



2012

INTERIM REPORT



Beijing Development (Hong Kong) Limited

(Stock Code 154)

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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

66th Floor, Central Plaza
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

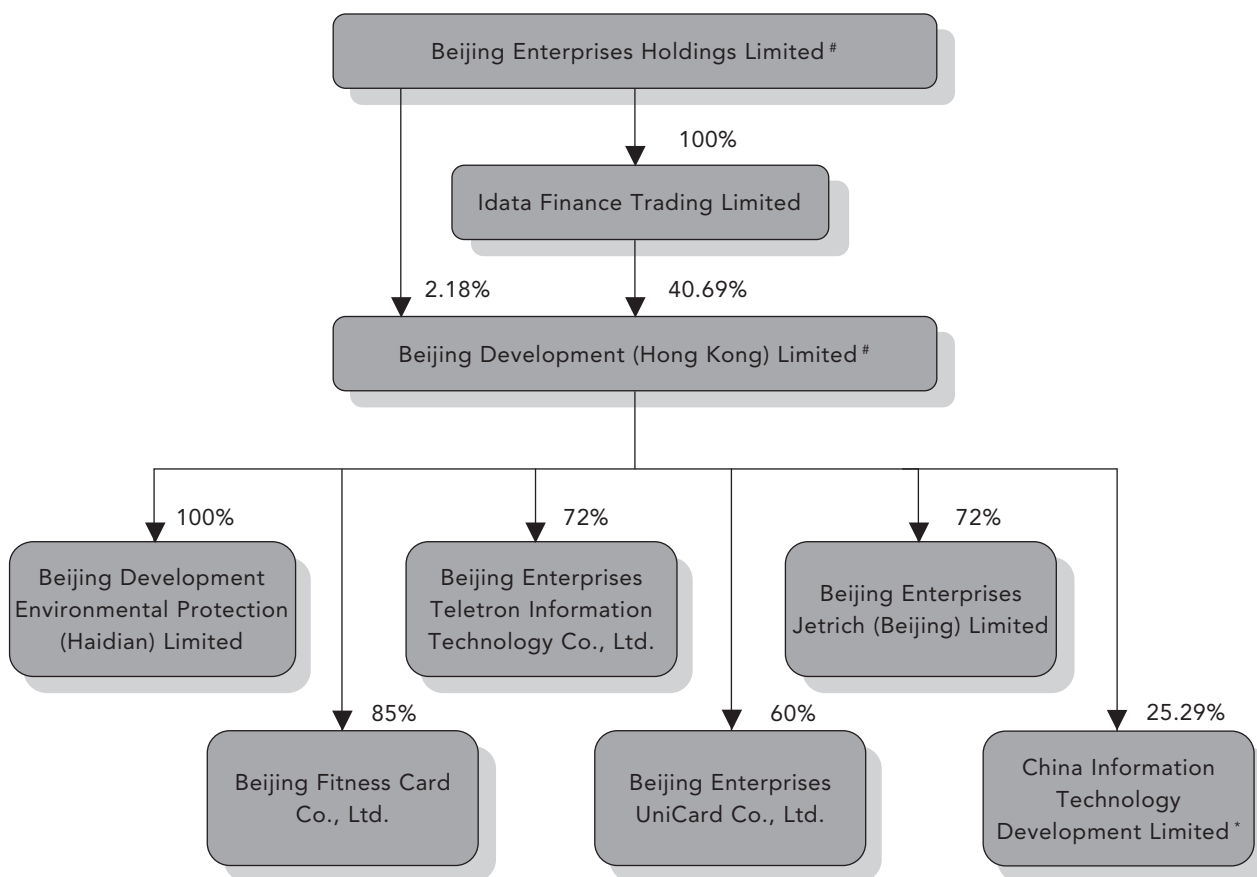
Auditors

Ernst & Young

Principal Bankers

In Hong Kong:
Bank of China, Hong Kong Branch

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



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

Business Review and Prospects

During the period under business review, on the basis of the successful implementation of its existing rail transportation projects and educational information-based industry projects, the Group strived to develop its intelligent building construction business, and commenced a new outsourcing service of maintenance. As a result, it recorded growths in both operating revenue and gross profit, and a significant decrease in loss for the period. However, the Group's continuing operations failed to deliver reasonable returns to the shareholders after years of operation and development due to their weak earnings base and limited asset size.

