



Beijing Development (Hong Kong) Limited

(Stock Code 154)



2013
INTERIM REPORT

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BOARD OF DIRECTORS

Executive directors:

Mr. E Meng (*Chairman*)
Mr. Zhang Honghai
Mr. Ke Jian (*Vice Chairman*)
Mr. Wang Yong (*President*)
Ms. Sha Ning (*Vice President*)
Ms. Qin Xuemin (*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
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

AUDITORS

Ernst & Young

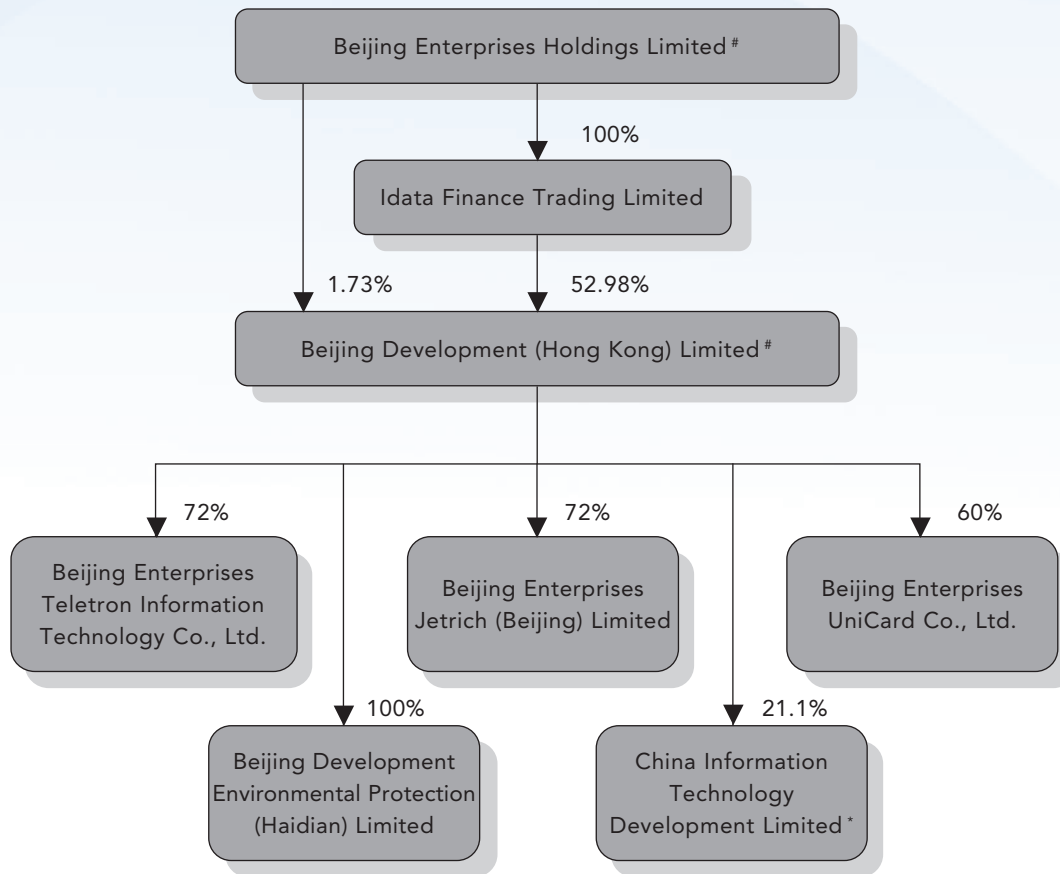
PRINCIPAL BANKERS

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

29 August 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

BUSINESS REVIEW AND PROSPECTS

In order to enhance the shareholders' return and turnaround the operating situation over the past years, the Company has commenced the strategic transformation to restructure its existing business portfolio, entered into the environmental protection and solid waste treatment industry, specialised in the waste-to-energy industry, and built itself into an industry leader through investment, merger and acquisition of waste-to-energy projects.

At the beginning of the year, the Company has successfully completed the first phase of capital enlargement. Our parent company, Beijing Enterprises Holdings Limited, has made a cash injection of HK\$500 million into the Company, and at the same time, it has made available to the Company the right to issue additional standby convertible bonds of HK\$3 billion, if needed. This has provided ample cash reserve for the Company's strategic investments. The Company has also disposed of its interests in 北京北控文化體育有限公司 and recorded a gain of HK\$1.54 million during the period.

