namely "一卡通", to the Group. Further details of the Framework Agreement are set out in the Company's announcement dated 30 March 2012. During the year ended 31 December 2012, the Group purchased merchandise and related services in the amount of HK$5,057,000 from BMAC.

(b) On 31 December 2012, the Company entered into a two-year property services contract (the "Property Services Contract") with Hong Chuang, pursuant to which Hong Chuang will provide property management services in respect of the public areas and public installation and facilities of the Property. Further details of the Property Services Contract are set out in the Company's announcement dated 31 December 2012. The Property Services Contract was effective retrospectively from 14 February 2012, and during the year ended 31 December 2012, the property management fee payable by the Group amounted to HK$1,492,000.

The directors of the Company confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company have reviewed these continuing connected transactions and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Connected Transaction and Continuing Connected Transactions *(continued)*

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of these continuing connected transactions in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Events After the Reporting Period

Details of the significant events of the Group after the reporting period are set out in note 38 to the financial statements.

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
27 March 2013

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

We have audited the consolidated financial statements of Beijing Development (Hong Kong) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 27 to 89, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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 information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, 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
27 March 2013

Consolidated Income Statement

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
REVENUE	5	**208,387**	185,184
Cost of sales		**(187,856)**	(158,986)
Gross profit		**20,531**	26,198
Gain on disposal of a jointly-controlled entity	18(b)	**—**	122,041
Other income and gains	5	**31,991**	26,226
Selling and distribution expenses		**(5,920)**	(9,639)
Administrative expenses		**(65,171)**	(89,452)
Other expenses, net		**(1,154)**	(13,363)
Finance costs	6	**(4,507)**	(4,087)
Share of profits and losses of:			
Jointly-controlled entities	18(a)	**679**	112
Associates	19(a)	**(2,964)**	(520)
PROFIT/(LOSS) BEFORE TAX	7	**(26,515)**	57,516
Income tax	10	**(135)**	(8,578)
PROFIT/(LOSS) FOR THE YEAR		**(26,650)**	48,938
Attributable to:			
Shareholders of the Company	11	**(18,833)**	54,846
Non-controlling interests		**(7,817)**	(5,908)
		(26,650)	48,938
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	12		
— Basic and diluted (HK cents)		**(2.78)**	8.10

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
PROFIT/(LOSS) FOR THE YEAR	**(26,650)**	48,938
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange fluctuation reserve:		
Translation of foreign operations	**—**	20,628
Release upon deemed partial disposal of interests in a subsidiary	**(125)**	—
Release upon disposal of a jointly-controlled entity	**—**	(4,119)
Release upon deemed partial disposals of interests in an associate	**(1,567)**	—
Share of other comprehensive loss of an associate	**(32)**	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(1,724)**	16,509
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(28,374)**	65,447
Attributable to:		
Shareholders of the Company	**(20,557)**	71,541
Non-controlling interests	**(7,817)**	(6,094)
	(28,374)	65,447

Consolidated Statement of Financial Position

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property and equipment	13	**12,532**	9,718
Investment properties	14	**45,812**	45,837
Goodwill	15	**—**	—
Other intangible assets	16	**3,576**	2,496
Investment in a jointly-controlled entity	18	**12,352**	12,093
Investments in associates	19	**24,063**	19,034
Trade receivables	23	**9,681**	15,613
Prepayment	24(e)	**31,605**	—
Total non-current assets		**139,621**	104,791
CURRENT ASSETS			
Inventories	21	**7,967**	14,702
Amounts due from contract customers	22	**909**	909
Trade receivables	23	**78,781**	85,106
Prepayments, deposits and other receivables	24	**85,421**	117,751
Pledged deposits	25	**5,779**	1,173
Cash and cash equivalents	25	**647,050**	717,035
Total current assets		**825,907**	936,676
CURRENT LIABILITIES			
Trade and bills payables	26	**79,958**	118,081
Amounts due to contract customers	22	**7,173**	9,788
Other payables and accruals	27	**102,146**	108,256
Income tax payables		**6,590**	6,762
Total current liabilities		**195,867**	242,887
NET CURRENT ASSETS		**630,040**	693,789
TOTAL ASSETS LESS CURRENT LIABILITIES		**769,661**	798,580
NON-CURRENT LIABILITIES			
Trade payables	26	**11,036**	13,526
Deferred income	28	**43,444**	46,915
Total non-current liabilities		**54,480**	60,441
Net assets		**715,181**	738,139
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	29	**677,460**	677,460
Reserves	31(a)(i)	**22,341**	41,833
		699,801	719,293
Non-controlling interests		**15,380**	18,846
Total equity		**715,181**	738,139

E Meng
Director

Wang Yong
Director

Year ended 31 December 2012

	Notes	Attributable to shareholders of the Company										
		Issued capital	Share premium account	Capital redemption reserve	Share option reserve	Capital reserve	Exchange fluctuation reserve	PRC reserve funds	Accu-mulated losses	Total	Non-controlling interests	Total equity
		HK$'000	HK$'000	HK$'000 (note 31(a)(ii))	HK$'000 (note 31(a)(iii))	HK$'000	HK$'000	HK$'000 (note 31(a)(iv))	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011		677,460	170,319	9,721	64,014	5,701	60,772	41,717	(410,476)	619,228	24,940	644,168
Profit/(loss) for the year		–	–	–	–	–	–	–	54,846	54,846	(5,908)	48,938
Other comprehensive income/(loss) for the year:												
Exchange fluctuation reserve:												
Translation of foreign operations		–	–	–	–	–	20,814	–	–	20,814	(186)	20,628
Release upon disposal of a jointly-controlled entity		–	–	–	–	–	(4,119)	–	–	(4,119)	–	(4,119)
Total comprehensive income/(loss) for the year		–	–	–	–	–	16,695	–	54,846	71,541	(6,094)	65,447
Equity-settled share option arrangement	30(a)	–	–	–	27,882	–	–	–	–	27,882	–	27,882
Transfer of share option reserve upon the forfeiture/lapse of share options	30(c),(d)	–	–	–	(64,014)	–	–	–	64,014	–	–	–
Transfer to PRC reserve funds		–	–	–	–	–	–	21	(21)	–	–	–
Share of reserves of an associate		–	–	–	–	642	–	–	–	642	–	642
At 31 December 2011 and 1 January 2012		**677,460**	**170,319***	**9,721***	**27,882***	**6,343***	**77,467***	**41,738***	**(291,637)***	**719,293**	**18,846**	**738,139**
Loss for the year		–	–	–	–	–	–	–	(18,833)	(18,833)	(7,817)	(26,650)
Other comprehensive loss for the year:												
Exchange fluctuation reserve:												
Release upon deemed partial disposal of interests in a subsidiary		–	–	–	–	–	(125)	–	–	(125)	–	(125)
Release upon deemed partial disposals of interests in an associate		–	–	–	–	–	(1,567)	–	–	(1,567)	–	(1,567)
Share of other comprehensive loss of an associate		–	–	–	–	–	(32)	–	–	(32)	–	(32)
Total comprehensive loss for the year		–	–	–	–	–	(1,724)	–	(18,833)	(20,557)	(7,817)	(28,374)
Capital contribution by a non-controlling equity holder		–	–	–	–	–	–	–	–	–	5,291	5,291
Transfer to PRC reserve funds		–	–	–	–	–	–	38	(38)	–	–	–
Share of reserves of an associate		–	–	–	–	(3,096)	–	–	3,096	–	–	–
Deemed partial disposal of interests in a subsidiary	17(e)	–	–	–	–	1,065	–	–	–	1,065	(940)	125
Deemed partial disposals of interests in an associate		–	–	–	–	(1,369)	–	(4,995)	6,364	–	–	–
At 31 December 2012		**677,460**	**170,319***	**9,721***	**27,882***	**2,943***	**75,743***	**36,781***	**(301,048)***	**699,801**	**15,380**	**715,181**

* These reserve accounts comprise the consolidated reserves of HK$22,341,000 (2011: HK$41,833,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(26,515)**	57,516
Adjustments for:			
Gain on disposal of a jointly-controlled entity	*18(b)*	**—**	(122,041)
Gains on deemed partial disposals of interests in an associate	*5*	**(9,592)**	—
Share of profits and losses of jointly-controlled entities	*18(a)*	**(679)**	(112)
Share of profits and losses of associates	*19(a)*	**2,964**	520
Bank interest income	*5*	**(11,585)**	(7,037)
Imputed interest on interest-free trade receivables with extended credit periods	*5*	**(5,154)**	(14,676)
Imputed interest on interest-free trade payables with extended credit periods	*6*	**4,507**	4,087
Write-down of inventories to net realisable value	*7*	**—**	327
Depreciation	*7*	**2,799**	2,974
Fair value loss on investment properties	*7*	**25**	1,144
Impairment of goodwill	*7*	**—**	10,000
Amortisation of other intangible assets	*7*	**797**	2,820
Impairment of an amount due from an associate	*7*	**33**	31
Impairment of trade receivables, net	*7*	**931**	876
Impairment of other receivables, net	*7*	**116**	834
Loss on disposal of items of property and equipment, net	*7*	**6**	11
Equity-settled share option expense	*7*	**—**	27,882
		(41,347)	(34,844)
Decrease/(increase) in inventories		**6,735**	(10,191)
Decrease in amounts due from contract customers		**—**	1,968
Decrease in trade receivables		**16,480**	82,410
Increase in prepayments, deposits and other receivables		**(3,050)**	(3,587)
Decrease in trade and bills payables		**(45,120)**	(30,380)
Increase/(decrease) in amounts due to contract customers		**(2,615)**	1,199
Increase/(decrease) in other payables and accruals		**(7,110)**	17,440
Increase/(decrease) in deferred income		**(2,471)**	9,878
Cash generated from/(used in) operations		**(78,498)**	33,893
Interest received		**11,585**	7,037
Dividend received from a jointly-controlled entity		**420**	2,469
Mainland China corporate income tax refunded/(paid)		**(307)**	468
Net cash flows from/(used in) operating activities		**(66,800)**	43,867