After completion of the disposal of its equity interest in Beijing Municipal Administration & Communications Card Co., Ltd. last year, the Group has made great efforts in reviewing its existing business structure, and obtained the financial support from Beijing Enterprises Holdings Limited ("BEHL"), its parent company. The Company and BEHL entered into the Subscription Agreement¹, pursuant to which, BEHL conditionally agreed to subscribe for the new shares, convertible bonds and standby convertible bonds of the Company at the aggregate subscription amount of HK\$3.5 billion. Subject to approval by vote at the general meeting to be convened, the transaction will help the Group build a stronger business foundation, broaden its source of income and improve its overall financial results through proactively identifying potential investment opportunities.

The challenges associated with increasing demand for energy, sustainable development and the increased environmental concern have led the PRC government to pay greater attention to environmental protection and energy issues. As the urban standard of living in China continues to improve and the economy continues to grow, the volume of municipal waste will increase steadily. Encompassing the characteristics of energy-saving and environmental friendly power generation as well as new energy power generation, garbage incineration-power generation is a dominant way for garbage treatment that captures an enormous market with vast prospects and delivers good social efficiency. Accordingly, with substantial support and great attention from the state and local governments, subsidies and preferential tax treatments and stable on-grid tariffs, the Company believes that garbage power generation projects have promising growth prospects with growth potential in terms of scale and stability in terms of revenue. Under the full support of its parent company which enjoys competitive advantages and after making ample consideration, the Company will enter the environmental protection industry, and secure and explore platforms of suitable business opportunities in the fields of garbage incineration-power generation and waste treatment in the future.

On 28 June 2012, the Company entered into the Increase of Capital Contract² 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. The project is estimated to have a total investment amount of approximately RMB1,534 million and a capacity of processing wastes of 2,500 tons per day. In addition, on 30 May 2012, the Company entered into the Framework Agreement³ to establish long-term strategic cooperation partnership on Shanxi Domestic Garbage Incineration-Power Generation Project with the investment partners.

In the development of the garbage power-incineration project, the Company will consistently adhere to the development strategy focused on economic benefits with scrupulous and conscientious selection for the project. Rapid development will be based on the prerequisite of securing the rate of return. Upon establishment of a reasonable scale, the Company may achieve sizeable economies of scale by lowering the average construction and operating costs through sharing of research and development technologies and management resources amongst different projects. Also, rich project operating results and project experience will significantly enhance the capacity of project undertaking of an enterprise. The Company will continuously strive for attaining these competitive advantages through internal development and external acquisitions.

¹ For details, please refer to the announcements of the Company dated 15 September 2011 and 25 October 2011

² For details, please refer to the announcement of the Company dated 28 June 2012

³ For details, please refer to the announcement of the Company dated 30 May 2012

Financial Review

Revenue

The Group's revenue in the first half of 2012 was HK\$50,933,000, increased by 11.5% as compared with HK\$45,690,000 in the first half of 2011. This was mainly caused by the increase in the IT maintenance contracts carried out by the Group.

Cost of Sales

The Group's cost of sales in the first half of 2012 was HK\$43,192,000, dropped by 1.2% as compared with HK\$43,723,000 in the first half of 2011.

Gross Profit

The Group's gross profit in the first half of 2012 was HK\$7,741,000, and the overall gross profit margin increased from 4.3% to 15.2% in the first half of 2011. It was mainly due to the increase in the IT maintenance contracts with higher margin.