During the period under review, in order to improve the operating results and enhance the competitive edge, the Group has continuously exploring new business lines, new profit models and new market resources with its existing information technology business. In system integration sector, the Group has secured the successful implementation of its existing rail transportation projects, namely the Automated Fare Collection System Phase II for Line 8 and the Passenger Information System Phase II for Line 10. The new outsourcing services have been operating smoothly, and the 12333 Hotline Calling Centre of Beijing Municipal Human Resources and Social Security Bureau has commenced operation officially. Besides, the Group has preliminarily constructed a supply platform for spare parts in response to the huge operating demands for the mechanical and electrical system of the subway, which will become another spotlight to the system integration business. In the information technology services sector, the Group has been continuing to focus in providing stable network operation, software development, education smartcard operation and data operation services for the education sector in Beijing.

Endowed with the strengths of growth prospects, government policy support, sustainable return, and the steady and strong cash flow, the waste-to-energy industry will be able to effectively enhance the operating and financial results of the Group in the long run. The Company will continue to identify potential waste-to-energy projects, consistently adhere to the development strategy focused on economic benefits with scrupulous and conscientious selection of projects, and will strive for rapid development under the prerequisite of ensuring reasonable rate of return.

FINANCIAL REVIEW

Revenue

The Group's revenue generated from the provision of information technology related services in the first half of 2013 was HK\$76,943,000, increased by 51.1% as compared with HK\$50,933,000 in the first half of 2012. The growth was mainly driven by the increase in hardware sales contracts completed during the period.

Cost of Sales

The Group's cost of sales in the first half of 2013 was HK\$71,363,000, increased by 65.2% as compared with HK\$43,192,000 in the first half of 2012.

Gross Profit

The Group recorded a gross profit of HK\$5,580,000 in the first half of 2013, decreased by 27.9% as compared with HK\$7,741,000 in the first half of 2012. The overall gross profit margin reduced from 15.2% to 7.3%, which was mainly due to (i) the increase in proportion of hardware sales contracts with lower margin and (ii) the increase in software development cost.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(continued)*

Other Income and Gains

The Group's other income and gains in the first half of 2013 amounted to HK\$9,210,000 (first half of 2012: HK\$14,596,000), which was mainly comprised the bank interest income of HK\$6,631,000 and the gain on disposal of its 59.5% equity interest in 北京北控文化體育有限公司 of HK\$1,535,000. A gain on deemed partial disposal of interests in an associate of HK\$5,857,000 was also included in the corresponding period of last year.

Selling and Distribution Expenses

The Group's selling and distribution expenses in the first half of 2013 decreased by 3.0% to HK\$3,597,000, as compared with HK\$3,708,000 in the first half of 2012.

Administrative Expenses

The Group's administrative expenses in the first half of 2013 increased by 0.7% to HK\$31,459,000, as compared with HK\$31,244,000 in the first half of 2012.

Other Expenses, Net

The Group's other expenses in the first half of 2013 amounted to HK\$23,000 (first half of 2012: HK\$499,000).

Finance Costs

The Group's finance costs in the first half of 2013 wholly represented the interest and imputed interest on convertible bonds issued on 28 February 2013 of HK\$1,013,000 and HK\$2,029,000, respectively; whilst the Group's finance costs in the corresponding period of last year wholly represented the imputed interest on interest-free trade payables with extended credit periods of HK\$3,257,000.

Share of Profits and Losses of a Jointly-controlled Entity

The Group's share of results of a jointly-controlled entity in the first half of 2013 represented its 50% share of net loss of Beijing Education Information Network Services Center Co., Ltd. of HK\$7,264,000 (first half of 2012: HK\$7,433,000).

Share of Profits and Losses of Associates

The Group's share of results of associates in the first half of 2013 substantially represented its 21.1% share of net profit (including an exceptional gain on disposal of its subsidiary) of China Information Technology Development Limited of HK\$3,706,000 (first half of 2012: loss of HK\$4,234,000).

Loss for the Period

The Group's loss for the six months ended 30 June 2013 was HK\$26,872,000, decreased by HK\$1,195,000 or 4.3% as compared with the loss of HK\$28,067,000 in the corresponding period of last year. The loss attributable to shareholders of the Company was HK\$18,642,000, decreased by HK\$2,198,000 or 10.5% as compared with the loss of HK\$20,840,000 in the corresponding period of last year.