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment	13	**(5,677)**	(2,826)
Prepayment of a property	24(e)	**(31,605)**	—
Proceeds from disposal of items of property and equipment		**58**	8
Purchases of other intangible assets	16	**(1,877)**	(46)
Proceeds from disposal of a jointly-controlled entity	24(a)	**35,264**	35,477
Increase in an amount due from an associate		**(33)**	(31)
Decrease in time deposits with maturity of more than three months when acquired		**13,471**	129,464
Increase in pledged deposits		**(4,606)**	(1,048)
Net cash flows from investing activities		**4,995**	160,998
CASH FLOWS FROM A FINANCING ACTIVITY			
Capital contribution by a non-controlling equity holder	17(e)	**5,291**	—
Net cash flows from a financing activity		**5,291**	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(56,514)**	204,865
Cash and cash equivalents at beginning of year		**608,262**	392,564
Effect of foreign exchange rate changes, net		**—**	10,833
CASH AND CASH EQUIVALENTS AT END OF YEAR		**551,748**	608,262
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits	25	**304,373**	370,608
Time deposits	25	**348,456**	347,600
Less: Pledged deposits	25	**(5,779)**	(1,173)
Cash and cash equivalents as stated in the consolidated statement of financial position		**647,050**	717,035
Less: Time deposits with maturity of more than three months when acquired		**(95,302)**	(108,773)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**551,748**	608,262

Statement of Financial Position

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property and equipment	13	**939**	1,179
Other intangible assets	16	**1,094**	1,469
Investments in subsidiaries	17	**199,380**	228,189
Prepayment	24(e)	**31,605**	—
Total non-current assets		**233,018**	230,837
CURRENT ASSETS			
Prepayments, deposits and other receivables	24	**37,440**	35,971
Cash and cash equivalents	25	**440,725**	424,633
Total current assets		**478,165**	460,604
CURRENT LIABILITIES			
Other payables and accruals	27	**63,175**	12,297
NET CURRENT ASSETS		**414,990**	448,307
Net assets		**648,008**	679,144
EQUITY			
Issued capital	29	**677,460**	677,460
Reserves	31(b)	**(29,452)**	1,684
Total equity		**648,008**	679,144

E Meng
Director

Wang Yong
Director

1. Corporate Information

Beijing Development (Hong Kong) Limited (the "Company") is a limited liability company incorporated in Hong Kong and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, 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; and (iv) the development and sale of software.

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 ("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 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in the income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the income statement or accumulated losses, as appropriate.

2.2 Changes in Accounting Policy and Disclosures

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

2.3 Issued but not yet Effective HKFRSs

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 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* [2]
HKFRS 9	*Financial Instruments* [4]
HKFRS 10	*Consolidated Financial Instruments* [2]
HKFRS 11	*Joint Arrangements* [2]
HKFRS 12	*Disclosure of Interests in Other Entities* [2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance* [2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities* [3]
HKFRS 13	*Fair Value Measurement* [2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* [1]
HKAS 19 (2011)	*Employee Benefits* [2]
HKAS 27 (2011)	*Separate Financial Statements* [2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012 [2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

2.3 Issued but not yet Effective HKFRSs *(continued)*

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

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.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in the income statement, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirely. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-lnt 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-lnt 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-lnt 13 *Jointly Controlled Entities –* Non-Monetary *Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

2.3 Issued but not yet Effective HKFRSs *(continued)*

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 an HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations) would be presented separately from items which will never be reclassified. The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.3 Issued but not yet Effective HKFRSs *(continued)*

The *Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. 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 have a significant impact on the Group's policies are as follows:

(a) HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

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 investments 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Joint ventures *(continued)*

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.

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 investments 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist. 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 jointly-controlled entities is included as part of the Group's investments 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 investments 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist. 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 associates is included as part of the Group's investments in associates and is not individually tested for impairment.

2.4 Summary of Significant Accounting Policies *(continued)*

Related parties

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

(a) the party is a person or a close member of that person's family and that person

- (i) has controls or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2.4 Summary of Significant Accounting Policies *(continued)*

Business combinations and goodwill *(continued)*

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in the income statement or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in the income statement as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested 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 has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Property and equipment and depreciation

Property and equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and 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 property and 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 property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 Summary of Significant Accounting Policies *(continued)*

Property and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and 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 20%
Furniture, fixtures and office equipment	10% to 20%
Motor vehicles	12.5% to 50%

Where parts of an item of property and 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 property and equipment including 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 year 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 year of the retirement or disposal.

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 lessee, rentals payable under the operating leases, net of any incentives received from the lessor, are charged to the income statement on the straight-line basis over the lease terms.

2.4 Summary of Significant Accounting Policies *(continued)*

Intangible assets (other than goodwill)

Intangible assets are stated at cost less accumulated amortisation and any impairment losses. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised on the straight-line basis over their estimated useful economic lives and the principal annual rates used for this purpose are as follows:

Management information systems	10%
Licences	20%
Computer software	10% to 20%
Golf club membership	20%

Intangible assets are 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.

Impairment of non-financial assets

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 "Other expenses, net" in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an 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.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are all classified as loans and receivables, which are recognised initially at fair value plus 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

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 by 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 gains" in the income statement. The loss arising from impairment is recognised in the income statement in "Other expenses, net".

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is 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 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.

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 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 write-off is later recovered, the recovery is credited to "other expenses, net" in the income statement.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

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; or

- 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, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it 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 within the scope of HKAS 39 are all classified as loans and borrowings, which are recognised initially at fair value and net off directly attributable transaction costs.

The Group's financial liabilities include trade and other payables.

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 the income statement when the liabilities are derecognised as well as through the effective interest rate 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Financial liabilities *(continued)*

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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.

System integration 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 overheads.

Revenue from fixed price system integration 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.

Software development contracts

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

Revenue from fixed price software development contracts 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Software development contracts *(continued)*

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.

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.

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 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Income tax *(continued)*

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

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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

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.

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 system integration contracts, on the percentage of completion basis, as further explained in the accounting policy for "System integration contracts" above;

2.4 Summary of Significant Accounting Policies *(continued)*

Revenue recognition *(continued)*

(c) from maintenance contracts, on a time proportion basis over the contract terms;

(d) from the software development, on the percentage of completion basis, as further explained in the accounting policy for "Software development contracts" above;

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

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

Employee benefits

Share-based payments

The Company 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 operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, 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 the Black-Scholes-Merton option pricing model, further details of which are given in note 30 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 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 payments, 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 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Employee benefits *(continued)*

Share-based payments *(continued)*

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

Pension schemes

Certain companies within the Group have participated in a number of defined contribution retirement benefit schemes required by the respective local governments in which they operate for their employees. 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 assets of the schemes are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the schemes.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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 gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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 prevailing 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 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 their accompanying disclosures and the disclosure of contingent liabilities. 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.

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 property and 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 property and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives and residual values of property and 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 of the Group's property and equipment and intangible assets and therefore depreciation/amortisation in the future periods.

Estimation of fair value of investment properties

The Group's investment properties were vacant during the reporting period and may be subject to demolishment in the near future. Management revalues the investment properties at the end of each reporting periods in accordance with the relevant rules and regulations applicable to the demolishment. Principal assumptions for the Group's estimation of the fair value include those related to land price and adjusted indices for plot ratio, original use of building and planned use of building. Particulars of the investment properties held by the Group are set out in note 14 to the financial statements.

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.

3. Significant Accounting Judgements and Estimates *(continued)*

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.

Percentage of completion of system integration and software development contracts

The Group recognises revenue according to the percentage of completion of the individual contract of system integration and software development. The Group's management estimates the percentage of completion of system integration and software development 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 activities undertaken in system integration and software development contracts, the date at which an 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 system integration and software development contract as the contract progresses.

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.

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 operating segment of the Group.

An analysis of the Group's revenues from external customers for each group of similar products and services is disclosed in note 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 two external customers (2011: one) which individually contributed to over 10% of the Group's total revenue. The revenue generated from sales to each of these customers is set out below:

	Group	
	2012	2011
	HK$'000	HK$'000
Customer A	**41,202**	44,903
Customer B	**24,590**	*

* Less than 10% of the Group's total revenue

5. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, represents (i) the aggregate of the invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for returns and trade discounts; and (ii) the value of services rendered, net of business tax during the year.