Other Income and Gain, Net

The Group's other income and gain in the first half of 2012 amounted to HK\$14,596,000 (first half of 2011: HK\$15,316,000), which mainly comprised gain on deemed partial disposal of interests in China Information Technology Development Limited ("CITD"), an associate of the Group, of HK\$5,857,000, bank interest income of HK\$5,131,000 and imputed interest on interest-free trade receivables with extended credit periods of HK\$2,729,000.

Selling and Distribution Costs

The Group's selling and distribution costs in the first half of 2012 decreased by 30.1% to HK\$3,708,000.

Administrative Expenses

The Group's administrative expenses in the first half of 2012 was HK\$31,244,000, represented an increase of 9.8% from HK\$28,456,000 (net of share option expenses of HK\$27,882,000) in the corresponding period of last year.

Other Expenses, Net

The Group's other expenses in the first half of 2012 amounted to HK\$499,000 (first half of 2011: HK\$335,000).

Finance Costs

The Group's finance costs of HK\$3,257,000 (first half of 2011: HK\$4,428,000) in the first half of 2012 wholly represented the imputed interest on interest-free trade payables with extended credit periods.

Share of Profits and Losses of Jointly-controlled Entities

The Group's share of results of jointly-controlled entities in the first half of 2012 wholly represented its 50% share of net loss of Beijing Education Information Network Services Center Co., Ltd. of HK\$7,433,000 (first half of 2011: HK\$2,665,000).

Financial Review *(continued)*

Share of Profits and Losses of Associates

The Group's share of results of associates in the first half of 2012 substantially represented its 29.18% share of net loss of CITD of HK\$4,234,000 (first half of 2011: HK\$3,473,000).

Income Tax

The Group's income tax in the first half of 2012 amounted HK\$63,000 (first half of 2011: HK\$566,000).

Loss for the Period

The Group's loss for the six months ended 30 June 2012 was HK\$28,067,000, decreased by HK\$27,704,000 or 49.7% as compared with the loss of HK\$55,771,000 in the corresponding period of last year. The loss attributable to shareholders of the Company was HK\$20,840,000, decreased by HK\$29,471,000 or 58.6% as compared with the loss of HK\$50,311,000 in the corresponding period of last year.

Financial Position

During the period under review, there was no change in the capital structure of the Company. As at 30 June 2012, the Group had total assets and total liabilities of HK\$971,734,000 and HK\$263,028,000, respectively, decreased by HK\$69,733,000 and HK\$40,300,000, respectively, as compared with 31 December 2011. The Group's net assets decreased by HK\$29,433,000 to HK\$708,706,000, of which equity attributable to shareholders of the Company amounted to HK\$697,087,000 as at 30 June 2012.

As at 30 June 2012, the cash and bank balances held by the Group amounted to HK\$649,419,000, which were denominated as to approximately 34% in Hong Kong dollars and 66% in Renminbi. The Group did not have any bank borrowings, nor did it hold any financial derivatives. As at 30 June 2012, the Group had a net working capital of HK\$642,481,000 and its current ratio and the total liabilities to assets ratio were 4.09 times and 27.1%, respectively.

During the period under review, the Group had capital expenditures of HK\$33,283,000. As at 30 June 2012, excluding the potential investment in the environmental protection business, the Group's capital commitment amounted to HK\$35,620,000. The Group did not have any material contingent liabilities.

Employees

As at 30 June 2012, the Group had approximately 320 employees. The Group's employee remuneration policy and package are periodically reviewed by the management based on the employees' work performance, professional experiences and prevailing market practices. Discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance. The Group's total expenses on employee benefits in the first half of 2012 amounted to HK\$23,806,000, comparing to HK\$21,174,000 (net of share option expenses) in the first half of 2011.