FINANCIAL POSITION

At the extraordinary general meeting of the Company held on 11 January 2013, 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 ("Idata"), as subscriber, and Beijing Enterprises Holdings Limited, as guarantor, was approved, ratified and confirmed by the shareholders of the Company. 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 Idata. 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 Idata and require Idata 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION *(continued)*

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 six months ended 30 June 2013.

As at 30 June 2013, the Group had total assets and total liabilities of HK\$1,395.44 million and HK\$470.70 million, respectively, increased by HK\$429.91 million and HK\$220.35 million, respectively, as compared with 31 December 2012. The net assets of the Group increased by HK\$209.56 million from HK\$715.18 million to HK\$924.74 million, of which equity attributable to shareholders of the Company amounted to HK\$921.28 million as at 30 June 2013.

As at 30 June 2013, the cash and bank balances held by the Group amounted to HK\$1,131.45 million, of which HK\$4.23 million were pledged as tender deposits to secure certain system integration contracts of the Group. On 28 February 2013, the Company has issued convertible bonds of an aggregate principal of HK\$300.58 million and an initial conversion price of HK\$1.13 per share to its holding company. The convertible bonds bear interest at 1% per annum and maturity of five years. Except for the convertible bonds, the Group did not have any bank borrowings, nor did it hold any financial derivatives. As at 30 June 2013, the Group had a net current assets of HK\$1,074.69 million and its current ratio was increased from 4.22 times to 6.74 times and total liabilities to assets ratio was increased from 25.9% to 33.7%.

The Group's cash and bank balances were denominated as to 67% in Hong Kong dollars and 33% 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 six months ended 30 June 2013, the Group had capital expenditures of HK\$1.06 million. As at 30 June 2013, save as the potential investment in the environmental protection business, the Group had capital commitment of HK\$8.1 million for acquiring a property. The Group did not have any material contingent liabilities.

EMPLOYEES

As at 30 June 2013, the Group had approximately 270 employees, comparing with approximately 330 employees as at 31 December 2012. The Group's total expenses on employee benefits for the six months ended 30 June 2013 amounted to HK\$23.07 million, decreased by 3.1% as compared with HK\$23.81 million in the corresponding period of last year. 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 six months ended 30 June 2013. As at 30 June 2013, 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 approximately 6.0% of the Company's ordinary shares in issue as at 30 June 2013.

APPRECIATION

The Board would like to express our gratitude to all employees, shareholders and parties from different sectors for their support to the Group.

By order of the Board
E Meng
Chairman

Hong Kong, 29 August 2013

CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
REVENUE	4	76,943	50,933
Cost of sales		(71,363)	(43,192)
Gross profit		5,580	7,741
Other income and gains	4	9,210	14,596
Selling and distribution expenses		(3,597)	(3,708)
Administrative expenses		(31,459)	(31,244)
Other expenses, net		(23)	(499)
Finance costs	5	(3,042)	(3,257)
Share of profits and losses of:			
A jointly-controlled entity		(7,264)	(7,433)
Associates		3,723	(4,200)
LOSS BEFORE TAX	6	(26,872)	(28,004)
Income tax	7	—	(63)
LOSS FOR THE PERIOD		(26,872)	(28,067)
Attributable to:			
Shareholders of the Company		(18,642)	(20,840)
Non-controlling interests		(8,230)	(7,227)
		(26,872)	(28,067)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
— Basic and diluted (HK cents)	8	(2.34)	(3.08)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2013

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(26,872)	(28,067)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange fluctuation reserve:		
— Translation of foreign operations	12,149	(608)
— Release upon disposal of a subsidiary	(706)	—
— Release upon deemed partial disposal of interests in an associate	—	(758)
Share of other comprehensive loss of an associate	(1,301)	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	10,142	(1,366)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(16,730)	(29,433)
Attributable to:		
Shareholders of the Company	(9,710)	(22,206)
Non-controlling interests	(7,020)	(7,227)
	(16,730)	(29,433)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