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

		Group	
	Notes	**2012** **HK$'000**	2011 HK$'000
Revenue			
Sale of IT related products		**119,352**	123,994
Maintenance contracts		**21,803**	27,662
Software development contracts		**17,165**	17,137
System integration contracts		**50,067**	16,391
		208,387	185,184
Other income			
Bank interest income		**11,585**	7,037
Imputed interest on interest-free trade receivables with extended credit periods		**5,154**	14,676
Government grants released	*(a)*	**2,469**	2,468
Others		**3,191**	2,045
		22,399	26,226
Gains			
Gains on deemed partial disposals of interests in an associate	*(b)*	**9,592**	—
		31,991	26,226

Notes:

(a) Government grants have been received by the Group from a government authority in Mainland China in respect of the fitness card system business carried out by 北京北控文化體育有限公司 ("BG Culture"), previously known as Beijing Fitness Card Co., Ltd., a subsidiary of the Group. The government grants have been recognised in the consolidated income statement to match the related expenses that they are intended to compensate or over the expected useful lives of the relevant assets by equal annual instalments. There are no unfulfilled conditions or contingencies relating to these grants. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position.

(b) The gains on deemed partial disposals of interests in an associate recognised during the year arose from the dilution of the Group's equity interest in China Information Technology Development Limited ("CITD") from approximately 29.18% to 21.10% upon the placing of 100,000,000 (as adjusted by the ten-to-one share consolidation carried out by CITD on 2 August 2012) and 149,000,000 new ordinary shares by CITD in June 2012 and October 2012, respectively.

6. Finance Costs

Finance costs of the Group for the years ended 31 December 2012 and 2011 represented imputed interest on interest-free trade payables with extended credit periods.

7. Profit/(loss) Before Tax

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

		Group	
	Notes	**2012 HK$'000**	2011 HK$'000
Cost of inventories sold		**105,727**	106,949
Cost of services provided		**82,129**	48,259
Write-down of inventories to net realisable value[@]		**—**	327
Depreciation	*13*	**2,799**	2,974
Minimum lease payments under operating leases of land and buildings		**9,083**	9,001
Fair value loss on investment properties[#]	*14*	**25**	1,144
Impairment of goodwill[#]	*15*	**—**	10,000
Amortisation of other intangible assets[@]	*16*	**797**	2,820
Impairment of an amount due from an associate[#]	*19(c)*	**33**	31
Impairment of trade receivables, net[#]	*23(b)*	**931**	876
Impairment of other receivables, net[#]	*24(c)*	**116**	834
Loss on disposal of items of property and equipment, net[#]		**6**	11
Auditors' remuneration		**2,080**	2,200
Employee benefit expense (including directors' remuneration *(note 8)*):			
Wages and salaries		**41,628**	39,641
Equity-settled share option expense	*30(a)*	**—**	27,882
Pension scheme contributions		**4,164**	4,336
		45,792	71,859
Foreign exchange differences, net		**461**	864

[@] These items are included in "Cost of sales" in the consolidated income statement.

[#] These items are included in "Other expenses, net" in the consolidated income statement.

8. Directors' Remuneration

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

	Group	
	2012	2011
	HK$'000	HK$'000
Fees	**960**	960
Other emoluments:		
Salaries, allowances and benefits in kind	**1,091**	1,042
Equity-settled share option expense	**—**	19,228
Pension scheme contributions	**90**	82
	1,181	20,352
	2,141	21,312

During the year ended 31 December 2011, 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 30 to the financial statements. The fair value of such options, which has been recognised immediately in the income statement for the prior year, was determined as at the date of grant and the amount included in the financial statements for the prior year is included in the above directors' remuneration disclosures.

8. Directors' Remuneration *(continued)*

An analysis of directors' remuneration for the year is as follows:

Group

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2012					
Executive directors					
Mr. E Meng	**100**	**—**	**—**	**—**	**100**
Mr. Zhang Honghai	**100**	**—**	**—**	**—**	**100**
Mr. Wang Yong	**100**	**1,091**	**—**	**89**	**1,280**
Mr. Yan Qing	**100**	**—**	**—**	**—**	**100**
Ms. Sha Ning	**100**	**—**	**—**	**—**	**100**
Mr. Ng Kong Fat, Brian	**100**	**—**	**—**	**1**	**101**
	600	**1,091**	**—**	**90**	**1,781**
Independent non-executive directors					
Dr. Jin Lizuo	**120**	**—**	**—**	**—**	**120**
Dr. Huan Guocang	**120**	**—**	**—**	**—**	**120**
Dr. Wang Jianping	**120**	**—**	**—**	**—**	**120**
	360	**—**	**—**	**—**	**360**
Total	**960**	**1,091**	**—**	**90**	**2,141**
2011					
Executive directors					
Mr. E Meng	100	—	4,003	—	4,103
Mr. Zhang Honghai	100	—	4,003	—	4,103
Mr. Wang Yong	100	1,042	4,003	81	5,226
Mr. Yan Qing	100	—	2,779	—	2,879
Ms. Sha Ning	100	—	—	—	100
Mr. Ng Kong Fat, Brian	100	—	3,252	1	3,353
	600	1,042	18,040	82	19,764
Independent non-executive directors					
Dr. Jin Lizuo	120	—	396	—	516
Dr. Huan Guocang	120	—	396	—	516
Dr. Wang Jianping	120	—	396	—	516
	360	—	1,188	—	1,548
Total	960	1,042	19,228	82	21,312

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

9. Five Highest Paid Employees

The five highest paid employees during the year included one (2011: four) director, details of his remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2011: one) non-director, highest paid employees for the year are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,676**	1,078
Equity-settled share option expense	**—**	2,610
Pension scheme contributions	**272**	12
	2,948	3,700

The number of the non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Group	
	2012	2011
Nil – HK$1,000,000	**3**	—
HK$1,000,001 – HK$1,500,000	**1**	—
HK$3,500,001 – HK$4,000,000	**—**	1
	4	1

During the year ended 31 December 2011, 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 30 to the financial statements. The fair value of such options, which has been recognised immediately in the income statement for the prior year, was determined as at the date of grant and the amount included in the financial statements for the prior year is included in the above non-director, highest paid employee's remuneration disclosures.

10. Income Tax

No provision for Hong Kong profits tax has been made for the year ended 31 December 2012 as the Group did not generate any assessable profits arising in Hong Kong during the year (2011: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2012	2011
	HK$'000	HK$'000
Current – Mainland China		
Charge for the year	**60**	6,762
Underprovision in prior years	**75**	61
Deferred *(Note 20)*	**—**	1,755
Total tax charge for the year	**135**	8,578

10. Income Tax *(continued)*

A reconciliation of the tax charge/(credit) applicable to profit/(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 are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Profit/(loss) before tax	**(26,515)**	57,516
Tax at the statutory tax rates	**(5,998)**	18,558
Lower tax rate enacted by local authority	**249**	128
Effect of rate difference on the gain on disposal of a jointly-controlled entity	**—**	(9,725)
Profits and losses attributable to jointly-controlled entities	**(170)**	(28)
Profits and losses attributable to associates	**486**	81
Income not subject to tax	**(1,690)**	(14,409)
Expenses not deductible for tax	**2,946**	9,558
Tax losses utilised from previous periods	**(334)**	(419)
Tax losses not recognised	**5,098**	5,710
Adjustments in respect of current tax of previous periods	**75**	61
Others	**(527)**	(937)
Tax charge at the Group's effective rate	**135**	8,578

The share of tax attributable to a jointly-controlled entity and an associate amounting to HK$234,000 (2011: HK$139,000) and HK$470,000 (2011: HK$2,766,000), respectively, are included in "Share of profits and losses of jointly-controlled entities and associates" in the consolidated income statement.

11. Profit/(loss) for the Year Attributable to Shareholders of the Company

The consolidated loss (2011: profit) attributable to shareholders of the Company for the year ended 31 December 2012 includes a loss of HK$8,845,000 (2011: profit of HK$5,128,000) which has been dealt with in the financial statements of the Company.

A reconciliation of the above amount to the Company's profit/(loss) for the year is as follows:

	Notes	**2012** **HK$'000**	2011 HK$'000
Amount of consolidated profit/(loss) for the year attributable to shareholders of the Company dealt with in the financial statements of the Company		**(8,845)**	5,128
Impairment of unlisted shares or investment in subsidiaries recognised during the year in the income statement	*17(b)*	**(11,041)**	(89,451)
Reversal of impairment/(impairment) of amounts due from subsidiaries recognised during the year in the income statement	*17(c)*	**(11,250)**	104,150
The Company's profit/(loss) for the year	*31(b)*	**(31,136)**	19,827

12. Earnings/(loss) Per Share Attributable to Shareholders of the Company

The calculation of the basic loss (2011: earnings) per share amounts is based on the loss (2011: profit) for the year attributable to shareholders of the Company and the weighted average of 677,460,150 (2011: 677,460,150) ordinary shares in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2012 and 2011 as the share options of the Company and CITD outstanding during these years have an anti-dilutive effect and no dilutive effect, respectively, on the respective basic earnings/(loss) per share amounts for these years.