By order of the Board

E Meng

Chairman

Hong Kong, 29 August 2012

CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
REVENUE	4	50,933	45,690
Cost of sales		(43,192)	(43,723)
Gross profit		7,741	1,967
Other income and gain, net	4	14,596	15,316
Selling and distribution costs		(3,708)	(5,308)
Administrative expenses		(31,244)	(56,338)
Other expenses, net		(499)	(335)
Finance costs	5	(3,257)	(4,428)
Share of profits and losses of:			
Jointly-controlled entities		(7,433)	(2,665)
Associates		(4,200)	(3,414)
LOSS BEFORE TAX	6	(28,004)	(55,205)
Income tax	7	(63)	(566)
LOSS FOR THE PERIOD		(28,067)	(55,771)
Attributable to:			
Shareholders of the Company		(20,840)	(50,311)
Non-controlling interests		(7,227)	(5,460)
		(28,067)	(55,771)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
— Basic and diluted (HK cents)	8	(3.08)	(7.43)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2012

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(28,067)	(55,771)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange fluctuation reserve:		
Translation of foreign operations	(608)	12,077
Release upon deemed partial disposal of interests in an associate	(758)	-
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(1,366)	12,077
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(29,433)	(43,694)
Attributable to:		
Shareholders of the Company	(22,206)	(40,720)
Non-controlling interests	(7,227)	(2,974)
	(29,433)	(43,694)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

	Notes	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property and equipment		10,002	9,718
Investment properties		45,837	45,837
Intangible assets		2,113	2,496
Investments in jointly-controlled entities		4,240	12,093
Investments in associates		19,325	19,034
Trade receivables	10	8,477	15,613
Prepayment	15(b)(ii)	31,606	-
Total non-current assets		121,600	104,791
CURRENT ASSETS			
Inventories		23,606	14,702
Amounts due from contract customers		929	909
Trade receivables	10	75,752	85,106
Prepayments, deposits and other receivables		100,428	117,751
Pledged deposits		5,046	1,173
Cash and cash equivalents		644,373	717,035
Total current assets		850,134	936,676
CURRENT LIABILITIES			
Trade and bills payables	11	68,617	118,081
Amounts due to contract customers		14,898	9,788
Other payables and accruals		117,507	108,256
Income tax payable		6,631	6,762
Total current liabilities		207,653	242,887
NET CURRENT ASSETS		642,481	693,789
TOTAL ASSETS LESS CURRENT LIABILITIES		764,081	798,580
NON-CURRENT LIABILITIES			
Trade payables	11	8,927	13,526
Deferred income		46,448	46,915
Total non-current liabilities		55,375	60,441
Net assets		708,706	738,139
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	12	677,460	677,460
Reserves		19,627	41,833
Non-controlling interests		697,087	719,293
		11,619	18,846
Total equity		708,706	738,139

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2012

	Attributable to shareholders of the Company										
	Issued capital	Share premium account	Capital redemption reserve	Share option reserve	Capital reserve	Exchange fluctuation reserve	PRC reserve funds	Accumulated losses	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 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 period	-	-	-	-	-	-	-	(20,840)	(20,840)	(7,227)	(28,067)
Other comprehensive loss for the period:											
Exchange fluctuation reserve:											
Translation of foreign operations	-	-	-	-	-	(608)	-	-	(608)	-	(608)
Release upon deemed partial disposal of interests in an associate	-	-	-	-	-	(758)	-	-	(758)	-	(758)
Total comprehensive loss for the period	-	-	-	-	-	(1,366)	-	(20,840)	(22,206)	(7,227)	(29,433)
Transfer to PRC reserve funds	-	-	-	-	-	-	12	(12)	-	-	-
Deemed partial disposal of interests in an associate	-	-	-	-	(1,020)	-	(489)	1,509	-	-	-
At 30 June 2012	677,460	170,319*	9,721*	27,882*	5,323*	76,101*	41,261*	(310,980)*	697,087	11,619	708,706
At 1 January 2011	677,460	170,319	9,721	64,014	5,701	60,772	41,717	(410,476)	619,228	24,940	644,168
Loss for the period	-	-	-	-	-	-	-	(50,311)	(50,311)	(5,460)	(55,771)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	9,591	-	-	9,591	2,486	12,077
Total comprehensive income/(loss) for the period	-	-	-	-	-	9,591	-	(50,311)	(40,720)	(2,974)	(43,694)
Equity-settled share option arrangements	-	-	-	27,882	-	-	-	-	27,882	-	27,882
Transfer of share option reserves upon the forfeiture/lapse of share options	-	-	-	(64,014)	-	-	-	64,014	-	-	-
Transfer to PRC reserve funds	-	-	-	-	-	-	21	(21)	-	-	-
Share of reserves of an associate	-	-	-	-	85	-	-	-	85	-	85
At 30 June 2011	677,460	170,319	9,721	27,882	5,786	70,363	41,738	(396,794)	606,475	21,966	628,441