	Notes	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property and equipment		10,097	12,532
Investment properties		46,972	45,812
Intangible assets		2,616	3,576
Investment in a jointly-controlled entity		4,857	12,352
Investments in associates		26,557	24,063
Trade receivables	10	9,961	9,681
Prepayment		32,406	31,605
Total non-current assets		133,466	139,621
CURRENT ASSETS			
Inventories		22,958	7,967
Amounts due from contract customers		2,256	909
Trade receivables	10	62,723	78,781
Prepayments, deposits and other receivables		42,581	85,421
Pledged deposits		4,234	5,779
Cash and cash equivalents		1,127,218	647,050
Total current assets		1,261,970	825,907
CURRENT LIABILITIES			
Trade and bills payables	11	81,892	79,958
Amounts due to contract customers		11,904	7,173
Other payables and accruals		86,731	102,146
Income tax payable		6,757	6,590
Total current liabilities		187,284	195,867
NET CURRENT ASSETS		1,074,686	630,040
TOTAL ASSETS LESS CURRENT LIABILITIES		1,208,152	769,661
NON-CURRENT LIABILITIES			
Trade payables	11	13,965	11,036
Convertible bonds	12	269,449	—
Deferred income		—	43,444
Total non-current liabilities		283,414	54,480
Net assets		924,738	715,181
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	13	854,460	677,460
Reserves		66,821	22,341
Non-controlling interests		3,457	15,380
Total equity		924,738	715,181

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2013

	Attributable to shareholders of the Company											
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Equity component	Capital reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
					of convertible bonds							
					(Unaudited) HK\$'000							
At 1 January 2013	677,460	170,319	9,721	27,882	—	2,943	75,743	36,781	(301,048)	699,801	15,380	715,181
Loss for the period	—	—	—	—	—	—	—	—	(18,642)	(18,642)	(8,230)	(26,872)
Other comprehensive income/ (loss) for the period:												
Exchange fluctuation reserve:												
Translation of foreign operations	—	—	—	—	—	—	10,939	—	—	10,939	1,210	12,149
Release upon disposal of a subsidiary	—	—	—	—	—	—	(706)	—	—	(706)	—	(706)
Share of other comprehensive loss of an associate	—	—	—	—	—	—	(1,301)	—	—	(1,301)	—	(1,301)
Total comprehensive loss for the period	—	—	—	—	—	—	8,932	—	(18,642)	(9,710)	(7,020)	(16,730)
Issue of new shares (note 13)	177,000	23,010	—	—	—	—	—	—	—	200,010	—	200,010
Issue of convertible bonds (note 12)	—	—	—	—	31,971	—	—	—	—	31,971	—	31,971
Shares issue expense (note 13)	—	(791)	—	—	—	—	—	—	—	(791)	—	(791)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	(4,903)	(4,903)
Share of reserves of an associate	—	—	—	—	—	(1,065)	—	—	1,065	—	—	—
At 30 June 2013	854,460	192,538*	9,721*	27,882*	31,971*	1,878*	84,675*	36,781*	(318,625)*	921,281	3,457	924,738
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

* These reserve accounts comprise the consolidated reserves of HK\$66,821,000 (31 December 2012: HK\$22,341,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2013

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(33,367)	(71,228)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	38,369	(60,803)
NET CASH FLOWS FROM FINANCING ACTIVITIES	498,610	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	503,612	(132,031)
Cash and cash equivalents at beginning of period	551,748	608,262
Effect of foreign exchange rate changes, net	12,364	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,067,724	476,231
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	184,634	233,175
Time deposits	946,818	416,244
Less: Pledged deposits	(4,234)	(5,046)
Cash and cash equivalents as stated in the consolidated statement of financial position	1,127,218	644,373
Less: Time deposits with maturity of more than three months when acquired	(59,494)	(168,142)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	1,067,724	476,231

1. Basis of Preparation

The unaudited condensed interim consolidated financial statements for the six months ended 30 June 2013 are prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

2. Accounting Policies

The accounting policies and basis of preparation adopted in the preparation of these interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2012, except for the adoption of the following new, revised and amended 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 — Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

The adoption of these new, revised and 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Accounting Policies (continued)

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:

HKFRS 9	<i>Financial Instruments</i> ²
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — <i>Investment Entities</i> ¹
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities</i> ¹
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets</i> ¹
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial instruments: Recognition and Measurement</i> ¹
HK(IFRIC)-Int 21	<i>Levies</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² 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 revenue from external customers for each group of similar products and services is disclosed in note 4 to the interim financial statements.

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

During the six months ended 30 June 2013, the Group had transactions with a single external customer (six months ended 30 June 2012: three) which contributed to over 10% of the Group's total revenue. The revenue generated from sales to this customer is set out below:

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Customer A	31,255	8,962
Customer B	*	6,541
Customer C	*	6,690

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. 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 period.