13. Property and Equipment

Group

	Leasehold improve-ments HK$'000	Furniture fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2012				
At 31 December 2011 and 1 January 2012:				
Cost	**3,236**	**28,465**	**7,434**	**39,135**
Accumulated depreciation	**(2,763)**	**(21,238)**	**(5,416)**	**(29,417)**
Net carrying amount	**473**	**7,227**	**2,018**	**9,718**
Net carrying amount:				
At 1 January 2012	**473**	**7,227**	**2,018**	**9,718**
Additions	**1,924**	**2,354**	**1,399**	**5,677**
Depreciation provided during the year	**(210)**	**(1,918)**	**(671)**	**(2,799)**
Disposals	**—**	**(14)**	**(50)**	**(64)**
At 31 December 2012	**2,187**	**7,649**	**2,696**	**12,532**
At 31 December 2012:				
Cost	**5,160**	**30,670**	**8,183**	**44,013**
Accumulated depreciation	**(2,973)**	**(23,021)**	**(5,487)**	**(31,481)**
Net carrying amount	**2,187**	**7,649**	**2,696**	**12,532**
Year ended 31 December 2011				
At 1 January 2011:				
Cost	2,482	25,212	7,092	34,786
Accumulated depreciation	(2,404)	(18,562)	(4,397)	(25,363)
Net carrying amount	78	6,650	2,695	9,423
Net carrying amount:				
At 1 January 2011	78	6,650	2,695	9,423
Additions	630	2,196	—	2,826
Depreciation provided during the year	(239)	(1,925)	(810)	(2,974)
Disposals	—	(19)	—	(19)
Exchange realignment	4	325	133	462
At 31 December 2011	473	7,227	2,018	9,718

13. Property and Equipment *(continued)*

Company

	Leasehold improve-ments HK$'000	Furniture fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2012				
At 31 December 2011 and 1 January 2012:				
Cost	**630**	**544**	**741**	**1,915**
Accumulated depreciation	**(157)**	**(308)**	**(271)**	**(736)**
Net carrying amount	**473**	**236**	**470**	**1,179**
Net carrying amount:				
At 1 January 2012	**473**	**236**	**470**	**1,179**
Additions	**—**	**58**	**—**	**58**
Depreciation provided during the year	**(126)**	**(125)**	**(47)**	**(298)**
At 31 December 2012	**347**	**169**	**423**	**939**
At 31 December 2012:				
Cost	**630**	**602**	**741**	**1,973**
Accumulated depreciation	**(283)**	**(433)**	**(318)**	**(1,034)**
Net carrying amount	**347**	**169**	**423**	**939**
Year ended 31 December 2011				
At 1 January 2011:				
Cost	—	379	1,199	1,578
Accumulated depreciation	—	(205)	(662)	(867)
Net carrying amount	—	174	537	711
Net carrying amount:				
At 1 January 2011	—	174	537	711
Additions	630	158	—	788
Depreciation provided during the year	(157)	(101)	(94)	(352)
Exchange realignment	—	5	27	32
At 31 December 2011	473	236	470	1,179

14. Investment Properties

	Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount at 1 January	**45,837**	44,771
Fair value loss on revaluation *(note 7)*	**(25)**	(1,144)
Exchange realignment	**—**	2,210
Carrying amount at 31 December	**45,812**	45,837

Details of the investment properties, which are held under medium term leases, are as follows:

Location	**Use**	**Attributable interest of the Group**
Part of the second floor and the entire third floor, A No. 1 Jian Guo Men Wai Avenue, Chao Yang District, Beijing, the PRC	Office building	85.5%

As the investment properties are situated in a location under a proposed redevelopment plan of the Beijing Municipal Government, the investment properties may be subject to demolishment in the near future.

At 31 December 2012, the investment properties were vacant and 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.

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	
	2012	2011
	HK$'000	HK$'000
At 1 January:		
Cost	**103,970**	103,970
Accumulated impairment	**(103,970)**	(93,970)
Net carrying amount	**—**	10,000
Net carrying amount:		
At 1 January	**—**	10,000
Impairment during the year recognised in the income statement	**—**	(10,000)
At 31 December	**—**	—
At 31 December:		
Cost	**103,970**	103,970
Accumulated impairment	**(103,970)**	(103,970)
Net carrying amount	**—**	—

The Group's goodwill arose from the acquisition of Beijing Enterprises Teletron Information Technology Co., Ltd. ("BETIT"), a 72% owned subsidiary of the Group, which constitutes as a single cash-generating unit (the "BETIT CGU").

For the year ended 31 December 2011, the recoverable amount of the BETIT CGU had been determined by reference to a business valuation performed by the directors of the Company, 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 was 15%, which was before tax and reflected specific risk relating to the BETIT CGU. Budgeted gross margins were based on both the historical gross margin of the BETIT CGU and the expected market growth rate of 5%. The values assigned to the key assumptions were consistent with external information sources.

An impairment provision of HK$10,000,000 was recognised in the consolidated income statement for the year ended 31 December 2011 with respect to the goodwill attributable to the BETIT CGU, because there were less than expected contracts concluded and the future growth rate was expected to decline as a result of increase in market competition.

16. Other Intangible Assets

Group

	Management information systems HK$'000	Licences HK$'000	Computer software HK$'000	Golf club membership HK$'000	Total HK$'000
Year ended 31 December 2012					
At 31 December 2011 and 1 January 2012:					
Cost	**24,691**	**2,469**	**1,894**	**1,875**	**30,929**
Accumulated amortisation	**(24,691)**	**(2,469)**	**(867)**	**(406)**	**(28,433)**
Net carrying amount	**—**	**—**	**1,027**	**1,469**	**2,496**
Net carrying amount:					
At 1 January 2012	**—**	**—**	**1,027**	**1,469**	**2,496**
Additions	**—**	**—**	**1,877**	**—**	**1,877**
Amortisation provided during the year	**—**	**—**	**(422)**	**(375)**	**(797)**
At 31 December 2012	**—**	**—**	**2,482**	**1,094**	**3,576**
At 31 December 2012:					
Cost	**24,691**	**2,469**	**3,771**	**1,875**	**32,806**
Accumulated amortisation	**(24,691)**	**(2,469)**	**(1,289)**	**(781)**	**(29,230)**
Net carrying amount	**—**	**—**	**2,482**	**1,094**	**3,576**
Year ended 31 December 2011					
At 1 January 2011:					
Cost	23,530	2,353	1,761	1,875	29,519
Accumulated amortisation	(21,569)	(2,353)	(457)	(31)	(24,410)
Net carrying amount	1,961	—	1,304	1,844	5,109
Net carrying amount:					
At 1 January 2011	1,961	—	1,304	1,844	5,109
Additions	—	—	46	—	46
Amortisation provided during the year	(2,058)	—	(387)	(375)	(2,820)
Exchange realignment	97	—	64	—	161
At 31 December 2011	—	—	1,027	1,469	2,496

16. Other Intangible Assets *(continued)*

Company

	Golf club membership	
	2012	2011
	HK$'000	HK$'000
At 1 January:		
Cost	**1,875**	1,875
Accumulated amortisation	**(406)**	(31)
Net carrying amount	**1,469**	1,844
Net carrying amount:		
At 1 January	**1,469**	1,844
Amortisation provided during the year	**(375)**	(375)
At 31 December	**1,094**	1,469
At 31 December:		
Cost	**1,875**	1,875
Accumulated amortisation	**(781)**	(406)
Net carrying amount	**1,094**	1,469

17. Investments in Subsidiaries

		Company	
		2012	2011
	Notes	**HK$'000**	HK$'000
Unlisted shares or investments, at cost		**235,414**	235,413
Due from subsidiaries	*(a)*	**408,954**	415,473
		644,368	650,886
Accumulated impairment of unlisted shares or investments	*(b)*	**(152,091)**	(141,050)
Accumulated impairment of amounts due from subsidiaries	*(c)*	**(292,897)**	(281,647)
		(444,988)	(422,697)
		199,380	228,189

17. Investments in Subsidiaries *(continued)*

Notes:

(a) The amounts due from subsidiaries included in investments in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of directors, these advances are considered as quasi-equity loans to the subsidiaries.

(b) The movement in the provision for impairment of unlisted shares or investments in subsidiaries during the year is as follows:

	Company	
	2012	2011
	HK$'000	HK$'000
At 1 January	**141,050**	51,599
Impairment during the year recognised in the income statement *(Note 11)*	**11,041**	89,451
At 31 December	**152,091**	141,050

An impairment provision of HK$11,041,000 (2011: 89,451,000) was recognised in the Company's income statement because these relevant subsidiaries are loss making as a result of less than expected contracts concluded and future growth rate is expected to decline as a result of increase in market competition.