* These reserve accounts comprise the consolidated reserves of HK\$19,627,000 (31 December 2011: HK\$41,833,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2012

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(71,228)	(20,375)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	(60,803)	9,281
NET DECREASE IN CASH AND CASH EQUIVALENTS	(132,031)	(11,094)
Cash and cash equivalents at beginning of period	608,262	392,564
Effect of foreign exchange rate changes, net	-	5,451
CASH AND CASH EQUIVALENTS AT END OF PERIOD	476,231	386,921
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	233,175	229,018
Time deposits	416,244	379,639
Less: Pledged deposits	(5,046)	(2,097)
Cash and cash equivalents as stated in the consolidated statement of financial position	644,373	606,560
Less: Time deposits with maturity of more than three months when acquired	(168,142)	(219,639)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	476,231	386,921

1. Basis of Preparation

The unaudited condensed interim consolidated financial statements for the six months ended 30 June 2012 are prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

2. Accounting Policies

The accounting policies and basis of preparation adopted in the preparation of these interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2011, except for the adoption of the following amendments to the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which are generally effective for the first time for the current period's financial statements:

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

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

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

<i>Annual Improvements Projects</i>	<i>Annual Improvements 2009 – 2011 Cycle²</i>
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans²</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities²</i>
HKFRS 9	<i>Financial Instruments⁴</i>
HKFRS 10	<i>Consolidated Financial Instruments²</i>
HKFRS 11	<i>Joint Arrangements²</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities²</i>
HKFRS 13	<i>Fair Value Measurement²</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income¹</i>
HKAS 19 (2011)	<i>Employee Benefits²</i>
HKAS 27 (2011)	<i>Separate Financial Statements²</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures²</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities³</i>
HK(IFRIC)–Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine²</i>

2. Accounting Policies *(continued)*

- 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

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

3. Operating Segment Information

Over 90% of the Group's revenue, expenses and assets are generated from the provision of information technology ("IT") related services in Mainland China. The management of the Group makes decisions about resources allocation and assesses performance of the Group based on the operating 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 4 to the financial statement.

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

During the six months ended 30 June 2012, the Group had transactions with three external customers (six months ended 30 June 2011: one) which contributed to over 10% of the Group's total revenue. The revenue generated from sales to each of these customers is set out below:

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Customer A	8,962	*
Customer B	6,541	*
Customer C	6,690	5,614

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. Revenue and Other Income and Gain, Net

Revenue, which is also the Group's turnover, represents (1) 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 (2) the value of services rendered, net of business tax, during the period.