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

	Notes	Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue			
Sale of IT related products		57,715	21,548
System integration contracts		3,306	16,200
Maintenance contracts		12,987	8,829
Software development contracts		2,935	4,356
		76,943	50,933
Other income			
Bank interest income		6,631	5,131
Imputed interest on interest-free trade receivables with extended credit periods		401	2,729
Government grants released	(a)	259	467
Others		384	412
		7,675	8,739
Gains			
Gain on disposal of a subsidiary	(b)	1,535	—
Gain on deemed partial disposal of interests in an associate	(c)	—	5,857
		1,535	5,857
Other income and gains		9,210	14,596

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"), a subsidiary of the Group. The government grants have been recognised in the consolidated income statement to match with 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 before BG Culture was disposed of during the period.
- (b) The gain on disposal of a subsidiary recognised during the period ended 30 June 2013 arose from the disposal of the 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. Alison is an investment holding company and its sole investment is a 59.5% equity interest in BG Culture. Details of the disposal are set out in note 16(b)(i) to the interim financial statements.
- (c) 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 China Information Technology Development Limited ("CITD") from approximately 29.18% to 25.29% upon the placing of 1,000,000,000 new ordinary shares by CITD in June 2012.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. Finance Costs

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Interest on convertible bonds	1,013	—
Imputed interest on convertible bonds (note 12)	2,029	—
Imputed interest on interest-free trade payables with extended credit periods	—	3,257
	3,042	3,257

6. Loss Before Tax

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

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Depreciation	1,281	1,327
Amortisation of intangible assets	416	383
Impairment of an amount due from an associate #	30	33
Reversal of impairment of trade receivables, net #	(137)	(40)

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 2013 as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2012: 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.

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Current — Mainland China		
Charge for the period	—	59
Underprovision in prior periods	—	4
Total tax charge for the period	—	63

There was no share of tax attributable to associates for the current period and that for the six months ended 30 June 2012 of HK\$267,000 was included in "Share of profits and losses of associates" in the consolidated income statement.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 797,741,918 (six months ended 30 June 2012: 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 2013 and 2012 as the convertible bonds and share options of the Company and the share options of CITD outstanding as applicable, during these periods either have an anti-dilutive effect or have no 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 2013 (six months ended 30 June 2012: 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 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:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Neither past due nor impaired	45,647	60,246
Past due but not impaired:		
Less than 3 months	6,582	25,732
4 to 6 months	5,708	1,124
7 to 12 months	14,101	411
Over 1 year	646	949
	27,037	28,216
Portion classified as current assets	72,684 (62,723)	88,462 (78,781)
Non-current portion	9,961	9,681

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. 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 payment due date, is as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Not past due	76,447	66,872
Past due:		
Less than 3 months	3,032	10,015
4 to 6 months	33	3
7 to 12 months	5,108	609
Over 1 year	11,237	13,495
	19,410	24,122
Portion classified as current liabilities	95,857 (81,892)	90,994 (79,958)
Non-current portion	13,965	11,036

12. Convertible Bonds

On 28 February 2013, pursuant to the conditional subscription agreement dated 15 September 2011 (as amended by the supplemental agreements in relation thereto, collectively the "Subscription Agreement") entered into between the Company, Idata Finance Trading Limited ("Idata", the immediate holding company of the Company), as subscriber, and Beijing Enterprises Holdings Limited ("BEHL", an intermediate holding company of the Company), as guarantor, inter alia, convertible bonds of the Company with an aggregate principal amount of HK\$300,580,000 and an initial conversion price of HK\$1.13 per share were issued to Idata. The convertible bonds bear interest at 1% per annum and maturity of five years. In additions, subject to the Company's satisfaction of certain pre-conditions to giving notice, the Company shall have the discretion to notify Idata at any time during the term of the convertible bonds to require Idata to subscribe for such amount of standby convertible bonds of an aggregate principal amount of HK\$3,000,150,000 at the initial conversion price of HK\$1.13 per share, as the Company may, from time to time, consider appropriate. Further details of the transactions are set out in the Company's circular dated 21 December 2012.