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

	Company	
	2012	2011
	HK$'000	HK$'000
At 1 January	**281,647**	385,797
Impairment/(reversal of impairment) during the year recognised in the income statement *(Note 11)*	**11,250**	(104,150)
At 31 December	**292,897**	281,647

17. Investments in Subsidiaries *(continued)*

Notes: (continued)

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

Name	Place of registration and operations	Nominal value of issued and paid-up capital/ registered capital	Percentage of attributable equity interest held by the Group	Principal activities
BETIT #	PRC/ Mainland China	RMB100,000,000	72	System integration and provision of IT technical support and consultation services
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
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. Ω	PRC/ Mainland China	HK$50,000,000	60	Operation of electronic payment cards
BG Culture Ω *(Note 17(e))*	PRC/ Mainland China	RMB14,285,700	59.5	Operation of electronic payment cards and organisation of sport events

Registered as wholly-owned enterprises under PRC law
Ω Registered as limited liability companies under PRC law
* Registered as a Sino-foreign joint venture under 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.

(e) At 31 December 2011, the registered capital of BG Culture was RMB10,000,000 (equivalent to HK$11,364,000), of which RMB8,500,000 (equivalent to HK$9,659,000 or 85% equity interest) was contributed by the Group. During the current year, a new investor invested in a 30% stake of the enlarged capital of BG Culture by injecting cash of RMB4,285,700 (equivalent to HK$5,291,000) into BG Culture as its new capital which increased the registered capital of BG Culture by RMB4,285,700 (equivalent to HK$5,291,000) and accordingly, the equity interest of BG Culture held by the Group was diluted from 85% to 59.5%. As the transaction did not result in the loss of control by the Group over BG Culture, the transaction is accounted for as an equity transaction and a gain on deemed disposal of HK$1,065,000 was recognised directly in the consolidation capital reserve during the year ended 31 December 2012.

18. Investment in a Jointly-Controlled Entity

	Group	
	2012	2011
	HK$'000	HK$'000
Share of net assets	**12,352**	12,093

Notes:

(a) The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

	Group	
	2012	2011
	HK$'000	HK$'000
Share of the jointly-controlled entity's assets and liabilities:		
Non-current assets	**772**	1,674
Current assets	**15,232**	21,468
Current liabilities	**(3,084)**	(10,353)
Non-controlling interests	**(568)**	(696)
Net assets	**12,352**	12,093
Share of the jointly-controlled entities' results:		
Revenue	**37,147**	59,780
Other income	**123**	68
Total revenue	**37,270**	59,848
Total expenses	**(36,484)**	(67,844)
Income tax	**(234)**	(139)
Non-controlling interests	**127**	186
Profit/(loss) for the year attributable to equity holders	**679**	(7,949)
Loss in excess of investment cost not absorbed by the Group	**—**	8,061
Profit for the year shared by the Group	**679**	112

(b) On 13 May 2011, Business Net Limited ("BNL"), a wholly-owned subsidiary of the Company, entered into a conditional equity transfer agreement (the "Disposal Agreement") with 北京控股集團有限公司 ("BEGCL"), a substantial shareholder of the Company, to dispose of its 43% equity interest in 北京市政交通一卡通有限公司 ("BMAC") for a total cash consideration of RMB96,380,000 (equivalent to HK$118,258,000). Further details of the disposal of BMAC were set out in the Company's circular dated 30 May 2011. The disposal was completed in October 2011 and a gain on disposal (before tax expenses) of HK$122,041,000 was recognised in the consolidated income statement during the year ended 31 December 2011.

(c) Particulars of the jointly-controlled entity, which is indirectly held by the Company and registered/operates in the PRC, are as follows:

		Percentage of			
Name	**Paid-up and registered capital**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activities**
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

19. Investments in Associates

		Group	
	Notes	**2012** **HK$'000**	2011 HK$'000
Share of net assets	*(a)*	**24,063**	19,034
Due from an associate	*(b)*	**15,767**	15,734
		39,830	34,768
Impairment of the amount due from an associate	*(c)*	**(15,767)**	(15,734)
		24,063	19,034

Notes:

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

	Group	
	2012 **HK$'000**	2011 HK$'000
Share of the associates' assets and liabilities:		
Non-current assets	**2,058**	3,004
Current assets	**52,242**	71,035
Current liabilities	**(21,875)**	(49,686)
Non-current liabilities	**(4,496)**	—
Non-controlling interests	**(3,866)**	(5,319)
Net assets	**24,063**	19,034
Share of the associates' results:		
Revenue	**40,946**	47,398
Loss for the year	**(2,964)**	(520)

(b) The balance with the associate is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors, the advance is considered as a quasi-equity loan to the associate. The Group's balance of trade receivables, trade payables and other payables with associates are disclosed in notes 23, 26 and 27 to the financial statements, respectively.

(c) The movement in the provision for impairment of the amount due from an associate during the year is as follows:

	Group	
	2012 **HK$'000**	2011 HK$'000
At 1 January	**15,734**	15,703
Impairment during the year recognised in the income statement *(note 7)*	**33**	31
At 31 December	**15,767**	15,734

19. Investments in Associates *(continued)*

Notes: (continued)

(d) 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$89,849,064	Cayman Islands/ Hong Kong	21.10	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/ Mainland China	25	Provision for system integration services

* CITD is not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network. Shares of CITD are listed on the Growth Enterprise Market of the Stock Exchange. The fair value of the ordinary shares of CITD held by the Group as at 31 December 2012, based on its then published price quotation, amounted to approximately HK$33,930,000.

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 HK$'000	Impairment of trade receivables HK$'000	Impairment of other receivables HK$'000	Fair value adjustments of trade payables HK$'000	Tax loss HK$'000	Total HK$'000
At 1 January 2011	20	852	105	(183)	878	1,672
Deferred tax charged to the income statement during the year *(note 10)*	(21)	(894)	(110)	192	(922)	(1,755)
Exchange realignment	1	42	5	(9)	44	83
At 31 December 2011, 1 January 2012 and 31 December 2012	—	—	—	—	—	—

At 31 December 2012, the Group had tax losses arising in Hong Kong of approximately HK$132,528,000 (2011: HK$132,528,000) 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$177,497,000 (2011: HK$149,684,000) as at 31 December 2012 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 the jurisdiction of the foreign investors. For the Group, the applicable rates are 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and the jointly-controlled entity established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2012, 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 and the jointly-controlled entity established in Mainland China (2011: Nil). In the opinion of the directors, it is not probable that these subsidiaries and jointly-controlled entity will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and the jointly-controlled entity in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$992,000 (2011: HK$710,000) as at 31 December 2012.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

21. Inventories

Inventories of the Group are IT related materials and equipment held for trading.

22. Amounts Due from/To Contract Customers

	Group	
	2012	2011
	HK$'000	HK$'000
Amounts due from contract customers	**909**	909
Amounts due to contract customers	**(7,173)**	(9,788)
	(6,264)	(8,879)
Contract costs incurred plus recognised profits less recognised losses to date	**49,919**	39,676
Less: Progress billings	**(56,183)**	(48,555)
	(6,264)	(8,879)

At 31 December 2012, retentions held by customers for contract work included in trade receivables amounted to HK$554,000 (2011: HK$6,126,000) and advances received from customer for contract works included in other payables and accruals amounted to HK$232,000 (2011: HK$240,000).

23. Trade Receivables

		Group	
		2012	2011
	Notes	**HK$'000**	HK$'000
Trade receivables due from:			
Third parties		**109,756**	113,603
An associate	*(a)*	**—**	1,007
A non-controlling equity holder	*(a)*	**128**	6,600
		109,884	121,210
Impairment	*(b)*	**(21,422)**	(20,491)
	(c)	**88,462**	100,719
Portion classified as current assets		**(78,781)**	(85,106)
Non-current portion		**9,681**	15,613

23. Trade Receivables *(continued)*

Notes:

(a) The balances with an associate and a non-controlling equity holder are repayable on similar credit terms to those offered to the major customers of the Group.

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

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 January	**20,491**	18,692
Impairment during the year recognised in the income statement, net *(note 7)*	**931**	876
Exchange realignment	**—**	923
At 31 December	**21,422**	20,491

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.

(c) Various companies of the Group 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 and the Group does not hold any collateral or other credit enhancements over its trade receivable balances.

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	
	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**60,246**	68,836
Past due but not impaired:		
Within 3 months	**25,732**	18,777
4 to 6 months	**1,124**	39
7 to 12 months	**411**	10,564
Over 1 year	**949**	2,503
	28,216	31,883
	88,462	100,719
Portion classified as current assets	**(78,781)**	(85,106)
Non-current portion	**9,681**	15,613

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.