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

	Notes	Six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue			
Sale of IT related products		21,548	32,770
Maintenance contracts		8,829	4,347
Software development contracts		4,356	6,643
System integration contracts		16,200	1,930
		50,933	45,690
Other income, net			
Bank interest income		5,131	2,469
Imputed interest on interest-free trade receivables with extended credit periods		2,729	12,289
Government grants released	(a)	467	-
Others		412	558
		8,739	15,316
Gain			
Gain on deemed partial disposal of interests in an associate	(b)	5,857	-
		14,596	15,316

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 Beijing Fitness Card Co., Ltd., a 85% owned 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. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.
- (b) The gain on deemed partial disposal of interests in an associate recognised during the period ended 30 June 2012 arose from the dilution of the Group's equity interest in CITD from approximately 29.18% to 25.29% upon the issuance of 1,000,000,000 new ordinary shares by CITD in June 2012.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. Finance Costs

Finance costs of the Group for the six months ended 30 June 2012 and 2011 represented imputed interest on interest-free trade payables with extended credit periods.

6. Loss Before Tax

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

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Depreciation	1,327	1,470
Amortisation of intangible assets [®]	383	1,579
Impairment of an amount due from an associate [#]	33	30
Reversal of impairment of trade receivables, net [#]	(40)	(1,429)
Equity-settled share option expense	-	27,882

[®] This item is included in "Cost of sales" in the consolidated income statement.

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

7. Income Tax

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2012 as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2011: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Current – Mainland China		
Charge for the period	59	-
Underprovision in prior periods	4	59
Deferred	-	507
Total tax charge for the period	63	566

The share of tax attributable to associates amounting to HK\$258,000 (six months ended 30 June 2011: HK\$421,000) is included in "Share of profits and losses of associates" in the consolidated income statement.

8. Loss per Share Attributable to Shareholders of the Company

The calculation of the basic loss per share amounts is based on the loss for the period attributable to shareholders of the Company and the weighted average of 677,460,150 (six months ended 30 June 2011: 677,460,150) ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2012 and 2011 as the share options of the Company outstanding during these periods have an anti-dilutive effect on the respective basic loss per share amounts for these periods.

9. Interim Dividend

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

10. Trade Receivables

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 five 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Neither past due nor impaired	57,871	68,836
Past due but not impaired:		
Less than 3 months	3,388	18,777
4 to 6 months	7,599	39
7 to 12 months	2,032	10,564
Over 1 year	13,339	2,503
	26,358	31,883
Portion classified as current assets	84,229 (75,752)	100,719 (85,106)
Non-current portion	8,477	15,613

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. Trade and Bills Payables

The trade and bills payables are non-interest-bearing and normally settled within 30 to 90 days, with credit period extended up to 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 payment due date, is as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Not past due	38,970	84,448
Past due:		
Less than 3 months	3,555	9,509
4 to 6 months	6,868	1,049
7 to 12 months	8,190	217
Over 1 year	19,961	36,384
	77,544	131,607
Portion classified as current liabilities	(68,617)	(118,081)
Non-current portion	8,927	13,526

12. Share Capital

Shares

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) 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 six months ended 30 June 2012 and 2011.

Share options

Details of the Company's share option scheme (the "Scheme") and the share options issued under the Scheme are set out under the heading "Share Option Scheme" in the section of "General Information" on pages 24 and 25.

13. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2012 (31 December 2011: Nil).

14. Capital Commitments

At 30 June 2012, the Group had capital commitments as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Contracted, but not provided for:		
Property	7,901	-
Authorised, but not contracted for:		
Property	-	37,667
Equipment	18,800	18,804
Intangible assets	8,919	8,919
	27,719	65,390
	35,620	65,390

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

- (a) 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 (a wholly-owned subsidiary of BEHL, a substantial shareholder of the Company) 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 interim financial statements, the concrete investment and cooperation arrangements shall be subject to further negotiations and the legal documents to be entered into by the relevant parties; and
- (b) 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 renewable energy power generation projects in Beijing, the PRC. Pursuant to the Increase of Capital Contract, BDEP Haidian will (i) inject RMB256,000,000 (equivalent to approximately HK\$314,000,000) 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\$33,810,000) as an equity premium of the Joint Venture and (iii) make available shareholder's loans of a total aggregate amount of RMB644,000,000 (equivalent to approximately HK\$790,000,000) to the Joint Venture. This transaction constitutes a very substantial acquisition of the Company and is subject to the shareholders' approval requirements under Chapter 14 of the Listing Rules. Further details of the transaction are set out in the Company's announcement dated 28 June 2012. At the date of approval of these interim financial statements, this transaction has not yet been completed and is subject to, inter alia, the shareholders' approval of the Company.