The Company's convertible bonds are bifurcated into liability and equity components for accounting purpose. The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

A summary of the movements in the principal amount, liability and equity components of the Company's convertible bonds during the six months ended 30 June 2013 is as follows:

	Principal amount HK\$'000	Liability component HK\$'000	Equity component HK\$'000
At 1 January 2012, 31 December 2012 and 1 January 2013	—	—	—
Issue of convertible bonds	300,580	267,420	31,971
Imputed interest expense (note 5)	—	2,029	—
At 30 June 2013	300,580	269,449	31,971

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. Share Capital

Shares

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Authorised:		
5,000,000,000 (31 December 2012: 1,000,000,000) ordinary shares of HK\$1 each	5,000,000	1,000,000
Issued and fully paid:		
854,460,150 (31 December 2012: 677,460,150) ordinary shares of HK\$1 each	854,460	677,460

During the six months ended 30 June 2013, there were the following movements in the Company's share capital:

- (a) On 11 January 2013, as approved by the shareholders of the Company at an extraordinary general meeting, 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.
- (b) On 28 February 2013, pursuant to the completion of the Subscription Agreement, 177,000,000 new ordinary shares of HK\$1 each were issued at a price of HK\$1.13 per share to Idata with net proceeds of HK\$199,219,000. Further details of the transactions are set out in the Company's circular dated 21 December 2012.

A summary of the movements in the Company's issued share capital during the six months ended 30 June 2013 is as follows:

	Number of ordinary shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2012, 31 December 2012 and 1 January 2013	677,460,150	677,460	170,319	847,779
Issue of new shares	177,000,000	177,000	23,010	200,010
Shares issue expense	—	—	(791)	(791)
At 30 June 2013	854,460,150	854,460	192,538	1,046,998

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 26 to 28.

14. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2013 (31 December 2012: Nil).

15. Capital Commitments

At 30 June 2013, the Group had capital commitments as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Contracted, but not provided for:		
Property (note 16(c)(i))	8,101	7,901
Authorised, but not contracted for (note (a)):		
Equipment	—	18,787
Intangible assets	—	8,919
	—	27,706
	8,101	35,607

Notes:

- (a) At 31 December 2012, the authorised commitments related to BG Culture which were disposed of by the Group in February 2013, details of the disposal are set out in note 16(b)(i) to the interim financial statements.
- (b) In addition to the above commitments, the Group also entered into certain agreements in relation to the investment in waste-to-energy projects:
- (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 transactions 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 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\$324,051,000) 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\$34,873,000) 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\$815,190,000) 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 the transactions are set out in the Company's announcement dated 28 June 2012. At the date of approval of these interim 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 was preliminary estimated to be ranged from US\$530,000,000 (equivalent to approximately HK\$4,134,000,000) to US\$535,000,000 (equivalent to approximately 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 interim financial statements, the transaction is subject to due diligence and the definitive agreement(s) to be entered into by the relevant parties.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. Related Party Disclosures

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

	Notes	Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
With an immediate holding company:			
Interest on convertible bonds	(i)	1,013	—
With an associate:			
Purchase of goods	(ii)	—	3,428
With fellow subsidiaries:			
Property services fee [#]	(iii)	867	—
Rental expenses [®]	(iv)	120	—
With a non-controlling equity holder:			
Sales of products	(v)	4,203	4,221
Service income	(v)	—	2,469
With related companies:			
Purchase of goods [#]	(vi)	4,316	1,483
Rental expenses [®]	(iv)	—	150

[#] These transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

[®] These transactions constitute continuing connected transactions that are exempted from the reporting, announcement and independent shareholders' approval requirements as defined in Chapter 14A of the Listing Rules.

Notes:

- (i) The interest on convertible bonds payable to Idata was determined by the bond instrument signed on 28 February 2013.
- (ii) The purchase prices of goods from 北京北控電信通智能科技有限公司 were mutually agreed between two parties.
- (iii) The property services fee payable to 北京北控宏創科技有限公司 ("Hong Chuang"), a subsidiary of BEHL, was determined by reference to the then prevailing market rates pursuant to the property services contract dated 31 December 2012.
- (iv) The rental expenses payable to Beijing Enterprises (Properties) Limited, a subsidiary of BEHL, was determined by reference to the prevailing market rentals.
- (v) The sales of products to and service income received from 北京教育網絡和信息中心 were mutually agreed between two parties.
- (vi) The purchase prices of goods from 北京市政交通一卡通有限公司, an affiliate of 北京控股集團有限公司 ("BEGCL", the ultimate holding company of the Company), were mutually agreed between the parties under the framework agreement dated 30 March 2012.

16. Related Party Disclosures *(continued)*

(b) Other transactions with related parties:

- (i) On 5 February 2013, Business Net Limited, a wholly-owned subsidiary of the Company, 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 and the indebtedness advanced by the Company to Alison for a cash consideration of HK\$8,500,000. 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 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 a gain on disposal of HK\$1,535,000 is recognised during the period.
- (ii) As disclosed in notes 12 and 13 to the interim financial statements, pursuant to the completion of the Subscription Agreement 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 Idata; 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 Idata.