24. Prepayments, Deposits and Other Receivables

		Group		Company	
	Notes	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Prepayments		**52,895**	14,330	**33,133**	19
Deposits and other receivables		**18,594**	21,665	**1,930**	66
Due from BEGCL	*(a)*	**47,595**	83,291	**—**	—
Loan to a subsidiary	*(b)*	**—**	—	**7,407**	7,407
Due from subsidiaries	*(b)*	**—**	—	**24,723**	26,627
Due from a jointly-controlled entity	*(b)*	**—**	370	**—**	—
Due from non-controlling equity holders	*(b)*	**4,304**	4,341	**1,852**	1,852
Due from a related company	*(b)*	**190**	190	**—**	—
		123,578	124,187	**69,045**	35,971
Impairment	*(c)*	**(6,552)**	(6,436)	**—**	—
		117,026	117,751	**69,045**	35,971
Portion classified as current assets	*(d)*	**(85,421)**	(117,751)	**(37,440)**	(35,971)
Non-current portion	*(e)*	**31,605**	—	**31,605**	—

Notes:

(a) The amount due from BEGCL represented the outstanding consideration receivable in connection with the Group's disposal of its 43% equity interest in BMAC. Pursuant to the Disposal Agreement, BEGCL is required to settle the aggregate consideration of RMB96,380,000 (equivalent to HK$118,258,000) by four cash instalments. Further details of the disposal of BMAC are set out in the Company's circular dated 30 May 2011 and note 18(b) to the financial statements. As at 31 December 2012, the first and second instalments of RMB57,828,000 (equivalent to HK$71,393,000) in aggregate have been settled by BEGCL and the third and fourth instalments of RMB38,552,000 (equivalent to HK$47,595,000) in aggregate have been subsequently settled by BEGCL in January 2013.

(b) The balances with subsidiaries, a jointly-controlled entity, non-controlling equity holders and a related company are unsecured, interest-free and have no fixed terms of repayment.

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

	Group	
	2012 HK$'000	2011 HK$'000
At 1 January	**6,436**	5,338
Impairment during the year recognised in the income statement, net *(note 7)*	**116**	834
Exchange realignment	**—**	264
At 31 December	**6,552**	6,436

Included in the above provision for impairment of other receivables are provision for individually impaired receivables of HK$6,552,000 (2011: HK$6,436,000) with an aggregate carrying amount of HK$6,552,000 (2011: HK$6,436,000).

24. Prepayments, Deposits and Other Receivables *(continued)*

Notes: (continued)

(d) Other than the aforementioned impaired other receivables, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to the receivables for which there was no recent history of default.

(e) At 31 December 2012, the non-current portion represented the prepayment of RMB25,600,000 (equivalent to HK$31,605,000) (2011: Nil) paid to 北京北控宏創科技有限公司("Hong Chuang"), a wholly-owned subsidiary of a substantial shareholder of the Company, Beijing Enterprises Holdings Limited ("BEHL"), for the purchase of a property situated in Mainland China (the "Property"). Further details of the transaction are set out in the Company's announcement dated 14 February 2012 and note 35(b)(i) to these financial statements. At the date of approval of these financial statements, the transaction has not yet been completed.

25. Pledged Deposits and Cash and Cash Equivalents

		Group		Company	
		2012	2011	**2012**	2011
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances other than time deposits	*(a)*	**304,373**	370,608	**149,367**	157,349
Time deposits	*(a)*	**348,456**	347,600	**291,358**	267,284
Less: Pledged deposits	*(b)*	**(5,779)**	(1,173)	**—**	—
Cash and cash equivalents		**647,050**	717,035	**440,725**	424,633

Notes:

(a) At 31 December 2012, the total cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$441,172,000 (2011: HK$512,585,000). 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.

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.

(b) The Group's pledged deposits as at 31 December 2012 and 2011 served as tender deposits to secure certain system integration contracts of the Group.

26. Trade and Bills Payables

The trade and bills payables are non-interest-bearing and normally settled within one to three months, with credit periods extended up to six 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 the payment due date, is as follows

	Group	
	2012	2011
	HK$'000	HK$'000
Not past due	**66,872**	84,448
Past due:		
Less than 3 months	**10,015**	9,509
4 to 6 months	**3**	1,049
7 to 12 months	**609**	217
Over 1 year	**13,495**	36,384
	90,994	131,607
Portion classified as current liabilities	**(79,958)**	(118,081)
Non-current portion	**11,036**	13,526
Comprising amounts payable to:		
Third parties	**86,470**	124,102
A jointly-controlled entity	**173**	—
Associates	**4,351**	5,074
A related company	**—**	2,431
	90,994	131,607

The balances with a jointly-controlled entity, associates and a related company have similar credit terms to those offered by the jointly-controlled entity, associates and the related company to their major customers.

27. Other Payables and Accruals

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Receipts in advance	**39,220**	39,299	**—**	3,425
Other payables	**34,165**	39,538	**3,432**	3,439
Accruals	**4,976**	5,715	**3,165**	3,063
Due to subsidiaries	**—**	—	**54,892**	2,370
Due to a jointly-controlled entity	**—**	12	**—**	—
Due to associates	**2,099**	3,692	**—**	—
Due to a non-controlling equity holder	**20,000**	20,000	**—**	—
Due to a related company	**1,686**	—	**1,686**	—
	102,146	108,256	**63,175**	12,297

The balances with subsidiaries, a jointly-controlled entity, associates, a non-controlling equity holder and a related company are unsecured, interest-free and have no fixed terms of repayment.

Other payables are non-interest-bearing and have an average term of three to six months in general.

28. Deferred Income

Deferred income of the Group as at 31 December 2012 and 2011 represented government grants received from a government authority in Mainland China in respect of the businesses carried out by BG Culture. The government grants shall be applied to the development of the Group's fitness card system business and are recognised in accordance with the accounting policy for "Government grants" set out in note 2.4 to the financial statements.

29. Share Capital

Shares

	2012	2011
	HK$'000	HK$'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 years ended 31 December 2012 and 2011.

Share options

Details of the Company's share option scheme (the "Scheme") and the share options issued under the Scheme are included in note 30 to the financial statements.

30. Share Option Scheme

The purpose of the Scheme is (i) to attract and retain the best quality personnel for the development of the Company's business; (ii) to provide incentives or rewards to eligible participants; and (iii) to promote the long term financial success of the Company by aligning the interests of grantees to shareholders. Eligible participants of the Scheme include (i) any person employed by the Company or a subsidiary of the Company and any person who is an officer or director (whether executive or non-executive) of the Company or any subsidiary of the Company; (ii) any non-executive director and any independent non-executive director, or officer of any member of the Group; and (iii) any consultant of any member of the Group. The Scheme became effective on 31 May 2011 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.

30. Share Option Scheme *(continued)*

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 the acceptance of the share options or a certain vesting period, if any, and ends on a date which is not later than ten years from the date on which the offer of the share options.

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 lapse when expire or three-month from the date of which the grantee ceases to be an employee of the Group.

The following table sets out the movements in the share options granted under the Scheme during the years ended 31 December 2012 and 2011:

		2012		2011	
	Notes	**Weighted average exercise price (HK$ per share)**	**Number of share options**	Weighted average exercise price (HK$ per share)	Number of share options
At 1 January		**1.25**	**51,420,000**	3.74	61,240,000
Granted during the year	*(a)*	—	—	1.25	51,420,000
Forfeited during the year	*(c)*	—	—	4.03	(900,000)
Lapsed during the year	*(d)*	—	—	3.73	(60,340,000)
At 31 December	*(e)*	**1.25**	**51,420,000**	1.25	51,420,000

30. Share Option Scheme *(continued)*

Share options *(continued)*

Notes:

(a) No share option was granted during the year ended 31 December 2012. During the year ended 31 December 2011, The fair value of the share options granted was estimated as at the date of grant, using the Black-Scholes-Merton option pricing model and taking into account the terms and conditions upon which the options were granted, at HK$27,882,000. The options were vested at the date of grant and their fair value was fully recognised by the Group in the consolidated income statement as an equity-settled share option expense during the year ended 31 December 2011.

The Black-Scholes-Metron option pricing model is a generally accepted method of valuing share options, which takes into account the terms and conditions upon which the options were granted. The significant assumptions used in the calculation of the values of the share options were that (i) historical data for the expected life of the options, historical dividend yield and expected volatility are indicative of future trends; (ii) there will be no substantial fluctuation in the economic outlook and specific industry outlook that affects the continuity of the business of the Company and the price of the Company's ordinary shares; (iii) there will be no material change in the existing political, legal, technological, fiscal or economical condition which may significantly affect the continuity of the business of the Company; and (iv) the information provided by the Company to the valuers is true and accurate. The measurement date used in the valuation calculations was the date on which the share options were granted.

The fair value of a share option varies with different variables determined by certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of a share option. The following table lists the input to the model used:

Dividend yield (%)	—
Expected volatility (%)	53.91
Risk-free interest rate (%)	0.71 to 1.40
Expected life of share options (years)	3 to 5

The expected life of the share options was based on the assessment by the management and was not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the volatility for the 520 days prior to 31 December 2011 was 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.

(b) No share option was exercised during the years ended 31 December 2012 and 2011.

(c) No share option was forfeited during the year ended 31 December 2012. During the year ended 31 December 2011, 900,000 share options were forfeited upon the expiry of the three-month post-resignation exercisable period of an employee. Accordingly, the portion of share option reserve of HK$1,022,000 was transferred to accumulated losses during the year ended 31 December 2011.