15. Related Party Disclosures

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

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
With a jointly-controlled entity:		
Sales of products to a jointly-controlled entity	-	415
Purchase of goods from a jointly-controlled entity	-	4,406
With an associate:		
Purchase of goods from an associate	3,428	10,491
Sub-contracting fee paid to an associate	-	3,157
With a non-controlling equity holder:		
Sales of products to a non-controlling equity holder	4,221	-
Service income received from a non-controlling equity holder	2,469	-
With other related companies:		
Purchase of goods from a related company (note 15(b)(iii))	1,483	-
Rental expenses paid to a related company	150	-

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

- (b) Other transactions with related parties:
- (i) On 15 September 2011, 25 October 2011 and 29 March 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 a further supplemental agreement, respectively (collectively, the "Subscription Agreements"), and 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; 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 to the Subscriber. The entering into of the Subscription Agreements constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Further details of the Subscription Agreements are set out in the Company's announcements dated 15 September 2011, 25 October 2011 and 29 March 2012. At the date of approval of these interim financial statements, the Subscription Agreements has not yet been completed and is subject to, inter alia, approvals from the Stock Exchange and the independent shareholders of the Company.

15. Related Party Disclosures *(continued)*

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

- (ii) 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, a wholly-owned subsidiary of BEHL, pursuant to which the Company agreed to purchase a property situated in Mainland China at a cash consideration of RMB32,000,000 (equivalent to approximately HK\$39,507,000). As at 30 June 2012, the Company had prepaid RMB25,600,000 (equivalent to approximately HK\$31,606,000), which is classified as a non-current asset in the consolidated statement of financial position. 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. This 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 this transaction are set out in the Company's announcement dated 14 February 2012. At the date of approval of these interim financial statements, this transaction has not yet been completed.
- (iii) 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 北京控股集團有限公司 (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 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 Framework Agreement are set out in the Company's announcement dated 30 March 2012. During the six months ended 30 June 2012, the Group purchased merchandise and related services in the amounts of HK\$1,483,000 from BMAC. The directors considered that the purchases were made in accordance with the Framework Agreement.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. Related Party Disclosures *(continued)*

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

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Trade receivables from:		
An associate	-	1,007
A non-controlling equity holder	4,748	6,600
Other receivables from:		
A jointly-controlled entity	-	370
Non-controlling equity holders	2,369	2,369
A substantial shareholder	47,595	83,291
A related company	334	190
Prepayment to:		
A related company (note 15(b)(ii))	31,606	-
Trade payables to:		
Associates	4,394	5,074
A related company	-	2,431
Other payables to:		
A jointly-controlled entity	-	12
Associates	3,325	3,692
A non-controlling shareholder	20,000	20,000

The balances with related parties are unsecured and interest-free.

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

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Short term employee benefits	2,117	2,460
Post-employment benefits	135	151
Equity-settled share option expense	-	26,004
Total compensation paid to key management personnel	2,252	28,615

16. Approval of the Condensed Consolidated Financial Statements

These condensed consolidated financial statements were approved and authorised for issue by the board of directors on 29 August 2012.

Directors

The directors of the Company during the six months ended 30 June 2012 and up to the date of this report were:

Executive directors:

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

Independent non-executive directors:

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

Directors' Service Contracts

At 30 June 2012, no director had 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' Interests in Contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the six months ended 30 June 2012.

Directors' Interests and Short Positions in Shares and Underlying Shares

At 30 June 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through a controlled corporation	Total	
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.