(c) Commitments with related parties:

- (i) Pursuant to the entering of a property transfer agreement on 14 February 2012, the Company has commitment of the outstanding balance of purchase consideration of RMB6,400,000 (equivalent to approximately HK\$8,101,000) payable to Hong Chuang upon the completion of the acquisition of a property in Beijing.
- (ii) Pursuant to the entering of a property services contract on 31 December 2012, the Company has commitment of the payment of fixed property management fee to Hong Chuang of RMB1,374,000 (equivalent to approximately HK\$1,739,000) for the year ending 31 December 2013 and RMB166,000 (equivalent to approximately HK\$210,000) for the year ending 31 December 2014.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. Related Party Disclosures (continued)

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

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Trade receivables from:		
A non-controlling equity holder	132	128
Other receivables from:		
A substantial shareholder	—	47,595
Fellow subsidiaries	62	—
A jointly-controlled entity	564	—
A non-controlling equity holder	857	2,332
Affiliates of a substantial shareholder	373	190
Prepayment to:		
A fellow subsidiary	32,406	—
A subsidiary of a substantial shareholder	—	31,605
Trade payables to:		
A jointly-controlled entity	—	173
Associates	9,197	4,351
Other payables to:		
The immediate holding company	1,013	—
Fellow subsidiaries	903	—
Associates	2,288	2,099
Non-controlling equity holders	23,249	20,000
A subsidiary of a substantial shareholder	—	1,686

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

During the period ended 30 June 2013, pursuant to the completion of the Subscription Agreement as further detailed in note 13(b) to the interim financial statements, certain substantial shareholders as at 31 December 2012 became the holding companies of the Company and subsidiaries of such substantial shareholders became fellow subsidiaries of the Company

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

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Short term employee benefits	2,244	2,117
Post-employment benefits	150	135
Total compensation paid to key management personnel	2,394	2,252

17. 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 2013.

Directors

The directors of the Company during the six months ended 30 June 2013 and up to the date of this report were:

Mr. E Meng (*Chairman*)
Mr. Zhang Honghai
Mr. Ke Jian (*Vice Chairman*) (appointed on 29 August 2013)
Mr. Wang Yong (*President*)
Mr. Yan Qing (resigned on 29 August 2013)
Ms. Sha Ning (*Vice President*)
Ms. Qin Xuemin (*Vice President*) (appointed on 29 August 2013)
Mr. Ng Kong Fat, Brian

Independent non-executive directors:

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

The biographical details of the newly appointed executive directors of the Company are set out below:

- (1) Mr. Ke Jian, aged 44, the vice chairman of the Company, is a PRC Senior Accountant, Certified Tax Agent and Senior International Finance Manager and obtained a bachelor's degree in economics from Beijing College of Finance and Commerce. Mr. Ke is currently a vice president of Beijing Enterprises Holdings Limited ("BEHL", stock code: 392), an executive director of Beijing Enterprises Water Group Limited (stock code: 371), both are companies listed on the main board of the Stock Exchange, and the chairman of Beijing Enterprises Environmental Group Limited. Mr. Ke has accumulated extensive experience in finance and corporate management.
- (2) Ms. Qin Xuemin, aged 54, a vice president of the Company, is an Associate Research Fellow and obtained a master's degree from the Beijing Institute of Technology. Ms. Qin has been the head of the Office of State-Owned Assets Investment Business Company and the vice chairman of the Administration Office for State-Owned Assets at the Beijing New Technology Industrial Development Test Zone. Ms. Qin has joined BEHL since July 2000 and has been the deputy general manager of Beijing Enterprises Holdings High-Tech Development Co., Ltd., a non-executive director (resigned in January 2011) of Biosino Bio-Technology and Science Incorporation (stock code: 8247), a company listed on the growth enterprise market of the Stock Exchange. Ms. Qin is currently an assistant to president of BEHL, the general manageress of Beijing Beikong Hongchuang Technology Co., Ltd. and Beijing Beikong New Energy Technology Development Co., Ltd. Ms. Qin has accumulated extensive experience in building construction and corporate management.

Save as disclosed above and as at the date of publication of this interim report, Mr. Ke and Ms. Qin held no other directorships in listed public companies in the last three years, do not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company, have not entered into any service contract in relation to their directorships with the Company, have no fixed term of service with the Company and are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company. Mr. Ke and Ms. Qin are currently entitled to receive a director fee of HK\$120,000 per annum each from the Company, which is determined from time to time by the Board with reference to prevailing market rate.