(d) No share option was lapsed during the year ended 31 December 2012. During the year ended 31 December 2011, 60,340,000 share options lapsed upon the expiry of the old share option scheme on 17 June 2011. Accordingly, the portion of share option reserve of HK$62,992,000 was transferred to accumulated losses during the year ended 31 December 2011.

(e) At 31 December 2012 and the date of approval of these financial statements, the Company had 51,420,000 share options outstanding under the Scheme, which represented approximately 6% of the Company's ordinary shares in issue at the date of approval of these financial statements.

The exercise price of the share options outstanding as at the end of the reporting period is HK$1.25 (subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital) and the share options are exercisable during the period from 21 June 2011 to 20 June 2021.

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 51,420,000 (2011: 51,420,000) additional ordinary shares of the Company and additional share capital of HK$51,420,000 (2011: HK$51,420,000) and share premium of HK$12,855,000 (2011: HK$12,855,000), before any issuance expenses and without taking into account of any transfer of share option reserve to the share premium account.

31. 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 30 of the financial statements.

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

(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 payments 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 and associates. None of the Group's PRC reserve funds as at 31 December 2012 was distributable in the form of cash dividends (2011: Nil).

(b) Company

	Notes	Share premium account HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2011		170,319	9,721	64,014	(290,079)	(46,025)
Profit and total comprehensive income for the year	*11*	—	—	—	19,827	19,827
Equity-settled share option arrangements	*30(a)*			27,882	—	27,882
Transfer of share option reserve upon forfeiture/lapse of share options	*30(c),(d)*	—	—	(64,014)	64,014	—
At 31 December 2011 and 1 January 2012		**170,319**	**9,721**	**27,882**	**(206,238)**	**1,684**
Loss and total comprehensive loss for the year	*11*	**—**	**—**	**—**	**(31,136)**	**(31,136)**
At 31 December 2012		**170,319**	**9,721**	**27,882**	**(237,374)**	**(29,452)**

32. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2012 (2011: Nil).

At 31 December 2012, contingent liabilities of the Company not provided for in the financial statements comprised guarantees of HK$222,222,000 (2011: HK$222,222,000), in aggregate, given to banks in connection with the banking facilities granted to a subsidiary, which were utilised up to HK$57,854,000 (2011: HK$108,355,000) as at 31 December 2012.

33. Operating Lease Arrangements

The Group leases certain of its office properties under operating lease arrangements, with the leases negotiated for terms ranging from one to three years (2011: one to two years).

At 31 December 2012, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**4,403**	2,838	**—**	20
In the second to fifth years, inclusive	**6,953**	40	**—**	—
	11,356	2,878	**—**	20

34. Capital Commitments

At 31 December 2012, in addition to the operating lease commitments detailed in note 33 above, the Group and the Company had capital commitments as follows:

		Group		Company	
		2012	2011	**2012**	2011
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Contracted, but not provided for:					
Property		**7,901**	—	**7,901**	—
Authorised, but not contracted for:					
Property		**—**	37,667	**—**	—
Equipment	*(a)*	**18,787**	18,804	**—**	—
Other intangible assets	*(a)*	**8,919**	8,919	**—**	—
		27,706	65,390	**—**	—
		35,607	65,390	**7,901**	—

34. Capital Commitments *(continued)*

Notes:

(a) These commitments related to BG Culture which were subsequently disposed of, details of the disposal are set out in note 38(b) to the financial statements.

(b) In addition to the above commitments, the Group also entered into certain agreements in relation to the investment in renewable power generation project:

(i) On 30 May 2012, the Company entered into a framework agreement for investment and cooperation in Shanxi domestic garbage incineration-power generation project with 山西國際能源集團有限公司, 北京北控環保工程技術有限公司 (an indirect wholly-owned subsidiary of BEHL) and 山西省環境保護基金有限公司. Further details of the transaction are set out in the Company's announcement dated 30 May 2012. At the date of approval of these financial statements, the concrete investment and cooperation arrangements are subject to further negotiations and the legal documents to be entered into by the relevant parties.

(ii) On 28 June 2012, Beijing Development Environmental Protection (Haidian) Limited ("BDEP Haidian"), a wholly-owned subsidiary of the Company, entered into an increase of capital contract (the "Increase of Capital Contract") with 北京市海澱區國有資本經營管理中心, 北京中海投資管理公司, 北京海融達投資建設有限公司 and 北京市海澱區國有資產投資經營有限公司 for injecting capital into 北京綠海能環保有限責任公司 (the "Joint Venture") for investing, constructing and operating the Beijing Haidian District Cyclic Economy Industrial Park Renewable Energy Power Generation Project in Beijing, the PRC. Pursuant to the Increase of Capital Contract, BDEP Haidian will (i) inject RMB256,000,000 (equivalent to approximately HK$316,049,000) to the Joint Venture as an additional registered capital of the Joint Venture; (ii) inject a maximum amount of RMB27,550,000 (equivalent to approximately HK$34,012,000) as an equity premium of the Joint Venture and (iii) make available shareholder's loans of an aggregate amount of RMB644,000,000 (equivalent to approximately HK$795,062,000) to the Joint Venture. These transactions constitute a very substantial acquisition of the Company and are subject to the shareholders' approval requirements under Chapter 14 of the Listing Rules. Further details of transactions are set out in the Company's announcement dated 28 June 2012. At the date of approval of these financial statements, these transactions, which are subject to, inter alia, approvals from the Stock Exchange and the shareholders of the Company, have not yet been completed.

(iii) On 17 September 2012, the Company entered into a framework agreement with China Green Energy Limited for the possible acquisition by the Group of the 100% equity interest in Green Energy Holding Company Limited. The total consideration payable for the transaction is preliminary estimated to be ranged from US$530,000,000 (equivalent to HK$4,134,000,000) to US$535,000,000 (equivalent to HK$4,173,000,000) (subject to the results of due diligence and the determination of the final consideration in the definitive agreement(s) after negotiation by both parties), and will be settled by issuing consideration shares and/or convertible bonds of the Company. Further details of the transaction are set out in the Company's announcement dated 17 September 2012. At the date of approval of these financial statements, the transaction is subject to due diligence and the definitive agreement(s) to be entered into by the relevant parties.

35. 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	
	Notes	**2012 HK$'000**	2011 HK$'000
With jointly-controlled entities:			
Sales of products to a jointly-controlled entity		**—**	738
Purchases of goods from a jointly-controlled entity		**—**	5,205
With associates:			
Purchases of goods from associates		**110**	16,519
Service fees paid to associates		**—**	1,019
Sub-contracting fee paid to an associate		**2,949**	4,709
With a non-controlling equity holder:			
Service income received from a non-controlling equity holder		**9,630**	7,639
Sales of products to a non-controlling equity holder		**1,200**	10,225
With other related companies:			
Purchases of goods from a jointly-controlled entity of a substantial shareholder	*(b)(ii)*	**5,057**	893
Property management fee paid to a subsidiary of a substantial shareholder	*(b)(iii)*	**1,492**	—
Rental expenses paid to a subsidiary of a substantial shareholder	*(b)(iv)*	**240**	984

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

(b) **Other transactions with related parties:**

(i) On 14 February 2012, the Company entered into a property transfer agreement with Hong Chuang, pursuant to which the Company agreed to purchase the Property situated in Mainland China at a cash consideration of RMB32,000,000 (equivalent to HK$39,507,000). As at 31 December 2012, the Company had prepaid RMB25,600,000 (equivalent to HK$31,605,000), and such prepayment is classified as a non-current asset in the consolidated and Company's statements of financial position (note 24(e)). The Group intends to acquire the Property partially for investment purpose and partially as office premises to support the Group's current and future operations in Beijing. The transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements and is exempted from the independent shareholders' approval requirement under the Listing Rules. Further details of the transaction are set out in the Company's announcement dated 14 February 2012. At the date of approval of these financial statements, this transaction has not yet been completed.

35. Related Party Disclosures *(continued)*

(b) Other transactions with related parties: *(continued)*

(ii) On 30 March 2012, the Company entered into a framework agreement (the "Framework Agreement") with BMAC, which is held as to 43% by BEGCL (a substantial shareholder of the Company), regarding the supplies of merchandise and related services of municipal administration and communications card, namely "一卡通", to the Group. The transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting and announcement requirements and are exempted from the independent shareholders' approval requirement under the Listing Rules. Further details of the Framework Agreement are set out in the Company's announcement dated 30 March 2012. During the year ended 31 December 2012, the Group purchased merchandise and related services in the amount of HK$5,057,000 from BMAC.

(iii) On 31 December 2012, the Company entered into a two-year property services contract (the "Property Services Contract") with Hong Chuang, pursuant to which Hong Chuang will provide property management services in respect of the public areas and public installation and facilities of the Property. The transactions contemplated under the Property Services Contract constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting and announcement requirements and are exempted from the independent shareholders' approval requirement under the Listing Rules. Further details of the Property Services Contract are set out in the Company's announcement dated 31 December 2012. The Property Services Contract was effective retrospectively from 14 February 2012, and during the year ended 31 December 2012, the property management fee payable by the Group amounted to HK$1,492,000.