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

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 30 June 2012, none of the directors had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the section "Share Option Scheme" below, at no time during the six months ended 30 June 2012 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Share Option Scheme

The Company operates a share option scheme (the "Scheme") which became effective on 31 May 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. 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 maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the number of ordinary shares of the Company in issue at any time. The maximum number of ordinary shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the ordinary shares of the Company in issue at any time. Any further grant of share options in excess of these limits is subject to shareholders' approval in a general meeting.

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

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on the date of acceptance of the share options or after a certain vesting period and ends on a date which is not later than 10 years from the date on which the offer of the share options is accepted or on the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of offer of the share options; (ii) the average closing price of the Company's ordinary shares on the Stock Exchange for the 5 trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's ordinary shares.

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

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

Share Option Scheme *(continued)*

No share option was granted, exercised, forfeited or lapsed during the six months ended 30 June 2012. At 30 June 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 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.

At 30 June 2012, the outstanding share options represented approximately 7.59% of the Company's ordinary shares in issue as at that date. 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 additional ordinary shares of the Company and additional share capital of HK\$51,420,000 and share premium of 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.

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

At 30 June 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:

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

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 30 June 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.

Purchase, Redemption, or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2012.

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.

Corporate Governance Practices

The Company is committed to ensuring high standard of corporate governance and establishing a formal and transparent procedure to protect and maximise the interests of shareholders. In the opinion of the directors, save as disclosed below, the Company has complied with the code provisions of the "Code on Corporate Governance Practices" (effective until 31 March 2012) and the revised code provisions of the "Corporate Governance Code" (effective from 31 March 2012) as set out in Appendix 14 to the Listing Rules throughout the period under review.

- (1) Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, the existing non-executive directors of the Company are not appointed for a specific term but subject to the retirement by rotation at the annual general meeting in accordance with the Company's articles of association.
- (2) Under the 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 of the Company were unable to attend the annual general meeting of the Company held on 25 May 2012 (the "2012 AGM") due to other business engagements.
- (3) Under the 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 of the Board 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 chairmen of the 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.

Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by the directors. All the directors have confirmed that, following specific enquiry by the Company, they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2012.

Audit Committee

The Audit Committee was established with written terms of reference in accordance with rule 3.21 and code provision in paragraph C.3 of Appendix 14 of the Listing Rules. The current members of the Audit Committee comprise three independent non-executive directors of the Company, 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. Detailed terms of reference of the Audit Committee may be reference to the websites of the Company (www.bdhk.com.hk) and the Stock Exchange (www.hkexnews.hk).

The Audit Committee has reviewed the unaudited condensed consolidated financial statement of the Group for the six months ended 30 June 2012.

Remuneration Committee

The Remuneration Committee was established with terms of reference in accordance with rule 3.25 and code provision in paragraph B.1 of Appendix 14 of the Listing Rules. The current members of the Remuneration Committee comprise three independent non-executive directors of the Company, namely Dr. Jin Lizuo (Committee Chairman), Dr. Huan Guocang and Dr. Wang Jianping and the chairman of the Board, Mr. E Meng.

The role and function of the Remuneration Committee include make recommendations to the Board on (i) the Company's remuneration policy and structure; and (ii) the remuneration packages of individual executive directors and senior management. Detailed terms of reference of the Remuneration Committee may be reference to the websites of the Company and the Stock Exchange.

Nomination Committee

The Nomination Committee was established in March 2012 with terms of reference in accordance with code provision in paragraph A.5 of Appendix 14 of the Listing Rules. The current members of the Nomination Committee comprise the chairman of the Board, Mr. E Meng (Committee Chairman), and three independent non-executive directors of the Company, 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. Detailed terms of reference of the Nomination Committee may be reference to the websites of the Company and the Stock Exchange.

Internal Control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board will conduct regular review regarding internal control systems of the Group. The Company convened meeting periodically to discuss financial, operational and risk management control. During the six months ended 30 June 2012, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.