In addition, Dr. Jin Lizuo has retired as an independent non-executive director of Huabo International Holdings Limited (stock code: 336) with effect from 8 August 2013.

Since the issue date of the annual report 2012 of the Company, save as disclosed above, there has been no change in the board of directors, and there has been no change in directors' information that is required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing The Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

GENERAL INFORMATION

Directors' Service Contracts

At 30 June 2013, 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 and Contracts 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 notes 15 and 16 to the interim financial statements, no contract 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, either directly or indirectly, subsisted at any time during the six months ended 30 June 2013 or at the end of the period.

Directors' Interests and Short Positions in Shares and Underlying Shares

At 30 June 2013, 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	0.07
Mr. Zhang Honghai	4,000,000	—	4,000,000	0.47
Mr. Yan Qing	4,000	—	4,000	—
Mr. Ng Kong Fat, Brian	1,600,000	8,792,755 [#]	10,392,755	1.22
	6,205,000	8,792,755	14,997,755	1.76

[#] 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.

Long positions in share options in an associated corporation of the Company – Beijing Properties (Holdings) Limited:

Name of director	Number of share options directly beneficially owned		Total
	Note (a)	Note (b)	
Mr. E Meng	5,000,000	3,600,000	8,600,000
Mr. Zhang Honghai	6,000,000	5,000,000	11,000,000
	11,000,000	8,600,000	19,600,000

Notes:

- (a) These share options were granted on 28 October 2011 at an exercise price of HK\$0.465 per share. These share options may be exercised at any time commencing on 28 October 2011, and if not otherwise exercised, will lapse on 27 October 2021.
- (b) These share options were granted on 1 June 2012 at an exercise price of HK\$0.41 per share. These share options may be exercised at any time commencing on 1 June 2012, and if not otherwise exercised, will lapse on 31 May 2022.

Save as disclosed above, as at 30 June 2013, 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.

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 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 on the date of acceptance of the share options or after a certain vesting period, if any, and ends on a date which is not later than 10 years from the date of 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.

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 upon three months from the date of which the grantee ceased to be an employee, a director or a consultant of the Group.

No share option was granted, exercised, forfeited or lapsed during the six months ended 30 June 2013. At 1 January 2013 and 30 June 2013, 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

These 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. These share options may be exercised at any time commencing on 21 June 2011, and if not otherwise exercised, will lapse on 20 June 2021.

GENERAL INFORMATION

Share Option Scheme (continued)

At 30 June 2013 and the date of approval of these interim financial statements, these outstanding share options represented approximately 6.02% of the Company's ordinary shares in issue as at these dates. The exercise in full of these 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.

Save as disclosed above, at no time during the six months ended 30 June 2013 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 30 June 2013, 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")		452,675,000	—	452,675,000	52.98
Beijing Enterprises Holdings Limited ("BEHL")	(a)	14,784,000	452,675,000	467,459,000	54.71
Beijing Enterprises Group (BVI) Company Limited ("BEBVI")	(b)	—	467,459,000	467,459,000	54.71
BEGCL	(b)	—	467,459,000	467,459,000	54.71

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 2013, 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 2013.

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

In the opinion of the directors of the Company, save as disclosed below, the Company has complied with all the applicable code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2013.

- (1) Under the 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.
- (2) Under the Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, all existing non-executive directors of the Company are not appointed for a specific term but subject to retirement by rotation at the annual general meeting in accordance with the Company's articles of association.
- (3) 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 extraordinary general meeting and 2013 annual general meeting of the Company held during the six months ended 30 June 2013 due to other business engagements.
- (4) Under the Code Provision E.1.2, the chairman of the board should invite the chairman of the audit, remuneration and nomination committees to attend the annual general meeting. However, the chairmen of the audit and remuneration committees were unable to attend the 2013 annual general meeting of the Company due to other business engagements.

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 of the Company. All the directors of the Company 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 2013.

Board Committees

Audit Committee

The Audit Committee was established with written terms of reference in accordance with rule 3.21 of the Listing Rules and the 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 Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2013.

Board Committees *(continued)*

Remuneration Committee

The Remuneration Committee was established with terms of reference in accordance with rule 3.25 of the Listing Rules and the Code Provision B.1. The current 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 of the Board, 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.

Nomination Committee

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

Detailed terms of reference of the above Board Committees 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 2013, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.