(iv) Rental expenses paid to Beijing Enterprises (Properties) Limited, a wholly owned subsidiary of BEHL, constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules.

(v) As disclosed in note 38(a) to the financial statements, pursuant to the completion of the Subscription Agreements on 28 February 2013, (i) 177,000,000 new ordinary shares of HK$1 each were issued at a price of HK$1.13 per share to the Subscriber; and (ii) convertible bonds of the Company with an aggregate principal of HK$300,580,000 and an initial conversion price of HK$1.13 per share were issued to the Subscriber.

(c) Commitments with related parties:

(i) As disclosed in note 35(b)(i) above, the Company has commitment of the balance of consideration of RMB6,400,000 (equivalent to HK$7,901,000) payable to Hong Chuang upon the completion of the acquisition of the Property.

(ii) As disclosed in note 35(b)(iii) above, the Company has commitment of the payment of fixed property management fee to Hong Chuang of RMB1,374,000 (equivalent to HK$1,696,000) for the year ending 31 December 2013 and RMB166,000 (equivalent to HK$205,000) for the year ending 31 December 2014.

35. RELATED PARTY DISCLOSURES *(continued)*

(d) Outstanding balances with related parties:

(i) Details of the Group's amount due from an associate as at the end of the reporting period included as non-current assets are disclosed in note 19 to the financial statements.

(ii) Details of the Group's trade receivables and prepayment and other receivables due from a jointly-controlled entity, an associate, non-controlling equity holders, BEGCL and a related company as at the end of the reporting period are disclosed in notes 23 and 24 to the financial statements, respectively.

(iii) Details of the Group's trade payables and other payables due to a jointly-controlled entity, associates, a non-controlling equity holder and related companies as at the end of the reporting period are disclosed in notes 26 and 27 to the financial statements, respectively.

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

	2012	2011
	HK$'000	HK$'000
Short term employee benefits	**4,875**	4,676
Post-employment benefits	**362**	315
Equity-settled share option expense	**—**	26,005
Total compensation paid to key management personnel	**5,237**	30,996

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

36. Financial Instruments by Category

All financial assets and liabilities of the Group and the Company as at 31 December 2012 and 2011 were loans and receivables and financial liabilities stated at amortised cost, respectively.

37. 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 as financial instruments included in current assets and current liabilities are with short term maturities and financial instruments included in non-current assets and non-current liabilities are discounted at effective interest rates. Accordingly, no separate disclosure of the fair values of the Group's financial instruments is made in the financial statements.

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

37. Financial Risk Management Objectives and Policies *(continued)*

(a) Interest rate risk

The following table sets out the carrying amounts of the Group's financial instruments as at the end of the reporting period that are exposed to interest rate risk. All these financial instruments will be matured within one year:

	HK$'000	Effective interest rate %
At 31 December 2012		
Floating rate:		
Pledged deposits	**5,779**	**0.68**
Bank balances	**298,135**	**0.33**
Fixed rate:		
Time deposits	**348,455**	**2.85**
At 31 December 2011		
Floating rate:		
Pledged deposits	1,173	0.63
Bank balances	370,222	0.50
Fixed rate:		
Time deposits	346,427	1.53

(b) Foreign currency risk

The Group's businesses are mainly carried out by subsidiaries located in Mainland China and the majority of its transactions are conducted in RMB. The Group therefore has minimal transactional currency exposure which arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. While the net assets of the Group's investments in these Mainland China subsidiaries are exposed to foreign currency translational risk.

37. Financial Risk Management Objectives and Policies *(continued)*

(b) Foreign currency risk *(continued)*

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 profit/loss before tax and of the Group's equity resulted from the translation of the Group's foreign operations.

	Increase/ (decrease) in RMB rate %	Decrease/ (increase) in loss before tax HK$'000	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000
2012				
If HK$ weakens against RMB	**5**	**(1,043)**	**N/A**	**8,027**
If HK$ strengthens against RMB	**(5)**	**1,043**	**N/A**	**(8,027)**
2011				
If HK$ weakens against RMB	5	N/A	5,511	4,202
If HK$ strengthens against RMB	(5)	N/A	(5,511)	(4,202)

(c) Credit risk

The carrying amount of trade receivables, other receivables and cash and cash equivalents 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 trades only with recognised and creditworthy third parties and receivable balances are monitored on an ongoing basis, therefore the Group's exposure to bad debts is not significant.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by counterparty, by geographical region and by industry sector. At 31 December 2012, the Group had certain concentration of credit risk as 56% (2011: 52%) and 67% (2011: 83%) of the total trade receivables were due from the Group's largest external customer and the Group's top five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 to the financial statements.

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.

The credit risk of the Group's other financial assets, which comprise amounts due from related parties and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

37. Financial Risk Management Objectives and Policies *(continued)*

(d) 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 liabilities and financial assets (e.g., trade receivables) and projected cash flows 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. Trade payables included in non-current liabilities are due for repayment within two to five years. The Company is also exposed to liquidity risk through the granting of financial guarantees, further details of which are disclosed in note 32 to the financial statements

The liquidity risk of the Group is considered minimal as the Group is able to maintain adequate cash inflows from operations and there is no requirement to obtain external financing to finance the working capital of the Group.

Capital management

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.

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 capital plan of the Group 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 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 requirements will return to the Group, normally by way of dividends.

The Company is primarily a provider of equity capital to its subsidiaries. These investments are substantially funded by the Group's own capital issuance. 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.

38. Events After the Reporting Period

Subsequent to the end of the reporting period, the following significant events occurred:

(a) On 15 September 2011, 25 October 2011, 29 March 2012 and 12 December 2012, the Company, BEHL (as guarantor) and Idata Finance Trading Limited (the "Subscriber"), a wholly-owned subsidiary of BEHL, entered into a subscription agreement, a supplemental agreement, and two further supplemental agreements (collectively the "Subscription Agreements"), respectively, pursuant to which (i) the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for 177,000,000 new ordinary shares of the Company at a price of HK$1.13 per share; (ii) the Company conditionally agreed to issue and the Subscriber conditionally agreed to purchase convertible bonds of the Company with an aggregate principal of HK$300,580,000 at an initial conversion price of HK$1.13 per share; and (iii) the Company conditionally agreed to issue and the Subscriber conditionally agreed to purchase standby convertible bonds with an aggregate principal of HK$3,000,150,000 at an initial conversion price of HK$1.13 per share. Further details of the Subscription Agreements are set out in the Company's circular dated 21 December 2012.

The transactions constituted connected transactions of the Company under Chapter 14A of the Listing Rules and were approved by the shareholders of the Company at the extraordinary general meeting held on 11 January 2013 and the movements in the share capital of the Company are summarised below:

(i) On 11 January 2013, the authorised share capital of the Company was increased from HK$1,000,000,000 to HK$5,000,000,000 by the creation of an additional 4,000,000,000 ordinary shares of HK$1 each.

(ii) On 28 February 2013, (i) 177,000,000 new ordinary shares of HK$1 each were issued at a price of HK$1.13 per share to the Subscriber; and (ii) convertible bonds of the Company with an aggregate principal of HK$300,580,000 and an initial conversion price of HK$1.13 per share were issued to the Subscriber. The aggregate gross proceeds (before expenses) from the new ordinary shares issued and the convertible bonds are HK$500,590,000.

(b) On 5 February 2013, BNL entered into an equity transfer agreement with QIFA Holdings Limited, an indirectly wholly-owned subsidiary of BEGCL to transfer of its entire issued share capital of Alison Development Limited ("Alison"), an indirectly wholly-owned subsidiary of the Company, and the indebtedness advanced by the Company to Alison for a cash consideration of HK$8,500,000. Further details of the transaction are set out in the Company's announcement dated 5 February 2013. Alison is an investment holding company and its sole investment is a 59.5% equity interest in BG Culture. The transaction was completed on 6 February 2013 and an unaudited gain on disposal of approximately HK$1,500,000 will be recognised in the consolidated income statement during the year ending 31 December 2013.

39. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 27 March 2013.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the Company's published audited financial statements, is set out below:

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**208,387**	185,184	211,639	225,376	293,223
Profit/(loss) before tax	**(26,515)**	57,516	(26,176)	(166,542)	(431,267)
Income tax	**(135)**	(8,578)	(1,587)	(10,312)	10,576
Profit/(loss) for the year	**(26,650)**	48,938	(27,763)	(176,854)	(420,691)
Attributable to:					
Shareholders of the Company	**(18,833)**	54,846	(23,460)	(158,418)	(414,598)
Non-controlling interests	**(7,817)**	(5,908)	(4,303)	(18,436)	(6,093)
	(26,650)	48,938	(27,763)	(176,854)	(420,691)

	31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**965,528**	1,041,467	925,390	933,164	1,078,566
Total liabilities	**(250,347)**	(303,328)	(281,222)	(283,295)	(265,121)
Net assets	**715,181**	738,139	644,168	649,869	813,445
Equity attributable to:					
Shareholders of the Company	**699,801**	719,293	619,228	622,770	767,826
Non-controlling interests	**15,380**	18,846	24,940	27,099	45,619
	715,181	738,139	644,168	649,869	813,445